SINOTRANS LIMITED

Stock Code : 598

2010 Annual Report

Deliver with Heart, Generate Mutual Success

MISSION

Leveraging on our comprehensive integrated logistics network to offer our customers multifaceted value-added services, empowering them to strengthen operational efficiency and enhance market competitiveness. Capitalising on our successful operations to create a consolidated platform for all our shareholders, customers and employees to drive and build greater success. Spearheading the growth in China's logistics industry with our corporate development and our dedication and commitment to "Green Logistics" through our community involvement in environmental protection.

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Corporate Information

LEGAL NAME OF THE COMPANY:
SINOTRANS LIMITED

DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:
20 November 2002

REGISTERED ADDRESS AND HEADQUARTERS OF THE COMPANY:
Sinotrans Plaza A
A43, Xizhimen Beidajie
Haidian District
Beijing 100044
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:
21/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

LEGAL REPRESENTATIVE OF THE COMPANY:
Mr. Zhao Huxiang

COMPANY SECRETARY:
Mr. Gao Wei

INVESTOR AND MEDIA RELATIONS:
Securities and Legal Affairs Department
Tel: (86) 10 6229-6667
Fax: (86) 10 6229-6600
Email: ir@sinotrans.com
Website: www.sinotrans.com

HONG KONG SHARE REGISTRAR:
Computershare Hong Kong Investor Services Limited
17th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARE LISTING:
The Stock Exchange of Hong Kong Limited

ABBREVIATION OF THE COMPANY'S SHARES:
中國外運(SINOTRANS)

STOCK CODE:
598

CONTROLLING SHAREHOLDER:
SINOTRANS & CSC Holdings Co., Ltd
("SINOTRANS & CSC")

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

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

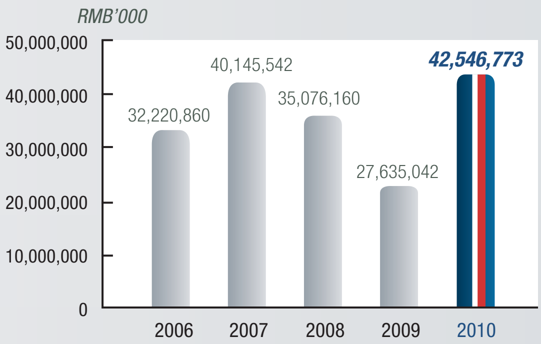
AUDITORS:
International auditors:
PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

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

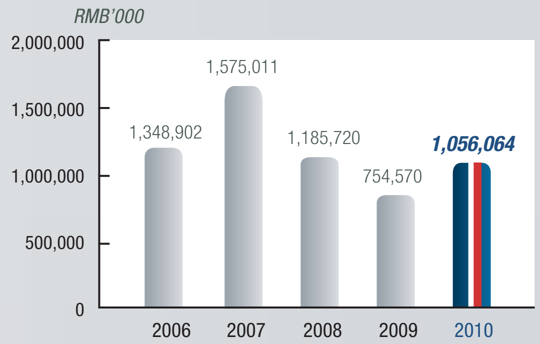
LEGAL ADVISERS:
ReedSmith
Richards Butler
20th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

Financial Highlights

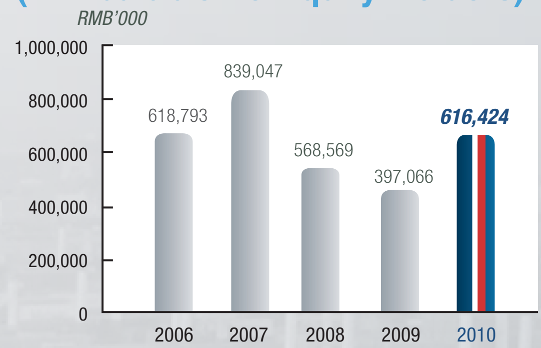
Turnover



Profit Before Income Tax



Profit For The Year (Attributable To Equity Holders)



Earnings Per Share (Basic And Diluted)

As at 31 December	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
		(Restated)	(Restated)		
Total assets	**25,094,623**	21,718,532	19,660,184	20,262,980	15,952,897
Total liabilities	**13,054,634**	10,497,163	9,232,046	8,647,528	6,733,444
Non-controlling interests	**2,281,131**	2,057,690	1,847,436	2,281,281	1,709,280
Equity holders' equity	**9,758,858**	9,163,679	8,580,702	9,334,171	7,510,173

Note 1: Basic and diluted earnings per share for the five years ended 31 December 2006, 2007, 2008, 2009 and 2010 have been computed by dividing the profit for the year by, respectively, 4,249,002,200 shares, being the weighted average number of shares in issue during the year ended 31 December 2006, 2007, 2008, 2009 and 2010. As there are no potentially dilutive securities, there is no difference between basic and diluted earnings per share.

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

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

Note 4: The restatements in 2009 and 2008 were due to the early adoption of IFRS 1 (Amendment) from 1 January 2010. With this amendment, a first-time adopter (FTA) may elect to use event-driven (such as reorganization etc.) 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.

Chairman's Statement

Zhao Huxiang
Executive Director
and Chairman

To: the shareholders

I am pleased to present the annual report of Sinotrans Limited (the "Group") for the financial year ended 31 December 2010 for your review.

REVIEW OF OPERATING RESULTS

In 2010, on the basis of turnaround of global economy, the economy of China gradually grew steadily and started to recover; the GDP growth of China slowed down towards the end of the year compared with the beginning of the year, but with small fluctuation; however the economy growth was highly dependent on the government's policy. Having achieved the target of "maintaining the growth", the Chinese Government also strengthened the policy of "promoting domestic consumption, adjusting structure", strictly stuck to the structural adjustment and transformation of growth drive, enhanced ability of sustainable growth, accelerated the healthy and fast development of the economy. The GDP of China grew by 10.3% in 2010 compared with the corresponding period of 2009, and the total foreign trade value increased by 34.7%, among which, the export value increased by 31.3% and import value increased by 38.7%.

Chairman's Statement

Your trust in Sinotrans will continue to inspire our confidence and strive to forge ahead and create greater value.

Grasping the opportunities of the macro economy growing steadily and starting to recover, the Group greatly promoted development, accelerated transformation, deepened the development of strategic customers through a series of methods like solidifying and optimizing traditional business; greatly promoting business structural adjustment, accelerating the development of domestic business; speeding up the development of specialized logistics, steadily elevating specialization level; deeply advancing the resources consolidation, steadily implementing structural optimization adjustment; and continuously elevating refined management level, the Group realized recovery of growth and a maintained healthy development trend.

In 2010, the Group's business achieved a revenue of approximately RMB42.547 billion, representing an increase of 54.0% as compared with the corresponding period in 2009; operating profit generated from its business operation increased by 55.3 %. Profit distributable to equity holders increased by 55.2% as compared with the corresponding period in 2009. Earnings per share was RMB0.15 (corresponding period in 2009: RMB0.09).

Chairman's Statement

RESOURCE INTEGRATION

We will continue to strengthen cooperation with SINOTRANS & CSC to further improve and extend our service network as well as to expand our overseas network, with a view to providing integrated logistics and professional services to our customers.

DIVIDENDS

The Board has proposed to recommend the payment of a final dividend of RMB 0.02 per share at the forthcoming Annual General Meeting to reward shareholders for their continuous support of the Group, taking into account the Company's sound financial position.

SOCIAL RESPONSIBILITY

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

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

INVESTOR RELATIONS

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

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

PROSPECTS

In 2011, the global economy will continue to grow slowly, but not steadily, and there still lays a lot of uncertainties, the process of recovery will be tortuous. The healthy grow prospects trend in the long run of China economy remain unchanged, all kinds of favorable conditions are still there, but the stable operation of the macro economy still face certain complications, the problem of over-capacity of productivity is becoming outstanding, and the pressure to structural adjustment becomes tougher; the continuing increase of cost in basic elements of productivity like land, raw materials and labor force, and the increased restriction from protection of resources and environment bring new challenges to the traditional economy growth model; the CPI is in the increasing trend, and the pressure of inflation continues to increase. But with the continuous solidification and development of economic recovery and growth, the macro economical policies will turn to maintain the normal growth from anti-economic crisis, and certain stimulating policies will be withdrawn. For the industry, with the drive of further solidification of growth trend of the economy situation, the demand for logistics services will experience fast growth trend, and the growth rate of logistics industry in 2011 is predicted to be higher than that of 2010, and the total social logistics value will increase about 15%, and the added value of logistics industry is believed to increase more than 10%; but the price of basic elements of logistics continue to climb, and the cost pressure of logistics companies continue to increase, the overall view for the logistics industry is cautiously optimistic.

Chairman's Statement

To conclude the above opinions, the overall situation of China's economy is optimistic, but there still lays some uncertainties. The Group will carry on with the active change and favorable conditions of the development of China's economy, and will have further confidence to develop; at the same time, we should also be fully aware of the complexity, severity and uncertainty, and make solid preparation to face the challenges.

2011 is the first year of the 5-Year Plan of the Group. The general philosophy of future development of the Group is to make full use of the opportunities of the revival of the market, speed up the transformation of business and structure, and increase the investment in the logistics facilities at the same time to realize the fast growth of business scale and profit of the Group.

Base on the analysis and judgment of the change of internal and external situation, the Group's idea for the work of 2011 is: guided by the 5-Year Plan, targeting at the transformation, capturing the opportunities, deepening the adjustments, speeding up the development, to realize the jump in development and build up a leading consolidated logistics platform. In 2011, the Group will deeply advance the resource consolidation in integrated logistics sector, continue to accelerate the resource consolidation along the riverside area and chemical products logistics; continue to solidify and optimize traditional business; solidify core businesses of shipping agency and freight forwarding, further promote the adjustment and optimization of business model; fully exploit the advantage of space-booking platform, expand the business scale and market share; continue to complete overseas network construction, actively explore overseas business and import business; accelerate the development of domestic trade logistics business; continue to develop specialized logistics; and continue to solidify the fundamental management of the Company.

APPRECIATION

Finally, I would like to take this opportunity to express our most sincere thanks to the Board of Directors, Board of Supervisors, management and staff. Your strong support and tireless efforts are the source and momentum of the continuous development of the Group. We would like to express our deepest thanks to our business partners and shareholders. Your trust in Sinotrans will continue to inspire our confidence and strive to forge ahead and create greater value.

Zhao Huxiang
Chairman

Beijing, the PRC
23 March 2011

Management Discussion
and Analysis of Results of Operations and Financial Position

Zhang Jianwei
Executive Director
and President

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

BUSINESS OVERVIEW

The Group is a leading logistics service provider in the People's Republic of China ("PRC") whose core businesses include freight forwarding and shipping agency, complemented by supporting businesses in storage and terminal services, marine transportation and other services (mainly engaged in trucking transportation and express services).

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

Management Discussion and Analysis of Results of Operations and Financial Position

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

REVIEW OF OPERATION

2010 was a year of recovery for global economy. Thanks to the concerted efforts of management team and the entire staff of the Group, the Group proactively responded to the complex and changing economic situations, seized opportunities arising from the economic recovery, vigorously fostered developments and accelerated transformation, as a result of which business growth was resumed and budget tasks were completed ahead of schedule in terms of various performance indices. Over the year, the Group focused on "fulfilling the mission through innovative developments and promoting transformation through optimized integration", with emphasis on the following aspects:

– We continuously solidified and optimized traditional operations, and synergies among businesses were further strengthened. The Group's traditional operations continued to play a leading role. The effects of business linkage were significant and the size of business operations was growing rapidly, resulting in a relatively high share of contribution to the revenue and profit. Meanwhile, the Group increased efforts in innovating traditional operations and fostered business linkage through logisticalization of freight forwarding, hence achieving good results in integrated operations. The size of cargo-space booking business was constantly expanding and the platform functions were further enhanced. The Group broke through traditional marketing models and further developed strategic customers on an intensive scale. There was continuous improvement in the layout of overseas networks and the quality of network operations was constantly increasing.

– We increased the efforts in business structural adjustments while domestic trade operations developed rapidly. The freight platform for domestic trade maintained rapid growth momentum. Through market development and exploration of key customers, the size of domestic trade freight operations further expanded and a relatively rapid growth was maintained. The Group initially constructed a capacity platform which has started to show a positive effect. The construction of the platform will, to a certain extent, further promote the development of the Group's domestic trade logistics operations.

– We accelerated the development of specialized logistics and the improvement on such specialization was steady. The project logistics business continued to develop at a steady pace and has become a new profit growth driver of the Group. The Group expanded the development and innovation of contract logistics business, achieving significant developments in various target sectors. The development trends of chemical products logistics business were strong and the scope of business cooperation with key customers was further widened. The exhibition logistics operations showed significant brand effects which were reflected in the Group's successful service at 2010 Shanghai World Expo and Guangzhou Asian Games. The development of collateral management business was steady.

– We intensively promoted the integration and restructuring of resources while structural optimization and adjustment were implemented steadily. The integration of resources along the Yangtze River achieved significant progress and various implementations were pushed forward successively. Substantial progress was achieved in the integration of chemical logistics operations. The investments and M&As of the Group proceeded substantively, further improving the network layout.

Management Discussion
and Analysis of Results of Operations and Financial Position

– We organized and formulated a new round of development plans to define development targets for the next five years for the continuous promotion of enterprise transformation.

– We also increased the level of refined management constantly and further strengthened the business support and services. The Group continuously raised its level of cost control, strengthened efforts in risk control, constructed safety production management systems, improved its business management and service capabilities, further optimized its financial value management and achieved breakthroughs in the construction and management of informatization.

OPERATING STATISTICS

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

	For the year ended 31 December	
	2010	2009
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	5.9	5.8
Container cargo (in ten thousands of TEUs)	694.4	573.2
Air freight forwarding (in millions of kilograms)	384.1	301.9
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	0.8	0.7
Container cargo (in ten thousands of TEUs)	3.4	3.2
Road freight forwarding		
Bulk cargo (in millions of tonnes)	0.14	0.14
Container cargo (in ten thousands of TEUs)	30.8	3.9
Shipping agency		
Net registered tonnes (in millions of tonnes)	608.9	541.0
Vessel calls (number of times per vessel)	60,047	61,896
Containers (in millions of TEUs)	12.26	10.11
Bulk cargo (in millions of tonnes)	171.3	163.6
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in millions of tonnes)	12.0	9.3
Containers (in millions of TEUs)	8.6	7.3
Terminal throughput		
Bulk cargo (in millions of tonnes)	1.8	2.4
Containers (in ten thousands of TEUs)	294.7	257.9
Marine transportation		
TEUs (in ten thousands)	221.0	184.7
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	283.6	256.5
Trucking of containers (in ten thousands of TEUs)	73.6	74.7
Express operations packages (in millions of units)	1.51	2.42

Management Discussion
and Analysis of Results of Operations and Financial Position

OPERATING RESULTS

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

	For the year ended 31 December	
	2010 (In RMB million except for earnings per share and number of shares	2009 (In RMB million except for earnings per share and number of shares) (Restated)
Revenue	42,546.8	27,635.0
Other income	249.3	334.1
Business tax and other surcharges	(272.9)	(253.7)
Transportation and related charges	(35,482.3)	(21,999.8)
Depreciation and amortisation	(414.3)	(393.7)
Cost of operation (excluding transportation and related charges, business tax and surcharges, depreciation and amortisation, and other (losses)/gains, net):		
– Staff costs	(2,138.4)	(1,853.9)
– Repairs and maintenance	(156.8)	(136.2)
– Fuel	(1,159.3)	(857.6)
– Travel and promotional expenses	(292.8)	(238.3)
– Office and communication expenses	(179.4)	(152.6)
– Rental expenses	(1,419.3)	(1,323.9)
– Other operating expenses	(428.7)	(407.0)
Other (losses)/gains, net	(75.2)	147.8
Operating profit	776.7	500.2
Financial costs, net	(223.3)	(110.5)
Share of profit of jointly controlled entities	432.9	328.3
Share of profit of associates	69.8	36.6
Profit before income tax	1,056.1	754.6
Income tax expense	(224.0)	(227.9)
Profit after income tax	832.1	526.7
Profit attributable to shareholders		
Equity holders of the Company	616.4	397.1
Non-controlling interests	215.7	129.6
Dividends	170.0	85.0
Earnings per share attributable to the equity holders of the Company, basic and diluted (RMB)	0.15	0.09
Weighted average number of shares during the year (in millions of shares)	4,249.00	4,249.00
Number of shares at end of year (in millions of shares)	4,249.00	4,249.00

Management Discussion
and Analysis of Results of Operations and Financial Position

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

	Turnover by business segment (in million RMB) For the year ended 31 December			
	2010		2009	
Freight forwarding	35,896.6	81.2%	22,544.0	78.1%
Shipping agency	775.3	1.8%	655.9	2.3%
Storage and terminal services	1,697.0	3.8%	1,396.4	4.8%
Marine transportation	4,330.8	9.8%	2,993.0	10.4%
Other services	1,504.4	3.4%	1,285.2	4.4%

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

	For the year ended 31 December	
	2010	2009 (Restated)
Freight forwarding	499.8	322.2
Shipping agency	270.9	244.9
Storage and terminal services	299.5	250.6
Marine transportation	(104.1)	(328.3)
Other services	16.4	(8.5)

Management Discussion and Analysis of Results of Operations and Financial Position

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2010

Turnover

In 2010, the Group's turnover amounted to RMB42,546.8 million, up by 54.0% from RMB27,635.0 million in 2009.

Freight Forwarding

Turnover from the Group's freight forwarding services increased by 59.2% to RMB35,896.6 million in 2010, compared to RMB22,544.0 million in 2009.

Volume of sea freight forwarding containers was 6.944 million TEUs in 2010, increasing by 21.1% from 5.732 million TEUs in 2009. Cargo tonnage of air freight forwarding services was 0.3841 million tonnes in 2010, increasing by 27.2% from 0.3019 million tonnes in 2009.

The increase in revenue from freight forwarding in 2010 was mainly attributable to the increase in business volume of sea freight forwarding and the increase in both sea and air freight rates.

Shipping Agency

In 2010, turnover from our shipping agency services was RMB775.3 million, representing an increase of 18.2% from RMB655.9 million in 2009.

Number of containers handled in shipping agency business of the Group was 12.26 million TEUs in 2010, representing a rise of 21.3% from 10.11 million TEUs in 2009. Volume of bulk cargo handled was 171.3 million tonnes in 2010, representing a rise of 4.7% when compared with 163.6 million tonnes in 2009. Net registered tonnage of vessels handled by the shipping agency services reached 608.9 million tonnes in 2010, representing an increase of 12.6% from 541.0 million tonnes in 2009. Number of vessel calls decreased by 3.0% to 60,047 times in 2010, compared with 61,896 times in 2009.

Increases in turnover of shipping agency business and volume of business in container agency business were mainly due to the Group's proactive market expansion, implementation of integrated marketing, and strengthening of strategic cooperation with shipping companies.

Storage and Terminal Services

In 2010, turnover from storage and terminal services amounted to RMB1,697.0 million, representing a 21.5% growth from RMB1,396.4 million in 2009.

The Group's warehouses handled 12.00 million tonnes of bulk cargo in 2010, representing a 29.0% increase from 9.30 million tonnes in 2009. Containers handled grew to 8.60 million TEUs from 7.30 million TEUs in 2009, representing an increase of 17.8%. Containers handled through terminals increased 14.3% to 2.947 million TEUs from 2.579 million TEUs in 2009. The volume of bulk cargo handled at terminals decreased 25.0% to 1.80 million tonnes from 2.40 million tonnes in 2009.

Growth in this business segment was mainly attributable to the Group's proactive market expansion and strengthening of cooperation efforts with shipping companies.

Marine Transportation

Turnover from marine transportation of the Group in 2010 amounted to RMB4,330.8 million, up by 44.7% from RMB2,993.0 million in 2009.

Number of containers shipped by the Group rose to 2.210 million TEUs in 2010, up by 19.7% from 1.847 million TEUs in 2009.

The increase in business volume of marine services was mainly attributable to the enhancement of utilization of its own vessel space as the Group seized the favourable timing of market growth. The increase in revenue from marine services for 2010 was mainly attributable to the increased business volume and increased market freight rates.

Management Discussion
and Analysis of Results of Operations and Financial Position

Other Services

Turnover from other services (mainly from trucking transportation and express services) in 2010 amounted to RMB1,504.4 million, representing an increase of 17.1% from RMB1,285.2 million in 2009.

The Group's trucking of bulk cargo handled in 2010 was 2.836 million tonnes, representing an increase of 10.6% from 2.565 million tonnes in 2009. Volume of containers was 0.736 million TEUs, representing a drop of 1.5% from 0.747 million TEUs in 2009. The number of documents and packages handled in express services fell 37.6% from 2.42 million units in 2009 to 1.51 million units in 2010.

Growth in the turnover of other services was mainly due to the increase in average distance of trucking transportation of the Group, growth of international express business and rising market price.

The Group's jointly controlled entities recorded an investment gain of RMB365.5 million from the operations express services, representing an increase of 9.5% from the previous year. The number of documents or packages handled in operations express services of the jointly controlled entities was up by 28.3% from 16.72 million units in 2009 to 21.45 million units in 2010. In particular, the number of documents or packages completed in the international express services rose by 3.8% from the previous year to 14.34 million units in 2010; whereas the number of documents or packages completed in the domestic express services grew by 146.0% from the previous year to 7.11 million units in 2010.

Transportation and Related Charges

Transportation and related charges were up by 61.3% to RMB35,482.3 million in 2010, compared with RMB21,999.8 million in 2009. Such increase in transportation and related charges was mainly attributable to the increasing business volume of the Group and rising transportation price.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB414.3 million in 2010, representing an increase of 5.2% from RMB393.7 million in 2009, mainly as a result the Group's increased efforts in investing in operating and strategic resources to expand the service market and enhance market competitiveness, as well as the successive commencement of operation of new 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 RMB5,774.7 million in 2010, representing a 16.2% increase from RMB4,969.5 million in 2009.

The increase in operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges, other (losses)/gains, net) was mainly because of the recovering growth of the Group's operating conditions as the macro-economic environment resumed its growth momentum.

In light of the economic crisis in 2009, the Company moderately streamlined the staff cost. The increase in staff costs was mainly due to the partial increment of labour costs as the result of business growth in 2010.

The increase in fuel expenses was primarily because of the growth of business volume of the Group, and the rising prices of international crude oil and domestic fuel oil.

Management Discussion and Analysis of Results of Operations and Financial Position

Other (losses)/gains, Net

Other (losses)/gains, net decreased to -RMB75.2 million in 2010 from RMB147.8 million in 2009.

To hedge against the risks of the shipping route operations associated with rising fuel prices and exchange rate fluctuations, the Group held certain forward fuel contract and forward Japanese Yen/USD exchange contracts. For the year ended 31 December 2010, the gain from changes in fair value of the contracts was RMB16.0 million (2009: RMB189.3 million). In January 2010, the forward fuel contract mentioned above was knocked out.

Operating Profit

The Group's operating profit was RMB776.7 million in 2010, representing a growth of 55.3% from RMB500.2 million in 2009. Operating profit as a percentage of total revenue for 2010 increased to 1.83% from 1.81% in 2009, or to 11.0% from 8.9% as a percentage of net revenue (total revenue less transportation and related charges), primarily as a result of the substantial growth in business volume and revenue of various business segments driven by economic recovery.

Income tax expense

In 2010, income tax expense of the Group amounted to RMB224.0 million, representing a decrease of 1.7% from RMB227.9 million in 2009. Income tax expense as a percentage of profit before income tax expense in 2010 changed to 21.2% from 30.2% for 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.

PROFIT AFTER INCOME TAX EXPENSE

For the year ended 31 December 2010, the Group recorded profit after income tax expense of RMB832.1 million, representing an increase of 58.0% when compared to RMB526.7 million in 2009.

NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST

In 2010, net profit attributable to non-controlling interest amounted to RMB215.7 million, representing an increase of 66.4% as compared with RMB129.6 million in 2009, which was mainly because of the increase in profit for the year of Sinotrans Air Transportation Development Company Limited, a non-wholly owned subsidiary controlled by the Group.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2010 amounted to RMB616.4 million, representing an increase of 55.2% from RMB397.1 million in 2009.

Management Discussion
and Analysis of Results of Operations and Financial Position

LIQUIDITY AND CAPITAL RESOURCES

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

The following table summarises the Group's cash flows for the each of the two years ended 31 December 2010 and 2009:

	For the year ended 31 December	
	2010 RMB in millions	2009 RMB in millions
Net cash generated from operating activities	957.9	782.1
Net cash used in investing activities	(887.5)	(1,031.2)
Net cash generated from financing activities	967.6	694.1
Exchange losses on cash and cash equivalents	(32.5)	(18.8)
Net increase in cash and cash equivalents	1,005.5	426.2
Cash and cash equivalents as at year end	5,202.5	4,197.0

Operating Activities

Net cash generated from operating activities for 2010 amounted to RMB957.9 million, up by 22.5% compared with RMB782.1 million in 2009. The increase in net cash flow from operating activities primarily attributable to the Company's profit attributable to shareholders for 2010 of RMB616.4 million (2009: RMB397.1 million), an increase in current tax liabilities of RMB 315.4 million (2009: RMB270.1 million), an increase in trade payables of RMB513.0 million (2009: increase of RMB689.3 million), an increase in receipts in advance from customers of RMB658.0 million (2009: increase of RMB439.7 million), partly offset by an increase in trade and other receivables of RMB1,004.1 million (2009: increase of RMB905.3 million), an increase in prepayments, deposits and other current assets of RMB307.0 million (2009: increase of RMB149.7 million). Average age of trade and other receivables for 2010 and 2009 were 50 days and 66 days respectively.

Investing Activities

For the year ended 31 December 2010, net cash used in investing activities amounted to RMB887.5 million, primarily comprised RMB992.4 million for the purchase of property, plant and equipment, RMB253.2 million for the acquisition of land use rights and intangible assets, RMB54.90 million paid for additional investments in subsidiaries, associates, jointly controlled entities and prepayment acquisition of subsidiaries, RMB408.9 million for acquisition of available-for-sale financial assets, and RMB99.6 million for the repayment of investment proceeds advanced from the ultimate holding company, which were partially offset by a decrease of RMB196.7 million in term deposits with initial terms of over three months, RMB467.0 million dividends received from the associates and jointly controlled entities, RMB20.3 million received from disposal of associates and jointly controlled entities, RMB34.1 million interest income received, proceeds of RMB56.2 million on disposal of available-for-sale financial assets. For the year ended 31 December 2009, net cash used in investing activities

Management Discussion
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was RMB1,031.2 million, mainly comprised of RMB472.8 million for the purchase of property, plant and equipment, RMB144.5 million for the acquisition of land use rights and intangible assets, RMB400.0 million for payment of the remaining consideration in respect of the acquisition in 2008, RMB155.1 million for additional investments in subsidiaries, associates and jointly controlled entities, RMB504.6 million for addition of available-for-sale financial assets and RMB405.4 million for repayment of investment proceeds advanced from the ultimate holding company, which were partially offset by a decrease of RMB636.5 million in term deposits with initial terms of over three months, RMB236.0 million dividends received from the associates and jointly controlled entities, RMB111.0 million received from disposal of associates, and RMB86.8 million interest income received.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB967.6 million for 2010, compared with net cash generated from financing activities of RMB694.1 million for 2009.

New bank borrowings in 2010 amounted to RMB2,227.7 million (2009: new entrusted bank loans from ultimate holding company amounting to RMB2,500 million, and new bank borrowings amounting to RMB734.5 million), which were partially offset by repayments of bank borrowings of RMB960.9 million (2009: RMB2,318.0 million), dividend payment of RMB245.9 million (2009: RMB112.8 million) and payment of bank loan interest of RMB96.0 million (2009: RMB117.6 million).

Capital Expenditure

For 2010, the Group's capital expenditure amounted to RMB1,245.6 million, consisting primarily of RMB992.4 million for acquisition of property, plant and equipment, RMB16.8 million for the acquisition of intangible assets and RMB236.4 million for purchase of land use rights, among which, RMB706.5 million were used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB427.0 million for the purchase of vehicles and equipment and RMB59.3 million for IT investment, refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2010, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business amounting to RMB71.55 million (2009: RMB72.49 million).

As at 31 December 2010, the amount of guarantees provided by the Group in favour of its jointly controlled entities and customers was RMB206.8 million (2009: the amount of guarantees provided by the Group for its jointly controlled entities and customers was RMB238.1 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 to obtain the operating licenses of air freight forwarding. Such letters of guarantee contains no specific amount, among which, the longest will terminate in 2013.

BORROWINGS

As at 31 December 2010, the Group's total borrowings amounted to RMB4,254.6 million (31 December 2009: RMB2,987.8 million), which comprised bank borrowings of RMB1,754.6 million denominated as to RMB378.9 million in Renminbi, RMB1,094.3 million in US dollars, RMB211.3 million in Japanese Yen, RMB50.0 million in Hong Kong dollars, and RMB20.1 million in Australian dollars. Of the total borrowings, RMB20 million were repayable within one to two years. The weighted average annual interest rate for the above borrowings was 2.83%. The total borrowings of the Group also included a three-year RMB entrusted loan of RMB2,500 million obtained from the ultimate holding company, at a weighted average annual interest rate of 3.28%.

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SECURED AND GUARANTEED BORROWINGS

As at 31 December 2010, the Group pledged restricted cash amounting to approximately RMB104.1 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB93.9 million) and land use rights (with net book value of approximately RMB35.0 million) for borrowings.

GEARING RATIO

As at 31 December 2010, the gearing ratio of the Group was 61.1% (2009: 57.8%), which was calculated at by dividing the sum of total liabilities and non-controlling interests by total assets of the Group as at 31 December 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. There is no assurance that future fluctuations in Renminbi against the US dollars and other currencies would not adversely affect the Group's results and its financial position (including the ability to declare dividends).

CREDIT RISK

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

EMPLOYEES

At the end of 2010, the Group had 24,431 (2009 (restated): 21,782) employees.

The Group has formed an integrated system comprising the job position regime, the remuneration regime and the performance management regime. These regimes have combined to form an incentive and check mechanism compatible with the strategic objectives and business characteristics of the Company to facilitate the Company's healthy and sustainable development. The Group has also attached greater importance to training and development of staff's integrated capabilities to assure opportunities for individual growth of employees.

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

ACQUISITION AND DISPOSAL

1. On 30 September 2010, Sinotrans Changjiang Co., Ltd., a subsidiary of the Group, acquired 100% equity interests in Changsha JieAn Shipping Company Limited from Changsha Port Shipping Co., Ltd. The total cash consideration after agreed adjustments is RMB24,919,000.

2. On 30 September 2010, the Company and SINOTRANS & CSC entered into a share purchase agreement to acquire 49% equity interests in Sinotrans Changjiang Co., Ltd. from SINOTRANS & CSC. The total cash consideration after agreed adjustments is RMB12,610,000.

Management Discussion and Analysis of Results of Operations and Financial Position

OUTLOOK OF BUSINESS DEVELOPMENT

In 2011, the global economy will still maintain a recovery trend and growth is expected to be resumed continuously. However, growth will be decelerated to a certain extent and downside risks will still be present in the global economy which may linger at low levels for a relatively long period of time. Although China's economy will be operated in an environment which is positive on the whole, there are numerous uncertainties at present. We have to be able to see the positive changes and favourable conditions of China's economic developments which will further strengthen confidence in development while fully estimating the complexity, severity and uncertainty of situations so as to implement more solid undertakings in response to various challenges.

The year 2011 is the first year of the Group's five-year plan. The overall concept of the Group's future developments is to fully leverage on market recovery opportunities, accelerate business and structural transformation and expand and intensify spending in logistics facilities to achieve a rapid growth in scale and profit of the Company. In view of the analysis and judgements on changes in the internal and external environment, the Group's ideas concerning its work in 2011 are: capture opportunities, intensify adjustments, accelerate developments and achieve substantial growth in order to build a first-class integrated logistics platform with five-year planning as the guide and enterprise transformation as the goal.

– Impetus to the formulation and implementation of a new round of five-year plans for the full completion of 2011 budget tasks.

– The consolidation of integrated logistics resources will be vigorously promoted. The Group will continue to accelerate the resource restructuring along the Yangtze River and will speed up the pace of integration of chemical logistics resources so as to transform the business into one with core competitiveness and differential advantages. The Group will also continue to promote the consolidation of integrated logistics resources.

– Traditional business will be continuously consolidated and optimized. The Group will strengthen its main shipping agency and freight forwarding businesses to further drive the adjustment and optimization of business model. The role of cargo-space booking platform will be brought into play to expand business size and market share. The Group will continue to improve overseas network construction for the active development of overseas and import businesses.

– The development of domestic trade logistics business will be accelerated. The Group will carry out in-depth market research for good major customer-oriented sales. We will also accelerate the construction of domestic trade capacity platform and promote close collaboration among business points. The Group will increase the intensity of business innovation and will further improve the layout of domestic trade resources network by consolidating the integrated logistics segment. The Group will reinforce allocation of domestic trade resources in order to lay foundation for the development of domestic trade logistics business.

– Specialized logistics will be continuously developed. The Group will continue to aim at the demand of specialized market segments in strengthening the development of specialized integrated logistics and actively explore new business sectors.

– The Group will continue to reinforce management work in a pragmatic manner.

In 2011, the international and domestic situations are undergoing new and complex changes and thus the Group will still face new risks and challenges in its developments. In response to this, we will achieve rapid development of various businesses on our unshattered confidence, aggressive expansion and solid undertakings so as to foster healthy and sustainable development of the Group and to repay our shareholders with good results.

Report
on Corporate Governance

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

CONTINUOUS IMPROVEMENT ON CORPORATE GOVERNANCE PRACTICES

The Company has reviewed and adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as our code on corporate governance practices. The Company has complied with all the code provisions set out in the CG Code throughout the reporting period for 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The directors have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the reporting period for 2010.

BOARD OF DIRECTORS

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

As at 31 December 2010, the Board of the Company comprised 11 directors, of whom 4 were executive directors, 4 were non-executive directors and 3 were independent non-executive directors, whose names are as follows:

Chairman: Mr. Zhao Huxiang;

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

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

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

* Mr. Lu Zhengfei was re-elected as independent non-executive director on 18 October 2010.

Report on Corporate Governance

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

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

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

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

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

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

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

In order to illustrate its focus on the Company's business management, the Board sets out the attendance of meetings of the Board and its subordinated committees in 2010 in the table below:

	Attendance/No. of meetings		
Director	**Directors Board**	**Audit Committee**	**Remuneration Committee**
Executive directors			
Mr. Zhao Huxiang	7/8 [2]		
Mr. Zhang Jianwei	8/8		
Ms. Tao Suyun	8/8 [1]		2/2
Mr. Li Jianzhang	8/8 [1]		
Non-executive directors			
Mr. Yang Yuntao	8/8 [1]		
Ms. Liu Jinghua	8/8 [1]	4/4 [1]	
Mr. Jerry Hsu	8/8 [4]		
Mr. Mok Chi Ming Victor	8/8 [4]		

Director	Attendance/No. of meetings Directors Board	Audit Committee	Remuneration Committee
Independent non-executive directors			
Mr. Sun Shuyi	8/8[4]	4/4[4]	2/2[1]
Mr. Lu Zhengfei	8/8	4/4	2/2
Mr. Miao Yuexin	8/8	4/4	2/2

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

1. One meeting was attended by way of proxy.
2. Two meetings were attended by way of proxy.
3. Three meetings were attended by way of proxy.
4. Four meetings were attended by way of proxy.

The Company held eight Board meetings in 2010, that is, from 35th to 42nd Board meetings, among which the 36th, 38th and 42nd Board meetings of the Company were convened by way of written resolution. The Company has prepared and properly kept detailed minutes for the matters being discussed in Board meetings.

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

APPOINTMENT OF DIRECTORS

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

At the extraordinary general meeting of the Company held on 18 October 2010, Mr. Lu Zhengfei was re-elected as an independent non-executive director of the Company for a term of three years with effect from 18 October 2010.

CHAIRMAN AND PRESIDENT

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

Report on Corporate Governance

COMMITTEES

Board Committees

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

Audit Committee

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

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

The Audit Committee held four meetings in 2010. Details of the meetings are as follows:

1. The first meeting of the Audit Committee for the year was convened on 18 March 2010. At the meeting, an analysis on the results and operations of 2009 was presented by the Finance Department. The Audit Committee discussed the operating results of 2009. The auditors reported on the year-end audit for 2009 and potential issues of concern for 2010. And the Audit Committee voted in favor of submitting the audited financial statements for 2009 and the candidates of external auditor of Company in 2010 to the Board of Directors for approval.

2. The second meeting of the Audit Committee for the year was convened on 16 July 2010. The Audit Committee discussed the schedule and arrangement of 2010 interim report and the updated key issues for the 2010 interim report. The auditors introduced the plan for the interim review and explained the key matters.

3. The third meeting of the Audit Committee for the year was convened on 20 August 2010. At the meeting, an analysis of the interim operating results of 2010 was presented by the Finance Department. The Audit Committee discussed the 2010 interim operating results of the Company. The Internal Audit Department reported the situations and problems in internal auditing. The auditors reported on their review of the 2010 interim results and identified potential issues of concern for the latter half of 2010. The Audit Committee voted in favor of submitting the reviewed interim financial statements for 2010 to the Board of Directors for approval.

4. The fourth meeting of the Audit Committee for the year was convened on 14 December 2010. At the meeting, analysis and discussion of the operating results of 2010 for the period from January to October 2010 was conducted by the Finance Department. The auditors reported on the audit plan for 2010 and potential issues of concern in the preliminary audit. The relevant situation and arrangements for election of external auditor for 2011 were presented by CFO, Ms. Zhang Kui.

The Group's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

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Remuneration Committee

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

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

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

The Remuneration Committee held two meetings in 2010. Details of the meetings are as follows:

1. The Remuneration Committee held its first meeting of 2010 on 18 March 2010. At the meeting, the Remuneration Committee debriefed the report by Human Resource Department of the Company about the situation on implementation in performance assessment and the payment of remuneration to senior management of Company in 2009. The Remuneration Committee voted in favor of submitting the meeting report to the Board of Directors for approval.

2. The Remuneration Committee held its second meeting of 2010 on 14 December 2010. At the meeting, the proposal of optimization in system of remuneration of Sinotrans Limited were discussed and approved.

Supervisory Committee

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

The Supervisory Committee is responsible for checking the financial affairs, supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. A meeting of the Supervisory Committee was convened on 18 March 2010 to review the 2009 work report of the Supervisory Committee and the 2009 audited financial statements and the proposal of annual profit assignment. By convening meetings of the Supervisory Committee and attending Board meetings, meetings of the Audit Committee, meetings of the Remuneration Committee, the supervisors examined the Company's financial position and legal compliance of its operations and the performance of duties by its senior management, undertaking various duties in a proactive manner with diligence, prudence and integrity.

Report on Corporate Governance

INTERNAL AUDIT

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

The Internal Audit Department reports directly to the top management of the Company.

In 2010, the internal auditing was focused on audit projects of economic responsibility of the operator in local company during the term of office or leaving position. The Internal Audit Department supervised the Company's results of operation and situation on construction in internal control system and reported problems and consulting suggestion of disposal to the management of Company. The Internal Audit Department working as the leading unit of the risk management of the Company and the administrative setup of risk management group and responsible for the coordination work of risk management arranged by the Company and relevant departments.

EXTERNAL AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were engaged as the Company's international and PRC auditors respectively for the year ended 31 December 2010.

For the year ended 31 December 2010, fees in respect of audit and related services provide by the above auditors amounted to RMB7,800,000. Auditor's remuneration for the year ended 31 December 2010 is set out in Note 10 to the financial statements.

At the annual general meeting held on 8 June 2010, a resolution was passed to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Company's international and the PRC auditors respectively and to authorise the Board to fix their remuneration.

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

According to the related regulations issued by State-owned Assets Supervision and Administration Commission of the State Council of China ("SASAC") in respect of the years of service of the external auditor appointed by the state-owned and state holding companies, PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company will not be as the international and the PRC auditors of the Company for the year 2011.

The Board has resolved to appoint Deloitte ToucheTohmatsu and Deloitte Touche Tohmatsu CPA Ltd. as the international and the PRC auditors of the Company for the year 2011 respectively with the proposal of the Audit Committee of the Company, which is subject to the approval by the Shareholders at the AGM.

INTERNAL CONTROL

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

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

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

- The Company has established a series of policies, rules and processes in relation to financial management, operation and legal compliance, which are being monitored on a daily basis for ongoing improvements. The Company formulated the regulation on rule of procedure of Board in 2010, and timely modified the rule of procedure of the Audit Committee and the Remuneration Committee.

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

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

- The Company carries out internal audit and external audit and certification on the suitability, adequacy and effectiveness of its integrated management system based on the ISO9001:2008, ISO14001:2004 and OHSAS18001:2007 standard. The audit procedures monitor major items such as finance, operation and compliance based on respective procedural documents of the integrated management system, relevant law and regulation, together with the contract, covering all aspects of the comprehensive management system. The Company has formulated a control procedure of identification and evaluation on the factor of environment and hazard, to conduct suitability assessment and tracking of relevant laws and regulations on safety and environment. To ensure that necessary attention and effective control on significant environmental and hazard factors, the Company has also regularly identified and renewed environmental factors and hazard list according to the relevant procedure documents.

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

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

Report on Corporate Governance

GENERAL MEETINGS

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

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

The Company held four general meetings in 2010, including one Annual General Meeting, one H Shares class meeting, one Domestic Shares class meeting, one Extraordinary General Meeting.

1. The annual general meeting held on 8 June 2010 was convened to review and approve the Report of the Board of Directors for the year ended 31 December 2009; to review and approve the report of the Supervisory Committee and the audited financial statements of the Company and the auditor's report for the year ended 31 December 2009; to review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2009; to authorize the directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2010; to re-appoint PricewaterhouseCoopers as international auditor of the Company and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditor of the Company for the year 2010, and to authorize the Board of Directors of the Company to fix their remuneration; to approve a general mandate to issue shares; to approve a general mandate to repurchase H shares in the capital of the Company. H Shares and Domestic Shares class meeting of the Company held on the same day were convened to approve a general mandate to repurchase H Shares in the capital of the Company.

2. The extraordinary general meeting held on 18 October 2010 was convened to re-elect Mr. Lu Zhengfei as an independent non-executive director of the Company and authorize the Board to determine his remuneration.

All resolutions proposed in 2010 for shareholders' approval have been duly passed. The general meeting is extremely important for the Company and all shareholders are encouraged to attend. We will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

Financial calendar

Announcement of 2010 annual results	23 March 2011
Announcement of 2011 interim results	16 August 2011

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

As for the date of closure of register to determine entitlements for 2010 final dividend, payment of 2010 final dividend and Annual General Meeting of 2010, please refer to the "Notice of Annual General Meeting" to be published by the Company in due course for further details. Further announcement will be made in relation to the closure of the register of members of the Company and the record date.

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on Corporate Governance

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

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

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

Directors, Supervisors & Senior Management

EXECUTIVE DIRECTOR

Zhao Huxiang, age 56, is the executive director and the chairman of the board of the Company. Mr. Zhao graduated with a MBA degree from University of Louisville, USA, and carries the professional title of "Senior Engineer". He used to work in the Marine Shipping Bureau of the Ministry of Communications, and successively served as Deputy General Manager and General Manager of Hoi Tung Marine Machinery Suppliers Limited, Director and General Manager, Vice Chairman of China Merchants Holdings (International) Limited, and President Assistant, Board Director and Vice President of China Merchants Group. In December 2005, Mr. Zhao became the Director and President of Sinotrans Group Company. In December 2008, Mr. Zhao became the Vice Chairman and president of SINOTRANS & CSC. From January 2011, Mr. Zhao was appointed the Chairman of SINOTRANS & CSC. Mr. Zhao is also a chairman and non-executive director of Sinotrans Shipping Limited, a non-wholly owned subsidiary of SINOTRANS & CSC and which is listed on the main board of the Stock Exchange, and the chairman of DHL-Sinotrans. Mr. Zhao was elected as the chairman of China International Freight Forwarders Association in February 2007, and was appointed vice chairman of International Federation of Freight Forwarders Association (FIATA) in October 2007. In March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company.

Zhang Jianwei, age 54, is the executive director and President of the Company. Mr. Zhang has been employed by Sinotrans Group Company since 1980 with experience in Sinotrans Group Company's Finance Department, Overseas Enterprises Management Department and Chartering Department. Mr. Zhang was seconded to China InterOcean Transport Inc. in the United States in 1988 to serve as assistant president. In 1993, Mr. Zhang became the Deputy General Manager of China National Chartering Corporation and later became its General Manager. In 1996, he was promoted to become the Assistant President of Sinotrans Group Company. Then in 1997, Mr. Zhang became Sinotrans Group Company's executive director and Vice President. Mr. Zhang was appointed as director of Sinotrans Group Limited by the State-owned Asset Supervision and Administration Commission in October 2006. From December 2008, Mr. Zhang became the Director of SINOTRANS & CSC. Mr. Zhang is also the Chairman of Sinoair. At present, he is also the managing director and deputy chairman of China Maritime Law Association, as well as the vice chairman of China Federation of Logistics & Purchasing (CFLP). Mr. Zhang graduated from University of International Business and Economics in 1980 and obtained his Master of Business Administration degree from China Europe International Business School in 1998. Mr. Zhang was appointed Executive Director of the Company in November 2002.

Tao Suyun, age 57, is the executive director and Vice President of the Company. Ms. Tao has worked with Sinotrans Group Company since 1979 and became Deputy General Manager of the Europe Shipping Department in 1986. She was seconded to Sinorick Shipping Agency Co. in Hamburg, Germany from 1989 to 1993 to serve as General Manager. She later returned to work acted as Deputy General Manager and General Manager of Sinotrans Group Company's liner shipping division. In 1995, Ms. Tao was promoted to become Assistant President and served as Sinotrans Group Company's Vice President in 1997. From December 2008, Ms. Tao became the Vice President of SINOTRANS & CSC. At present, she is also the vice chairman of China Association To Customs and vice president of Association for Shipping Exchanges across the Taiwan Strait. Ms. Tao graduated from University of International Business and Economics in 1979 and obtained her Master of Business Administration degree from China Europe International Business School in 2002. Ms. Tao was appointed Executive Director of the Company in November 2002.

Li Jianzhang, age 55, is the executive director of the Company. During Mr. Li's career, he has worked in various governmental departments. Mr. Li started working at Sinotrans Group Company in May 2001. In July 2001, Mr. Li was promoted to become a director of Sinotrans Group Company. He was appointed as a supervisor of the Company from November 2002 to June 2003. Mr. Li graduated from Beijing Normal University in 1981. Mr. Li was appointed Executive Director of the Company in June 2003.

Directors, Supervisors & Senior Management

NON-EXECUTIVE DIRECTOR

Yang Yuntao, age 45, is the non-executive director of the Company. Mr. Yang commenced working for Sinotrans Group Company after receiving his bachelor of laws degree from Jilin University School of Law in 1988. He was Deputy General Manager of the Port Administration Department in Sinotrans Group Company in 1995. From 1996, Mr. Yang transferred to be the General Manager of the Legal Affairs Department. He was appointed executive director and Vice-President of Sinotrans (Hong Kong) Holdings Limited in 2002. In January 2008, Mr. Yang became the General Manager of Legal Affairs Department of Sinotrans Group Company. From January 2009, Mr. Yang became the General Manager of Legal Affairs Department of SINOTRANS & CSC. In December 2010, Mr. Yang was appointed the Deputy General Legal Counsel of SINOTRANS & CSC. Mr. Yang obtained his doctorate degree in Laws degree from University of International Business and Economics in 2006. Mr. Yang was appointed non-executive Director of the Company in January 2003.

Liu Jinghua, age 48, is the non-executive director of the Company. Ms. Liu joined Sinotrans Group Company in 1989 and worked in the Finance Department and Liner Department before she was seconded to DHL-Sinotrans Beijing to be its Finance Manager in 1992. Soon afterwards, she was promoted to be DHL-Sinotrans' National Financial Controller and in 1999 became National HR Manager. Ms. Liu was appointed General Manager of the Finance Department of Sinotrans Group Company in October 2002. From January 2009, Ms. Liu became the General Manager of the Finance Department of SINOTRANS & CSC. Ms. Liu graduated from the Central University of Finance and Economics in 1987 and obtained her EMBA in the School of Management of State University of New York at Buffalo in December 2000. Ms. Liu was appointed non-executive Director of the Company in June 2003.

Jerry Hsu*, age 60, is the non-executive director of the Company. Mr. Hsu, the President – Greater China and Korea, DHL Express, manages and develops the six markets of China, Hong Kong, South Korea, Taiwan, Mongolia and North Korea. Mr. Hsu's previous role in DHL Express was the Area Director responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea, a position he held until September 2002. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in DaimlerChrysler Corporation. Mr. Hsu holds BA/MA degree in International Economics and Politics. Mr. Hsu also holds directorships in various companies within the DPWN Group. Mr. Hsu was appointed non-executive Director of the Company in June 2003.

Mok, Chi Ming Victor*, aged 47, is the non-executive director of the Company. Mr. Mok is the CEO, North Asia of DHL Supply Chain. Prior to that, he served as the Executive Vice President – Head of Global Airfreight, DHL Global based in Germany. Mr. Mok joined DHL in 1997 and has since worked in various divisions within the DHL group. Mr. Mok has over 20 years of experience in the logistics industry. He was the Chairman of Hongkong Association of Freight Forwarding and Logistics Ltd. (HAFFA) during 2002 and 2005, and was appointed as an official member of the Hong Kong Logistics Development Council of the Government of the Hong Kong Special Administrative Region during 2003 and 2005. Mr. Mok became a Chartered Fellow member of the Chartered Institute of Logistics and Transport in 1996 and was elected as the Vice President of the Institute during 2004 and 2005. Mr. Mok was appointed by the Government of the Hong Kong Special Administrative Region as a member of Hong Kong Committee for Pacific Economic Cooperation on 2006-2009. Mr. Mok obtained a Bachelor degree in Economics and Business Management and a Master degree in Transport Studies from The University of Hong Kong. He also obtained his Master degree of Business Administration from Richard Ivey School of Business, The University of Western Ontario, Canada. Mr. Mok. was appointed non-executive Director of the Company in July 2009.

Directors,
Supervisors & Senior Management

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sun Shuyi, age 71, is the independent non-executive director of the Company. Mr. Sun is currently executive vice chairman of China Federation of Industrial Economics and vice executive chairman of China Enterprise Confederation and China Enterprise Director Association (CEC/CEDA). Mr. Sun is also serving as independent non-executive directors for four other companies – Galaxy Fund Management Co., Ltd., Dongfeng Motor Group Co., Ltd. which is listed on the Hong Kong Stock Exchange and Offshore Oil Engineering Co., Ltd which is listed on the Shanghai Stock Exchange. Mr. Sun had worked as the deputy director of the office of the Central Leading Group on Finance and Economic Affairs, the Vice Minister of the Ministry of Personnel and the Vice Secretary General of the Central Enterprise Working Committee, a member of the 10th Session of the national committee of CPPCC, etc.. Mr. Sun graduated from the University of Science and Technology of China in 1963. Mr. Sun was appointed independent non-executive director of the Company in November 2002.

Lu Zhengfei, age 48, is the independent non-executive director of the Company. Mr. Lu holds a doctorate degree in Financial Management. Mr. Lu is the Associate Dean of Guanghua School of Management and the Professor of Accounting in GSM of Peking University. Mr. Lu also holds several academic and social positions such as consulting expert for China Financial Accounting Standards Board of Ministry of Finance, member and director of China Accounting Association. Mr. Lu is also serving as independent non-executive directors for three other companies – PICC, Sino Biopharmaceutical Limited and Sinoma which are listed on the Hong Kong Stock Exchange. Mr. Lu obtained his Master of Arts degree in Accounting and Financial Management in the People's University in 1988, and then obtained his Ph.D. in Financial Management in Nanjing University in 1996. Between 1997 and 1999, Mr. Lu undertook postdoctoral studies in Economy (Accounting) Postdoctoral Station in the People's University. Mr. Lu was appointed independent non-executive director of the Company in September 2004.

Miao Yuexin, age 45, is the independent non-executive director of the Company. Mr. Miao holds a doctorate degree in Financial Management. Mr. Miao is the Associate Professor of Business School of Central University of Finance and Economics and Deputy Director of Academic Affairs, Master Instructor. Mr. Miao graduated from Central University of Finance and Economics and obtained his master degree In 1993. From 1993 to 1999, Mr. Miao worked in the Bureau of International Trade of Zengcheng in Guangdong province, acted as the director of the office of enterprises directly under the bureau. During that period, he took part in the introductions and negotiations of several big and medium sized wholly foreign owned and joint venture companies. From 2002, Mr. Miao has been teaching in Business School of Central University of Finance and Economics. Mr. Miao was appointed independent non-executive director of the Company in August 2005.

Directors, Supervisors & Senior Management

SUPERVISOR

Jiang Jian, age 45, is the supervisor of the Company. Mr. Jiang joined Sinotrans Group Company in 1988, serving in Liaoning Shipping Agency Company. From June 1995 to May 1998, Mr. Jiang acted as Deputy Manager and General Manager of Liaoning Container Shipping Company. Mr. Jiang was appointed Deputy General Manager of Sinotrans Liaoning Company in June 1998. Mr. Jiang was promoted General Manager of Sinotrans Liaoning Company in September 2001 and General Manager of Sinotrans Liaoning Limited Company in December 2002. In October 2008, Mr. Jiang was appointed assistant president and General Manager of Human Resources Department of Sinotrans Group Company. From December 2008, Mr. Jiang became the Assistant President and General Manager of Human Resources Department of SINOTRANS & CSC. Mr. Jiang graduated from Dalian Maritime University in 1988 and got a doctorate degree from Dalian Maritime University in October 2007. Mr. Jiang was appointed supervisor of the Company in April 2009.

Shen Xiaobin, age 38, is the supervisor of the Company. Mr. Shen joined the Audit Department of China National Foreign Trade Transportation (Group) Corporation in 1995. Mr. Shen was pointed as General Manager of Audit Department of Sinotrans Limited in December 2002. From April 2006 to now, Mr. Shen acted as Vice General Manager of Investment Management Department (Corporate Planning Department). Mr. Shen obtained his MBA degree from Guanghua School of Management of Peking University in 2003. Mr. Shen was appointed supervisor of the Company in June 2008.

Zhang Junkuo, age 50, is the independent supervisor of the Company. Mr. Zhang began his career at the Development Research Center of the State Council where he was engaged in various positions, including Deputy Director of the Comprehensive Economic Research Department, Deputy Secretary-General of the Academic Committee, Director of the Research Institute of Market Economy, Director of the Research Department of Development Strategy and Regional Economy, Director of the Executive Office as well as directing a number of research programs etc.. During 2001 and 2002, Mr. Zhang was a visiting scholar at the Department of Finance at Loyola University in Chicago as well as a short-term consultant at the World Bank and the Asia Development Bank. Mr. Zhang has published various articles and has also received significant awards such as the Sun Yefang Economics Prize in 1998. Mr. Zhang obtained his Master of Economics degree from Wuhan University in 1985. Mr. Zhang was appointed supervisor of the Company in November 2002.

SENIOR MANAGEMENT

Wang Lin, age 52, is the Vice President of the Company. Mr. Wang started his career with Sinotrans Group Company in 1983 by serving in the Ningbo branch of Sinotrans Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Ningbo Group Company. In 1998, he became the General Manager of Sinotrans Zhejiang Company Limited which merged with Sinotrans Ningbo Company in the same year. In 1999, Mr. Wang became the General Manager of Sinotrans Jiangsu Company. Mr. Wang was appointed Vice-President of the Company and the General Manager of Sinotrans Eastern Company Limited in 2002 and from March 2003, he also acts as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed Vice President of the Company in November 2002.

Directors,
Supervisors & Senior Management

Ouyang Pu, age 58, is the Vice President of the Company. Mr. Ouyang joined Sinotrans Group Company in 1986. In 1988, Mr. Ouyang was appointed as the General Manager of China International Exhibition Transportation Company. Then he successively serviced as Deputy General Manager of the Marine Transportation Department II in 1992; Chief Representative of Italy Representative Office of Sinotrans Group Company in 1993; Vice President of China Interocean Transport Inc. in America in 1994; General Manager of Overseas Enterprises Management Department of Sinotrans Group Company in 1998 and General Manager of Sinotrans Beijing Company in 1999. Mr. Ouyang graduated from Beijing Institute of Iron and Steel Technology in 1983, with Bachelor of Engineering degree; from October 2002 to January 2004, Mr. Ouyang studied in senior manager business management class at Tsinghua University. Mr. Ouyang was appointed Vice President of the Company in October 2006.

Wu Dongming, age 47, is the Vice President of the Company. Mr. Wu began his career in the Sinotrans Group Company in 1986. From 1988 to 1990, he served in TNT Skypak-Sinotrans Company as the National Operation Manager and the General Assistant to General Manager. In 1990, Mr. Wu served as department manager at Sinoair and later became General Manager of Associated International Freight Forwarding Co., Ltd. in 1995. In 1997, Mr. Wu was a pointed the Deputy Managing Director and then the Managing Director of DHL-Sinotrans Air Courier Co., Ltd. Mr. Wu was appointed Vice President of the Company in November 2002.

Yu Jianmin, age 46, is the Vice President of the Company. Mr. Yu began working in the Liner Department of Sinotrans Group Company in 1990 and was seconded to serve as the Chief Representative at Sinotrans Group Company's Italian representative office in 1993. In 1998, he returned to China to serve as Vice-General Manager of Sinotrans Group Company's Investment Management Department. Since 1999, Mr. Yu served as the General Manager of Sinotrans Group Company's Logistics Development Department. Mr. Yu obtained his master degree from the Dalian Maritime University in 1990. He also obtained his Master of Business Administration degree from the China Europe International Business School in 2002. From November 2002 to September 2008, Mr. Yu was become Assistant President of the Company. Mr. Yu was appointed Vice President of the Company in October 2008.

Wu Xueming, age 47, is the Vice President of the Company. Mr. Wu has been employed by Sinotrans Group Company since 1987 with experience in vessel management department, chartering department, human resource department and liner shipping department. Mr. Wu has become general manager of JC SHIPPING Co. Ltd. in 1997. In April 2002, he served as deputy general manager of Sinotrans Marine Co. Ltd.. In October 2002, he served as general manager of China Marine Shipping Agency Co. Ltd. Mr. Wu graduated from Dalian Fisheries University in 1987, and obtained MBA from Cheung Kong Graduate School of Business in 2005. From April 2007 to July 2010, Mr. Wu became the Assistant President of the Company. Mr. Wu was appointed Vice President of the Company in August 2010.

Zhang Kui, age 48, is the Chief Financial Officer of the Company. Ms. Zhang served as Finance Manager in Sinotrans Group Company' Hong Kong Eternal Way Company in 1987, and Ms. Zhang served as Finance Manager and Vice-General Manager in Sinotrans Group Company's Finance Department thereafter. Ms. Zhang began to serve as the Director, the Chief Financial Officer and Company Secretary of Sinoair in 1999, and served as General Manager in Sinotrans Group Company's Auditing Department since 2008. Ms. Zhang graduated from the First Campus of the Renmin University of China in 1985 and obtained her master of Business Administration degree from Asia (Macau) International Open University in 2001. Ms. Zhang was appointed chief financial officer of the Company in November 2009.

Directors,
Supervisors & Senior Management

Gao Wei, age 45, is the Company Secretary and General Counsel. Mr. Gao began his career in the Legal Department of Sinotrans Group Company in 1993. In 1997, Mr. Gao began working as the Vice-General Manager of the Legal Department of Sinotrans Group Company. In the same year, he became the Deputy Manager in the Restructuring Office of the Sinotrans Group Company and became the Vice-General Manager of Sinotrans Group Company's Enterprise Management Department in 1999. During the same year, Mr. Gao began to serve as the Vice-General Manager of Sinoair and was later promoted to become Sinoair's General Manager in 2001. Mr. Gao obtained his Bachelor of Engineering degree from Beijing University of Science and Technology in 1989, and obtained his Master of Economics degree in the Central University of Finance and Economics in 1993 and his doctorate degree in laws in the University of International Business and Economics in 1999. Mr. Gao obtained Legal Professional Qualification in 1996 and in 2009. Mr. Gao became a Chartered secretary and an associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Gao was appointed Company Secretary of the Company in November 2002. Mr. Gao was appointed the General Legal Counsel of the Company in January 2010.

Liu Minsheng, age 55, is the Chief Information Officer of the Company. Mr. Liu joined Sinotrans Group Company in 1983 in the Human Resources Department. From 1985 on, Mr. Liu had been serving in Sinotrans Group Company's IT Centre and later acted as General Manager until February 1996 when he was appointed as Deputy Director General of China International Electronic Commerce Centre of the Ministry of Foreign Trade and Economic Cooperation of the PRC. In November 1998, Mr. Liu began to work as Deputy Director General of Commercial Network and Sites Development Centre of the National Domestic Trade Bureau of China. In January 2003, Mr. Liu resumed his service in Sinotrans. Mr. Liu has participated in and led many prominent domestic information technology projects and won for times national IT awards. Mr. Liu was appointed chief information officer of the Company in April 2003.

Report of the Directors

The Board of Directors (the "Board") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

BUSINESS OPERATIONS AND GEOGRAPHICAL LOCATION OF THE GROUP

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

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

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the financial statements on pages 48 to 160. The summary of results and assets and liabilities of the Group for the preceding five years is set out on page 3.

DIVIDENDS

The Board has recommended the payment of a final dividend of RMB 0.02 per share, subject to passing of the resolution authorizing the Board to propose, declare or pay the final dividend for 2010 by shareholders at the Annual General Meeting to be held in 2011. Please refer to the "Notice of Annual General Meeting" to be published by the Company in due course for further details.

Further announcement will be made in relation to the closure of the register of members of the Company and the record date for the purposes of ascertaining entitlements to the Company's 2010 final dividend and attendance at the upcoming Annual General Meeting.

Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (16 March 2011 to 23 March 2011) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.841838. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.023758.

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

BANK LOANS

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

MAJOR CUSTOMERS AND SUPPLIERS

In 2010, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively.

For the year ended 31 December 2010, none of the directors, supervisors, their associates and any shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) of the Company had any interests in the five largest customers or the five largest suppliers of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2010 are disclosed in Note 48 to the financial statements.

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

Revenue/(expenses)	*Note*	**2010** ***RMB'000***
Transactions with SINOTRANS & CSC and its subsidiaries	*1*	
Provision of transportation and logistics services		**217,352**
Services fees		**(179,521)**
Vessel chartering fees		**(95,310)**
Container leasing fees		**(57,698)**
Property leasing expenses		**(39,250)**
Transactions with Connected Non-Wholly-Owned Subsidiaries	*2*	
Provision of services		**131,247**
Receipt of services		**(10,432)**

Note 1: Transactions with SINOTRANS & CSC and its subsidiaries are considered as connected transactions as SINOTRANS & CSC is a controlling shareholder of the Company, and its subsidiaries are connected persons of the Company. Further details of such transactions are set out in the section headed "Material Contracts with Sinotrans & CSC - Business Services Agreement".

Note 2: Transactions with Connected Non-Wholly-Owned subsidiaries are considered as connected transactions as these subsidiaries are associates of the substantial shareholders of the Company or subsidiaries of the Company.

Report of the Directors

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

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

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

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

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

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

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

The auditor of the Company was engaged to conduct a limited assurance engagement on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor has issued an unmodified letter containing their findings and conclusions in respect of the connected transactions by the Group above in accordance with Listing Rule 14A.38.

ACQUISITIONS AND DISPOSALS

Details of the acquisitions and disposals of the Group for the year ended 31 December 2010 are set out in pages 8 to 19 of the management discussion and analysis.

PROPERTY, PLANT AND EQUIPMENT

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

TAXATION

Details of taxation of the Group as at 31 December 2010 are set out in Note 12 to the financial statements.

Report
of the Directors

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the financial statements on page 146 of this Annual Report and Note 40 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2010 amounted to approximately RMB618,972,000.

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2010, there was no change to the share capital structure of the Company, which, as at 31 December 2009, was as follows:

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 Securities and Futures Ordinance (the "SFO") or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC Holdings Co., Ltd. *(Note1)*	2,461,596,200(L)	Domestic Shares	57.93%	—
Deutsche Post AG *(Note 2)*	237,468,000(L)	H Shares	5.59%	13.30%
Franklin Templeton Investments Corp.	178,567,000(L)	H Shares	4.20%	9.99%
The Bank of New York Mellon Corporation *(Note 3)*	155,780,625(L)	H Shares	3.67%	8.72%
	88,116,725(P)	H Shares	2.07%	4.93%
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 Asset Management Limited	107,613,850(L)	H Shares	2.53%	6.02%
Templeton Investment Counsel, LLC	93,443,000(L)	H Shares	2.20%	5.23%
Brandes Investment Partners, L.P.	89,558,714(L)	H Shares	2.11%	5.01%

* Notes: (L) Long Position, (S) Short Positions, (P) Lending Pool

Report of the Directors

Note 1: Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang, Yang Yuntao and Liu Jinghua are directors or employees of 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 all 100% held by JP Morgan Chase & Co.

Save as disclosed above, based on the register maintained by the Company as required under section 336 of the Securities and Futures Ordinance, as at 31 December 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

So far as was known to the directors of the Company, there was no purchase, sale or redemption of H Shares by any member of the Group during the year ended 31 December 2010.

DIRECTORS AND SUPERVISORS

As at 31 December 2010, the directors and supervisors of the Company were as follows:

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

Report of the Directors

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

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

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

Mr. Wu Xueming was appointed a Vice President of the Company on August 2010.

Mr. Lu Zhengfei was re-elected as independent non-executive director on 18 October 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 29 to 34.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

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

Report of the Directors

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

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2010, none of the directors, supervisors or their associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2010, none of the directors or supervisors had any material interests in any contract of significance the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2010 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangement which would enable the Company's directors or supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MATERIAL CONTRACTS WITH SINOTRANS & CSC

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

Reorganisation Agreement

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

Business Services Agreement

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

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

Master Lease Agreement

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

Trademark Licence Agreement and Registered User Agreement

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

Computer Software Licence Agreement and IT Services Agreement

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

MANAGEMENT CONTRACTS

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

MATERIAL LITIGATIONS AND CONTINGENT LIABILITIES

Details of the Group’s litigations and contingent liabilities as at 31 December 2010 are set out in Note 44 to the financial statements.

Report of the Directors

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2010 are set out in Notes 3(w) and Note 8 to the financial statements.

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company has reviewed the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules and adopted it as the general rules to the Company's corporate governance, details of which are set out on page 20 to 28, Report on Corporate Governance in the Annual Report.

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

As of 31 December 2010, Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Miao Yuexin were the independent non-executive directors of the Company. The Company has received the annual confirmation from each of the independent non-executive directors in respect of their independence and considered that the above independent non-executive directors are independent.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 49 to the financial statements.

Report of the Directors

AUDIT COMMITTEE

The principal functions of the audit committee include the appointment of external auditors, the review and supervision of the Group's financial reporting process and internal controls as well as the offer of advice and recommendations to the Board. As of 31 December 2010, the audit committee comprised of one non-executive director and three independent non-executive directors, namely Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Miao Yuexin and Ms. Liu Jinghua with Mr. Sun Shuyi as the chairman of the committee.

The Group's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were the international and the PRC auditors of the Company respectively for the year ended 31 December 2010.

PROCEDURES FOR THE DEMAND OF VOTING BY SHAREHOLDERS

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

By Order of the Board

Zhao Huxiang
Chairman

Beijing, the PRC
23 March 2011

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2010, the Supervisory Committee (the "Committee") performed its duties, undertook various tasks in a proactive and diligent manner in the principle of due care and good faith and supervised the legal compliance of the operations of the Company in a legal and effective manner, so as to ensure that the Company complied with the Company Law of the People's Republic of China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2010, the major duties of the Committee are to convene Supervisory Committee meetings, attend Board meetings, Audit Committee meetings, Remuneration Committee meetings and Shareholder's General Meetings, and to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the State, the Listing Rules and the Articles of Association of the Company and are in the interest of the shareholders.

The Committee is of the opinion that the Company had a normal and disciplined operation and the directors and the senior management had observed the laws and regulations as well as the Articles of Association of the Company in performing their duties, and that the report of the directors for the year ended 31 December 2010 reflected the true position of the Company. Charged by their accountability to shareholders, the Board and the senior management of the Company have discharged their respective duties in a diligent manner in diligence and with dedication, especially given the situation of the recovery of the global economic and resilient growth in business performance of transportation logistics industry, and have accomplished the mission entrusted by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development. The Committee is satisfied with the performance and economic efficiency achieved by the Company for 2010 and is fully confident about the Company's future prospects and development.

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

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

By Order of the Supervisory Committee

Jiang Jian
Chairman of the Supervisory Committee

Beijing, the PRC
18 March 2011

Independent
Auditor's Report

PricewaterhouseCoopers

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

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

We have audited the consolidated financial statements of Sinotrans Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 160 which comprise the consolidated and company balance sheets as of 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

Independent
Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2010, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2011

Consolidated

Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
		For the year ended 31 December	
Revenue	6	42,546,773	27,635,042
Other income		249,290	334,143
Business tax and other surcharges		(272,875)	(253,712)
Transportation and related charges		(35,482,292)	(21,999,770)
Staff costs	8	(2,138,415)	(1,853,915)
Depreciation and amortisation		(414,286)	(393,679)
Repairs and maintenance		(156,832)	(136,225)
Fuel		(1,159,289)	(857,573)
Travel and promotional expenses		(292,780)	(238,318)
Office and communication expenses		(179,437)	(152,584)
Rental expenses		(1,419,261)	(1,323,890)
Other (losses)/gains, net	9	(75,191)	147,807
Other operating expenses		(428,707)	(407,121)
Operating profit	10	776,698	500,205
Finance costs, net	11	(223,321)	(110,476)
		553,377	389,729
Share of profit of jointly controlled entities	21	432,920	328,324
Share of profit of associates	22	69,767	36,517
Profit before income tax		1,056,064	754,570
Income tax expense	12	(224,006)	(227,919)
Profit for the year		832,058	526,651
Profit attributable to:			
Equity holders of the Company		616,424	397,066
Non-controlling interests		215,634	129,585
		832,058	526,651
Earnings per share for profit attributable to the equity holders of the Company, basic and diluted (RMB)	15	0.15	0.09
The notes on pages 58 to 160 are an integral part of these financial statements.			
Dividends	14	169,960	84,980

Consolidated
Statement of Comprehensive Income

For the year ended 31 December 2010

	For the year ended 31 December 2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
Profit for the year	832,058	526,651
Other comprehensive income:		
Fair value gains on available-for-sale financial assets, net of tax		
– Gains arising during the period	273,213	424,540
– Less: reclassification adjustments for gains included in profit for the period	(33,340)	–
Share of other comprehensive income of associates	2,544	–
Currency translation differences	2,502	1,482
Other comprehensive income for the year, net of tax	244,919	426,022
Total comprehensive income for the year	1,076,977	952,673
Attributable to:		
– Equity holders of the Company	773,697	667,968
– Non-controlling interests	303,280	284,705
Total comprehensive income for the year	1,076,977	952,673

The notes on pages 58 to 160 are an integral part of these financial statements.

Consolidated
Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))	2008 RMB'000 (Restated, Note 2(b))
			As at 31 December	
ASSETS				
Non-current assets				
Land use rights	18	1,989,411	1,632,756	1,508,472
Prepayments for acquisition of land use rights	17	127,217	362,763	388,514
Property, plant and equipment	16	4,752,252	4,364,322	4,228,152
Investments in jointly controlled entities	21	1,895,443	1,799,121	1,634,846
Investments in associates	22	848,119	825,602	911,530
Deferred income tax assets	12	88,607	66,754	49,863
Intangible assets	19	97,299	99,815	76,714
Available-for-sale financial assets	25	2,155,079	1,438,111	367,454
Other non-current assets		59,208	64,768	89,529
		12,012,635	10,654,012	9,255,074
Current assets				
Prepayments, deposits and other current assets	26	903,165	592,288	433,957
Inventories	27	36,068	30,949	30,600
Trade and other receivables	28	6,421,248	5,489,000	4,580,412
Financial assets at fair value through profit or loss	30	5,276	5,357	414
Restricted cash	31	199,755	239,283	441,782
Term deposits with initial terms of over three months	32	313,968	510,656	1,147,175
Cash and cash equivalents	33	5,202,508	4,196,987	3,770,770
		13,081,988	11,064,520	10,405,110
Total assets		25,094,623	21,718,532	19,660,184
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	39	4,249,002	4,249,002	4,249,002
Reserves	40	5,424,876	4,829,697	4,246,720
Proposed final dividends	14	84,980	84,980	84,980
		9,758,858	9,163,679	8,580,702
Non-controlling interests		2,281,131	2,057,690	1,847,436
Total equity		12,039,989	11,221,369	10,428,138

Consolidated
Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))	2008 RMB'000 (Restated, Note 2(b))
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	12	251,329	244,102	127,209
Provisions	35	135,772	149,330	104,874
Borrowings	34	1,144,442	2,552,000	27,000
Other non-current liabilities		39,394	164	103
		1,570,937	2,945,596	259,186
Current liabilities				
Trade payables	36	4,420,758	3,900,202	3,230,575
Other payables, accruals and other current liabilities	37	1,068,722	1,169,051	1,946,878
Receipts in advance from customers	38	2,155,994	1,497,521	1,059,577
Current income tax liabilities		174,013	87,448	90,769
Borrowings	34	3,110,142	435,765	2,044,241
Derivative financial instruments	29	106,647	122,606	311,907
Salary and welfare payables		447,421	338,974	288,913
		11,483,697	7,551,567	8,972,860
Total liabilities		13,054,634	10,497,163	9,232,046
Total equity and liabilities		25,094,623	21,718,532	19,660,184
Net current assets		1,598,291	3,512,953	1,432,250
Total assets less current liabilities		13,610,926	14,166,965	10,687,324

The notes on pages 58 to 160 are an integral part of these financial statements.

The financial statements on pages 48 to 160 were approved by the Board of Directors on 23 March 2011 and were signed on its behalf.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Zhang Kui
Chief Financial Officer

Yao Jiawu
Financial Manager

Balance
Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000 (Restated)
			As at 31December	
ASSETS				
Non-current assets				
Investments in subsidiaries	20	5,828,315	5,333,044	4,217,754
Investments in jointly controlled entities	21	11,973	10,150	10,150
Investments in associates	22	117,123	129,600	200,284
Property, plant and equipment	16	39,144	39,727	63,872
Intangible assets	19	37,017	40,813	24,689
Available-for-sale financial assets	25	50,000	–	–
Other non-current assets		–	66	938
		6,083,572	5,553,400	4,517,687
Current assets				
Prepayments, deposits and other current assets	26	11,303	16,645	66,977
Inventories		3,347	3,898	–
Trade and other receivables	28	5,705,338	4,955,368	5,307,253
Financial assets at fair value through profit or loss	30	5,276	5,216	–
Restricted cash	31	800	800	800
Cash and cash equivalents	33	411,091	464,104	506,504
		6,137,155	5,446,031	5,881,534
Total assets		12,220,727	10,999,431	10,399,221
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	39	4,249,002	4,249,002	4,249,002
Reserves	40	2,641,797	2,324,902	1,974,411
Proposed final dividends	14	84,980	84,980	84,980
Total equity		6,975,779	6,658,884	6,308,393

Balance
Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)	2008 RMB'000 (Restated)
		As at 31December		
LIABILITIES				
Non-current liabilities				
Provisions	35	7,565	1,800	6,160
Borrowings	34	1,000,000	2,500,000	–
		1,007,565	2,501,800	6,160
Current liabilities				
Trade payables	36	147,714	133,897	113,069
Other payables, accruals and other current liabilities	37	1,888,213	1,328,257	2,484,936
Borrowings	34	2,096,400	272,524	1,402,232
Derivative financial instruments		–	–	11,893
Salary and welfare payables		105,056	104,069	72,538
		4,237,383	1,838,747	4,084,668
Total liabilities		5,244,948	4,340,547	4,090,828
Total equity and liabilities		12,220,727	10,999,431	10,399,221
Net current assets		1,899,772	3,607,284	1,796,866
Total assets less current liabilities		7,983,344	9,160,684	6,314,553

The notes on pages 58 to 160 are an integral part of this financial statement.

The financial statements on pages 48 to 160 were approved by the Board of Directors on 23 March 2011 and were signed on its behalf.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Zhang Kui
Chief Financial Officer

Yao Jiawu
Financial manager

Consolidated
Statement of Changes in Equity

As at and for the year ended 31 December 2010

	As at and for the year ended 31 December 2010								
	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
Comprehensive income									
Profit for the year	–	–	–	–	–	616,424	616,424	215,634	832,058
Other comprehensive income									
Fair value gains on available-for-sale financial assets, net of tax	–	–	–	152,227	–	–	152,227	87,646	239,873
Share of other comprehensive income of associates	–	2,544	–	–	–	–	2,544	–	2,544
Currency translation differences	–	–	–	–	2,502	–	2,502	–	2,502
Total other comprehensive income	–	2,544	–	152,227	2,502	–	157,273	87,646	244,919
Total comprehensive income	–	2,544	–	152,227	2,502	616,424	773,697	303,280	1,076,977
Transactions with owners									
Dividends paid (Note 14)	–	–	–	–	–	(169,960)	(169,960)	–	(169,960)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	(74,856)	(74,856)
Capital injection from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	4,615	4,615
Disposal of subsidiaries	–	–	–	–	–	–	–	(5,546)	(5,546)
Acquisition of additional equity interests in subsidiaries from non–controlling shareholders (Note 48(a))	–	(8,558)	–	–	–	–	(8,558)	(4,052)	(12,610)
Total transactions with owners	–	(8,558)	–	–	–	(169,960)	(178,518)	(79,839)	(258,357)
Transfer to statutory reserve (Note 40)	–	–	50,019	–	–	(50,019)	–	–	–
As at 31 December 2010	4,249,002	1,631,297	317,539	476,318	(18,003)	3,102,705	9,758,858	2,281,131	12,039,989
Representing:									
Share capital and reserves	4,249,002	1,631,297	317,539	476,318	(18,003)	3,017,725	9,673,878	2,281,131	11,955,009
2010 proposed final dividends (Note 14)	–	–	–	–	–	84,980	84,980	–	84,980
As at 31 December 2010	4,249,002	1,631,297	317,539	476,318	(18,003)	3,102,705	9,758,858	2,281,131	12,039,989

Consolidated
Statement of Changes in Equity

As at and for the year ended 31 December 2010

	As at and for the year ended 31 December 2009								
	Attributable to equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	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
Comprehensive income									
Profit for the year	–	–	–	–	–	397,066	397,066	129,585	526,651
Other comprehensive income									
Fair value gains on available-for-sale financial assets, net of tax	–	–	–	269,420	–	–	269,420	155,120	424,540
Currency translation differences	–	–	–	–	1,482	–	1,482	–	1,482
Total other comprehensive income	–	–	–	269,420	1,482	–	270,902	155,120	426,022
Total comprehensive income	–	–	–	269,420	1,482	397,066	667,968	284,705	952,673
Transactions with owners									
Dividends paid (Note 14)	–	–	–	–	–	(84,980)	(84,980)	–	(84,980)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	(78,916)	(78,916)
Capital injection from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	5,446	5,446
Acquisition of additional equity interests in subsidiaries from non–controlling shareholders	–	(11)	–	–	–	–	(11)	(981)	(992)
Total transactions with owners	–	(11)	–	–	–	(84,980)	(84,991)	(74,451)	(159,442)
Transfer to statutory reserve (Note 40)	–	–	42,369	–	–	(42,369)	–	–	–
As at 31 December 2009	4,249,002	1,637,311	267,520	324,091	(20,505)	2,706,260	9,163,679	2,057,690	11,221,369
Representing:									
Share capital and reserves	4,249,002	1,637,311	267,520	324,091	(20,505)	2,621,280	9,078,699	2,057,690	11,136,389
2009 proposed final dividends (Note 14)	–	–	–	–	–	84,980	84,980	–	84,980
As at 31 December 2009	4,249,002	1,637,311	267,520	324,091	(20,505)	2,706,260	9,163,679	2,057,690	11,221,369

Consolidated
Statement of Cash Flows

For the year ended 31 December 2010

	Note	For the year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	42	1,189,946	1,054,893
Income tax paid		(232,024)	(272,751)
Net cash generated from operating activities		957,922	782,142
Cash flows from investing activities			
Net cash outflow in acquisition of a subsidiary	43	(22,751)	(25,160)
Cash paid for capital injection/purchase of jointly controlled entities		(15,086)	(115,935)
Capital injection to associates		(5,946)	(14,027)
Cash prepaid for acquisition of subsidiaries		(11,140)	–
Net cash outflow on disposal of a subsidiary		(27,495)	(20,551)
Proceeds from government for termination of operating lease of land use rights		116,460	–
Proceeds from disposal of associates		4,434	111,036
Net cash received from liquidation of a jointly controlled entity		15,856	–
Purchase of property, plant and equipment		(992,357)	(472,786)
Proceeds from disposal of property, plant and equipment		101,837	57,317
Purchase of intangible assets		(16,800)	(10,160)
Purchase of land use rights		(180,600)	(55,314)
Cash prepaid for acquisition of land use rights		(55,820)	(79,007)
Purchase of other non-current assets		(29,717)	(53,986)
Decrease in term deposits with initial terms of over three months		196,688	636,519
Interest income received		34,085	86,754
Dividends received from associates		49,328	33,124
Dividends received from jointly controlled entities		417,628	202,906
Proceeds from disposal of available-for-sale financial assets		56,214	–
Proceeds from disposal of financial assets at fair value through profit or loss		141	464
Purchase of financial assets at fair value through profit or loss		–	(4,597)
Payment of consideration for acquisition from ultimate holding company		–	(400,000)
Purchase of available-for-sale financial assets		(408,898)	(504,604)
Settlement of investment cost previously paid by ultimate holding company on behalf of the Group		(99,604)	(405,439)
Dividend income on available-for-sale financial assets		3,039	3,226
Acquisition of additional equity interests in subsidiaries from non-controlling shareholders		(16,970)	(992)
Net cash used in investing activities		(887,474)	(1,031,212)

Consolidated
Statement of Cash Flows

For the year ended 31 December 2010

	Note	For the year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
New bank borrowings		2,227,740	734,548
Repayments of bank borrowings		(960,921)	(2,318,025)
Payment of interests of bank borrowings		(95,974)	(117,555)
Repayments to ultimate holding company		–	(200,000)
Entrusted loans payable to SINOTRANS & CSC		–	2,500,000
Dividends paid to the Company's shareholders		(169,960)	(35,748)
Contributions from non-controlling shareholders in subsidiaries		3,143	5,446
Dividends paid to non-controlling shareholders in subsidiaries		(75,930)	(77,040)
Decrease in restricted cash		39,528	202,499
Net cash generated from financing activities		967,626	694,125
Exchange losses on cash and cash equivalents		(32,553)	(18,838)
Net increase in cash and cash equivalents		1,005,521	426,217
Cash and cash equivalents as at 1 January		4,196,987	3,770,770
Cash and cash equivalents as at 31 December	33	5,202,508	4,196,987

The notes on pages 58 to 160 are an integral part of these financial statements.

1 GENERAL INFORMATION

Sinotrans Limited (the "Company") was established in the People's Republic of China (the "PRC") on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company") in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"). In 2009, the former Sinotrans Group Company changed its name to SINOTRANS & CSC Holding 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, marine transportation, storage and terminal services, and other services such as truck transportation. The Group has operations mainly in the PRC.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2011.

2 BASIS OF PREPARATION

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

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

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS as of 1 January 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 statement of comprehensive income. 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.

Notes
to the Consolidated Financial Statements

2 BASIS OF PREPARATION (continued)

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

The revised standard was applied to the acquisition of the whole controlling interest in Changsha JieAn Shipping Co.,Ltd, on 30 September 2010. Acquisition-related costs of RMB468,000 have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. See notes 43 for further details of the business combination that occurred in 2010.

- 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 or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard was applied to the purchase of 49% interests in Sinotrans Changjiang Co., Ltd, from SINOTRANS&CSC. The difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired amounting to RMB8,558,000 was charged in equity.

- IAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases. As a result of the reassessment, the Group hasn't reclassified any leasehold land from operating lease to finance lease.

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

- 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 privatisation 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 privatisation in 2002 and 2007. Those revaluation surplus were reversed under IFRS, causing a GAAP difference.

2 BASIS OF PREPARATION (continued)

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

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 2008, as previously reported RMB'000	Early adoption of amendment to IFRS 1 RMB'000	As at 31 December 2008, restated RMB'000
Land use rights	955,800	552,672	1,508,472
Property, plant and equipment	4,060,944	167,208	4,228,152
Deferred income tax assets	185,446	(135,583)	49,863
Other assets	13,866,624	7,073	13,873,697
Total assets	19,068,814	591,370	19,660,184
Equity attributable to the equity holders of the Company	7,989,332	591,370	8,580,702
Non-controlling interests	1,847,436	–	1,847,436
Total equity	9,836,768	591,370	10,428,138

	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

	For the year ended 31 December 2009, as previously reported RMB'000	Early adoption of amendment to IFRS 1 RMB'000	For the year ended 31 December 2009, restated RMB'000
Profit before income tax	789,503	(34,933)	754,570
Profit attributable to equity holders of the Company	424,564	(27,498)	397,066

Notes
to the Consolidated Financial Statements

2 BASIS OF PREPARATION (continued)

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

The effects of the early adoption are as follows: (continued)

	As at 31 December 2010, before early adoption of amendment to IFRS1 RMB'000	Early adoption of amendment to IFRS 1 RMB'000	As at 31 December 2010 RMB'000
Land use rights	1,480,828	508,583	1,989,411
Property, plant and equipment	4,612,443	139,809	4,752,252
Deferred income tax assets	252,666	(164,059)	88,607
Other assets	18,263,788	565	18,264,353
Total assets	24,609,725	484,898	25,094,623
Equity attributable to the equity holders of the Company	9,273,960	484,898	9,758,858
Non-controlling interests	2,281,131	–	2,281,131
Total equity	11,555,091	484,898	12,039,989

	For the year ended 31 December 2010, before early adoption of amendment to IFRS1 RMB'000	Early adoption of amendment to IFRS 1 RMB'000	For the year ended 31 December 2010 RMB'000
Profit before income tax	1,098,918	(42,854)	1,056,064
Profit attributable to equity holders of the Company	648,564	(32,140)	616,424

2 BASIS OF PREPARATION (continued)

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

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

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

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

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

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

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is not yet to assess IFRS 9's full impact.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. It is not expected to have a material impact on the Group's or Company's financial statements.

Notes
to the Consolidated Financial Statements

2 BASIS OF PREPARATION (continued)

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

- IFRIC – Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group and Company will apply the interpretation from 1 January 2011. It is not expected to have a material impact on the Group's or Company's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC – Int 14). The amendments correct an unintended consequence of IFRIC – Int 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC – Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have a material impact on the Group's or Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

(b) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations, except for common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

The Company accounts for investments in subsidiaries at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

Notes
to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Jointly controlled entities

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Jointly controlled entities (continued)

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

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

(d) Associates

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

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

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

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

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

Notes
to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

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

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

Revenues are recognised on the following bases:

(i) Freight forwarding

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

(ii) Shipping agency

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

(iii) Marine transportation

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

(iv) Storage and terminal services

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

(v) Trucking

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

(vi) Rental income

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

(vii) Interest income

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

(viii) Dividend income

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

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

(f) Land use rights

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

(g) Property, plant and equipment

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

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

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

Notes
to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

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

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

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

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

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

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

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

Notes
to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

(ii) Computer software (continued)

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

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

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

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

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

(j) Non-current assets held for sale

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets

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

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

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

(ii) Held-to-maturity financial assets

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

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

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

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

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

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

(l) Offsetting financial instruments

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

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

(ii) Assets classified as available for sale

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Operating leases

(i) A group company is the lessee

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

(ii) A group company is the lessor

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

(o) Inventories

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

(p) Trade and other receivables

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

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

(q) Cash and cash equivalents

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

(r) Share capital

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Trade payables

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

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

(t) Borrowings

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

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

(u) Borrowing costs

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

(v) Current and deferred income tax

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax (continued)

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

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

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

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

(w) Employee benefits

(i) Pension obligations

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

(ii) Termination and early retirement benefits

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

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to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Employee benefits (continued)

(iii) Housing benefits

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

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

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

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

(iv) Long term bonus plans

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Provisions

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

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

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

(y) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

Notes
to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Foreign currency translation (continued)

(iii) Group companies

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

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

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

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

(z) Contingent liabilities and contingent assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Dividend distribution

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

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

(ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management, which is chaired by the chief executive officer and consists of senior management of the Company who make strategic decisions.

(ac) Related party transactions

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

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

(ad) Financial guarantee contracts

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

The Group may elect to account for financial guarantee contracts as insurance contracts or not. This election is made on a contract by contract basis, but the election for each contract is irrevocable. Where financial guarantee contracts are classified as insurance contracts, they are recognised and measured as insurance liabilities.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Financial guarantee contracts (continued)

Financial guarantee contracts which are not classified as insurance contracts are initially summarised at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "other operating expenses."

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the company.

(ae) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Foreign exchange risk

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

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly US$. Analyses of these assets and liabilities by currency are disclosed in Note 28, Note 33, Note 34 and Note 36 respectively. As at 31 December 2010, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit before income tax, attributable to equity holders of the Group for the year would have decreased/increased by approximately RMB36,180,000 (2009:RMB54,691,000).

Also, the Group is exposed to foreign exchange risk arising from its structured foreign exchange forward contracts under which the Group are contracted to sell Japanese Yen ("JPY") and buy US$ as disclosed in Note 29. As at 31 December 2010, if JPY had strengthened/weakened by 5% against US$ with all other variables held constant, profit before income tax, attributable to equity holders of the Group for the year would have decreased/increased by approximately RMB26,490,000 (2009:RMB57,608,000).

(ii) Price risk

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

The Group has monitored the performance of the equity securities and reported regularly to the Board of Directors. As at 31 December 2010, with all other variables held constant, if the average market price of equity securities goes by 10% higher/lower, the reserve attributable to equity holders of the Group will would have increased/decreased by RMB90,436,000.

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to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, net finance costs would have decreased/increased by RMB8,552,000 (2009: RMB13,119,000).

(iv) Credit risk

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(v) Liquidity risk

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

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

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

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

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to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(v) Liquidity risk (continued)

The Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2010				
Borrowings	3,217,329	1,030,620	133,867	–
Derivative financial instruments				
– gross settled				
– Outflow	529,702	–	–	–
– Inflow	(426,348)	–	–	–
Trade and other payables*	5,489,480	–	–	–
As at 31 December 2009				
Borrowings	526,037	1,603,551	1,040,487	–
Derivative financial instruments				
– gross settled				
– Outflow	600,614	480,967	–	–
– Inflow	(548,829)	(439,578)	–	–
Trade and other payables*	5,069,253	–	–	–

The Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2010				
Borrowings	2,161,543	1,006,192	–	–
Trade and other payables*	2,035,927	–	–	–
As at 31 December 2009				
Borrowings	356,332	1,579,681	1,006,268	–
Trade and other payables*	1,462,154	–	–	–

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

The Company was not exposed to any individual significant financial risk in 2010 and 2009.

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Total RMB'000
Assets			
Financial assets at fair value through profit or loss			
– Trading securities	5,276	–	5,276
Available-for-sale financial assets			
– Equity securities	1,900,123	–	1,900,123
	1,905,399	–	1,905,399
Liabilities			
Financial liabilities at fair value through profit or loss			
– Trading derivatives	–	106,647	106,647

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

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

(c) Capital risk management

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

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

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

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Cash and cash equivalent	5,202,508	4,196,987
Less: total borrowings	(4,254,584)	(2,987,765)
Net cash position	947,924	1,209,222

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Recognition of revenue and cost of marine transportation

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

(b) Estimated impairment of trade receivables

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

(c) Fair value of derivatives and other financial instruments

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

(d) Provisions

The Group incurs a number of obligations arising in its ordinary course of business. Provisions are recognised based on management's best estimation of the probability and the amount of the outflow of resources necessary to settle the obligations.

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6 SEGMENT INFORMATION

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

Management considers the business from a service perspective and divides the business into the following operating segments: freight forwarding, shipping agency, 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, investments in jointly controlled entities and associates, available-for-sale financial assets, related dividend and investment income receivables, as well as goodwill because the Group's entire investing activities are managed on a central basis as corporate assets. Deferred income tax assets and other corporate assets are also excluded. In addition, segment assets exclude interests receivable, of which is not considered when assessing segment results. These are part of the reconciliation to total balance sheets assets. The assets of each reportable segment are before the inter-segment elimination adjustments related to receivables and payables.

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

6 SEGMENT INFORMATION (continued)

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the year ended 31 December 2010							
Revenue – external	35,587,948	632,100	3,530,567	1,463,959	1,332,199	–	42,546,773
Revenue – inter-segment	308,621	143,167	800,273	233,037	172,179	(1,657,277)	–
Total revenue	35,896,569	775,267	4,330,840	1,696,996	1,504,378	(1,657,277)	42,546,773
Segment results	499,770	270,870	(104,149)	299,547	16,435	–	982,473
Other losses, net							(75,191)
Corporate expenses							(130,584)
Operating profit							776,698
Finance costs, net							(223,321)
Share of profit of jointly controlled entities	25,625	19,857	–	29,824	357,614*	–	432,920
Share of profit of associates							69,767
Profit before income tax							1,056,064
Income tax expense							(224,006)
Profit for the year							832,058

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6 SEGMENT INFORMATION (continued)

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the year ended 31 December 2009							
Revenue – external	22,336,519	556,198	2,326,709	1,261,810	1,153,806	–	27,635,042
Revenue – inter-segment	207,507	99,742	666,322	134,580	131,391	(1,239,542)	–
Total revenue	22,544,026	655,940	2,993,031	1,396,390	1,285,197	(1,239,542)	27,635,042
Segment results	322,204	244,931	(328,314)	250,561	(8,477)	–	480,905
Other gains, net							147,807
Corporate expenses							(128,507)
Operating profit							500,205
Finance costs, net							(110,476)
Share of profit of jointly controlled entities	5,682	6,563	–	26,149	289,930*	–	328,324
Share of profit of associates							36,517
Profit before income tax							754,570
Income tax expense							(227,919)
Profit for the year							526,651

* "Share of profit of jointly controlled entities-others" mainly includes share of profit of DHL-Sinotrans International Air Courier Company Limited, whose principal activity is express services.

6 SEGMENT INFORMATION (continued)

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
As at 31 December 2010							
Segment assets	12,075,669	1,476,619	1,365,925	4,835,193	941,288	(1,127,230)	19,567,464
Financial assets at fair value through profit or loss							5,276
Investments in jointly controlled entities	234,841	36,849	–	556,416	1,067,337	–	1,895,443
Investments in associates							848,119
Available-for-sale financial assets							2,155,079
Deferred income tax assets							88,607
Interests and dividends receivable							33,216
Corporate assets							501,419
Total assets							25,094,623
As at 31 December 2009 (Restated, Note 2(b))							
Segment assets	10,368,945	1,205,373	1,135,230	4,089,263	721,968	(603,250)	16,917,529
Financial assets at fair value through profit or loss							5,357
Investments in jointly controlled entities	234,295	16,292	–	530,239	1,018,295	–	1,799,121
Investments in associates							825,602
Available-for-sale financial assets							1,438,111
Deferred income tax assets							66,754
Interests and dividends receivable							85,912
Corporate assets							580,146
Total assets							21,718,532

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6 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2010						
	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	412,871	10,491	217,985	486,552	82,568	35,110	1,245,577
Depreciation	136,289	10,098	49,942	135,313	51,769	11,559	394,970
Amortisation	3,411	247	31	870	646	14,111	19,316
Operating lease charges on land use rights	12,352	368	65	35,239	2,041	–	50,065
Provision for impairment loss of receivables	11,863	477	158	229	1,802	–	14,529

	For the year ended 31 December 2009 (Restated, Note 2(b))						
	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	260,572	9,931	11,999	262,950	47,291	24,524	617,267
Depreciation	134,775	10,694	45,802	117,550	52,488	14,169	375,478
Amortisation	3,899	335	27	809	943	12,188	18,201
Operating lease charges on land use rights	12,224	458	97	24,300	1,715	–	38,794
Provision for/(reversal of) impairment loss of receivables	13,844	(1,114)	(33)	(51)	580	–	13,226

* The capital expenditure stands for the total cash paid for purchase of non-current segment assets for the year ended 31 December 2010 and 2009.

6 SEGMENT INFORMATION (continued)

The Company is domiciled in the PRC. The result of the Group's revenue from external customers in China (excluding Hong Kong, Macao and Taiwan) for the year ended 31 December 2010 is RMB40,531,272,000 (2009: RMB25,897,170,000), and the result of the Group's revenue from external customers from other regions is RMB2,015,501,000 (2009: RMB1,737,872,000).

As at 31 December 2010, the total of non-current assets other than financial instruments and deferred tax assets located in China (excluding Hong Kong, Macao and Taiwan) is RMB9,690,791,000 (As at 31 December 2009, restated: RMB9,082,885,000), and the total of these non-current assets located in other regions is RMB78,158,000 (As at 31 December 2009, restated: RMB66,262,000).

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Emoluments of directors and supervisors

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

	2010 RMB'000	2009 RMB'000
Directors:		
Fees	411	411
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	509	505
– Discretionary bonuses	847	770
– Contributions to pension plans	58	52
Supervisors:		
Fees	63	63
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	147	146
– Discretionary bonuses	101	101
– Contributions to pension plans	29	26

Directors' fees disclosed above include RMB411,000 (2009: RMB411,000) paid to independent non-executive directors.

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7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Emoluments of directors and supervisors (continued)

The emoluments of directors and supervisors for the year ended 31 December 2010 are as follows:

	2010				
	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
Name of director					
Zhang Jianwei	–	270	847	29	1,146
Tao Suyun	–	239	*	29	268
Sun Shuyi	137	–	–	–	137
Lu Zhengfei	137	–	–	–	137
Miao Yuexin	137	–	–	–	137
Name of supervisor					
Zhang Junkuo	63	–	–	–	63
Shen Xiaobin	–	147	101	29	277

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

	2009				
	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
Name of director					
Zhang Jianwei	–	268	770	26	1,064
Tao Suyun	–	237	449**	26	712
Sun Shuyi	137	–	–	–	137
Lu Zhengfei	137	–	–	–	137
Miao Yuexin	137	–	–	–	137
Name of supervisor					
Zhang Junkuo	63	–	–	–	63
Shen Xiaobin	–	146	101	26	273

** In 2010,Tao Suyun's discretionary bonus of RMB449,000 for the year ended 31 December 2009 was determined and approved by SINOTRANS & CSC.

No directors and supervisors of the Company waived any remuneration in 2010 (2009: nil)

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

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

	Number of individuals	
	2010	2009
Directors	1	1
Senior management	4	4

The five individuals whose emoluments were the highest in the Group during the year include one (2009: one) directors whose emoluments are reflected in the analysis presented in Note 7(a). Details of remuneration of members of senior management amongst the five highest paid individuals are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	839	821
Discretionary bonuses	2,242	2,084
Contributions to pension plans	114	104

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

	Number of individuals	
	2010	2009
Nil – Hong Kong Dollar ("HK$") 1,000,000	3	4
HK$1,000,001 – HK$1,500,000	1	–
	4	4

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8 STAFF COSTS

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

	2010 RMB'000	2009 RMB'000
Wages and salaries	1,413,126	1,211,673
Housing benefits (a)	104,212	96,539
Contributions to pension plans (b)	151,657	143,570
Termination benefits (c)	14,098	32,737
Welfare and other expenses	455,322	369,396
	2,138,415	1,853,915

(a) These include the Group's contributions to government sponsored housing funds (at rates ranging from 5% to 25% (2009: 5% to 25%) of the employees' basic salaries) and cash housing subsidies paid and payable to its employees.

(b) The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 29% (2009: 5% to 29%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2010, contributions totalling RMB4,217,000 (2009: RMB3,655,000) were payable to these plans.

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

9 OTHER (LOSSES)/GAINS, NET

	2010 RMB'000	2009 RMB'000
Financial assets at fair value through profit or loss:		
– fair value gains	60	231
Gain on disposal of available-for-sale financial assets (Note 25)	44,454	–
Derivative financial instruments (Note 29):		
– fair value gains on foreign exchange forward contracts	15,959	130,978
– fair value gains on fuel oil forward contracts	–	58,323
Provision for claims from customers and losses on accident after taking into consideration estimated insurance claims	(140,783)	(36,709)
Change in fair values of SAR (Note 41)	5,119	(5,016)
	(75,191)	147,807

10 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
Crediting		
Rental income from		
– Buildings	24,880	23,272
– Plant and machinery	95,512	168,071
Gains on disposal of property, plant and equipment	18,238	6,907
Dividend income on available-for-sale financial assets	3,039	3,226
Reversal of provision for impairment losses of receivables	9,038	13,382
Income from property management	10,654	12,310
Charging		
Depreciation		
– owned property, plant and equipment	387,637	368,594
– owned property, plant and equipment leased out under operating leases	7,333	6,884
Losses on disposal of property, plant and equipment	23,777	7,024
Auditor's remuneration		
– Audit fee	4,800	4,800
– Audit-related and other services fee	3,000	3,000
Provision for impairment losses of receivables	23,567	26,608
Operating lease charges on		
– land use rights	50,065	38,794
– buildings	215,672	182,751
– plant and equipment	1,153,524	1,102,345
Amortisation of intangible assets	19,316	18,201
Charges on property management and facilities	89,771	78,853
Other tax expenses	51,921	53,147
Provision for onerous contract and foreseeable losses	46,474	56,545
Charges on IT support	35,236	32,683

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11 FINANCE COSTS, NET

	2010 RMB'000	2009 RMB'000
Interest income on bank balances	56,736	83,506
Interest expenses on bank borrowings	(122,617)	(132,591)
Exchange losses, net	(139,900)	(46,148)
Bank charges	(17,540)	(15,243)
	(223,321)	(110,476)

12 TAXATION

Income tax expense in the consolidated income statement represents:

	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
Current income tax	318,589	269,430
Deferred PRC income tax	(94,583)	(41,511)
	224,006	227,919

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.

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

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

12 TAXATION (continued)

(a) The reconciliation between the Group's actual income tax expense and the amount which is calculated based on the statutory tax rate 25%(2009: 25%) in the PRC is as follows:

	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
Profit before income tax	1,056,064	754,570
Less: Share of profit of associates	(69,767)	(36,517)
Share of profit of jointly controlled entities	(432,920)	(328,324)
	553,377	389,729
Tax calculated at the statutory tax rate of 25%	138,344	97,432
Tax effects of:		
Utilisation of prior year unrecognised tax losses	(7,621)	(567)
Prior year disposal loss of a subsidiary deductible in current year for which deferred tax was not previously recognised	(45,998)	–
Deferred income tax benefits arising from tax losses in certain entities not recognised	127,891	76,070
Non-taxable income	(8,142)	(12,913)
Expenses not deductible for tax purposes	43,812	94,688
Preferential tax rates on the income of certain subsidiaries	(24,280)	(26,113)
Others	–	(678)
Income tax expense	224,006	227,919

The weighted average applicable tax rate was 24.4% (2009: 24.7%).

The tax charge relating to components of other comprehensive income is as follows:

	2010 RMB'000			2009 (Restated, Note 2(b)) RMB'000		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
Fair value gains on available-for-sale financial assets, net of tax	319,830	(79,957)	239,873	566,053	(141,513)	424,540
Share of other comprehensive income of associates	2,544	–	2,544	–	–	–
Currency translation differences	2,502	–	2,502	1,482	–	1,482
Other comprehensive income	324,876	(79,957)	244,919	567,535	(141,513)	426,022
Deferred tax		(79,957)			(141,513)	

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12 TAXATION (continued)

(b) As at 31 December 2010 and 2009, none of the Group's deferred income taxes assets and deferred income taxes liabilities could be offset and their movements before offset are as follows:

Deferred income tax assets

	The Group	
	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
At beginning of year (Restated, Note 2(b))	66,754	49,863
Credited to consolidated income statement	21,853	16,891
At end of year	88,607	66,754
Provided for in respect of:		
Provision for impairment of receivables	14,389	13,653
Provision for one-off cash housing subsidies	7,725	7,906
Salary payable which not deductible for income tax purposes	38,000	19,425
Provision for claims	4,479	4,829
Depreciation on property, plant and equipment	4,117	2,741
Tax losses	1,491	8,188
Other temporary differences	18,406	10,012
	88,607	66,754

12 TAXATION (continued)

Deferred income tax assets (continued)

	The Group		The Company	
	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))	2010 RMB'000	2009 RMB'000
Temporary differences for which deferred income tax assets were not recognised:				
Amortisation on intangible assets and non-current assets	7,217	6,362	7,217	6,362
Depreciation on property, plant and equipment	224	260	224	260
Tax losses (Note 12(b)(i))	1,760,484	1,261,897	–	–
	1,767,925	1,268,519	7,441	6,622

(i) Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2010, the Group did not recognise deferred income tax assets of RMB440,121,000 in respect of the above stated tax losses amounting to RMB1,760,484,000 which can be carried forward against future taxable income, and tax losses amounting to RMB291,208,000, RMB194,732,000, RMB592,444,000, RMB170,540,000 and RMB511,560,000, would expire in 2011, 2012, 2013, 2014 and 2015 respectively.

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12 TAXATION (continued)

Deferred income tax liabilities

	The Group	
	2010 RMB'000	2009 RMB'000
At beginning of year	244,102	127,209
Credited to consolidated income statement	(72,730)	(24,620)
Charged to other comprehensive income	79,957	141,513
At end of year	251,329	244,102
Provided for in respect of:		
Change in fair values of available-for-sale financial assets	247,470	167,513
Operating lease charges on land use rights	2,967	3,147
Deferred income recognised arising from disposal of a jointly controlled entity	–	72,819
Other temporary differences	892	623
	251,329	244,102

	The Group	
	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
Deferred income tax assets to be recovered after more than 12 months	38,350	38,763
Deferred income tax assets to be recovered within 12 months	50,257	27,991
	88,607	66,754
Deferred income tax liabilities to be recovered after more than 12 months	180	48,782
Deferred income tax liabilities to be recovered within 12 months	251,149	195,320
	251,329	244,102

The temporary differences associated with the Group's underlying investments in subsidiaries for which deferred income tax liabilities have not been recognised, amounted to RMB543,944,000 as at 31 December 2010 (2009: RMB543,944,000), which was a gain arising from deemed disposal of the Company's share of net assets of Sinotrans Air Transportation Development Co., Ltd ("Sinoair") after the issuance of shares by the latter in connection with its initial public offering on the Shanghai Stock Exchange in 2000.

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB486,977,000 (2009: RMB435,471,000).

14 DIVIDENDS

	The Company	
	2010 RMB'000	2009 RMB'000
Interim, paid, of RMB0.02 (2009: nil) per ordinary share	84,980	–
Final, proposed, of RMB0.02 (2009: RMB0.02) per ordinary share	84,980	84,980
	169,960	84,980

At the Board of Directors' meeting held on 23 March 2011, the directors proposed a final dividend of RMB0.02 per ordinary share totaling RMB84,980,000. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

The aggregate amounts of the dividends paid and proposed during 2010 and 2009 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

15 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2010 and 31 December 2009, respectively.

	The Group	
	2010	2009 (Restated, Note 2(b))
Profit attributable to equity holders of the Company (RMB '000)	616,424	397,066
Weighted average number of ordinary shares in issue (thousands)	4,249,002	4,249,002
Basic and diluted earnings per share (RMB per share)	0.15	0.09

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

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16 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost									
At 1 January 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(b))	2,970,456	3,233	712,968	34,204	1,117,288	1,165,187	432,134	210,693	6,646,163
Exchange differences	(1,121)	–	–	(999)	(160)	(4,390)	(129)	–	(6,799)
Additions	20,371	835	9,514	21,880	162,435	264,522	42,467	375,871	897,895
Acquisition of a subsidiary (Note 43)	–	–	–	–	62	24,607	–	–	24,669
Disposals	(18,340)	(1,004)	(28)	(19)	(47,531)	(122,212)	(26,014)	(29,017)	(244,165)
Transfer upon completion	135,016	–	60,523	–	7,538	4,150	1,207	(208,434)	–
At 31 December 2010	3,106,382	3,064	782,977	55,066	1,239,632	1,331,864	449,665	349,113	7,317,763
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(b))	(651,782)	(1,422)	(192,880)	(13,418)	(516,850)	(603,487)	(302,002)	–	(2,281,841)
Exchange differences	184	–	–	236	95	2,909	105	–	3,529
Depreciation charge	(101,785)	(554)	(30,614)	(2,907)	(102,918)	(111,845)	(44,347)	–	(394,970)
Disposals	5,905	526	–	7	37,494	43,545	20,294	–	107,771
At 31 December 2010	(747,478)	(1,450)	(223,494)	(16,082)	(582,179)	(668,878)	(325,950)	–	(2,565,511)
Net book value									
At 31 December 2010	2,358,904	1,614	559,483	38,984	657,453	662,986	123,715	349,113	4,752,252
At 1 January 2010 (Restated, Note 2(b))	2,318,674	1,811	520,088	20,786	600,438	561,700	130,132	210,693	4,364,322

16 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost									
At 1 January 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(b))	2,214,279	2,359	613,941	35,103	1,015,673	1,197,470	431,382	785,940	6,296,147
Exchange differences	(9)	–	–	4	(162)	(278)	179	–	(266)
Additions	35,631	2,917	14,283	614	88,928	50,284	30,727	337,368	560,752
Acquisition of a subsidiary	–	–	–	–	38,247	16,591	229	–	55,067
Disposals	(26,789)	–	(5,476)	(1,517)	(42,705)	(61,901)	(18,416)	(34,937)	(191,741)
Disposals of a subsidiary	–	(2,043)	–	–	(5,189)	(42,013)	(24,551)	–	(73,796)
Transfer upon completion	747,344	–	90,220	–	22,496	5,034	12,584	(877,678)	–
At 31 December 2009 (Restated)	2,970,456	3,233	712,968	34,204	1,117,288	1,165,187	432,134	210,693	6,646,163
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(b))	(572,411)	(763)	(165,684)	(13,164)	(464,957)	(560,883)	(290,133)	–	(2,067,995)
Exchange differences	136	–	–	(7)	12	162	(39)	–	264
Depreciation charge	(90,683)	(1,352)	(27,823)	(1,722)	(88,993)	(122,358)	(42,547)	–	(375,478)
Disposals	11,176	–	627	1,475	32,536	52,203	16,208	–	114,225
Disposals of a subsidiary	–	693	–	–	4,552	27,239	14,509	–	46,993
Reversal of provision for impairment losses	–	–	–	–	–	150	–	–	150
At 31 December 2009 (Restated)	(651,782)	(1,422)	(192,880)	(13,418)	(516,850)	(603,487)	(302,002)	–	(2,281,841)
Net book value									
At 31 December 2009 (Restated)	2,318,674	1,811	520,088	20,786	600,438	561,700	130,132	210,693	4,364,322
At 1 January 2009 (Restated, Note 2(b))	1,641,868	1,596	448,257	21,939	550,716	636,587	141,249	785,940	4,228,152

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16 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost						
At 1 January 2010, as previously reported	3,750	3,486	7,487	99,254	6,452	120,429
Adjustment for early adoption of amendment to IFRS1	–	–	–	6,797	–	6,797
At 1 January 2010(Restated, Note2(b))	3,750	3,486	7,487	106,051	6,452	127,226
Additions	–	3,502	4,388	3,077	1,995	12,962
Disposals	–	–	(1,784)	–	–	(1,784)
Transfer upon completion	–	–	–	343	(343)	–
At 31 December 2010	3,750	6,988	10,091	109,471	8,104	138,404
Accumulated depreciation						
At 1 January 2010, as previously reported	(2,436)	(1,998)	(5,099)	(71,169)	–	(80,702)
Adjustment for early adoption of amendment to IFRS1	–	–	–	(6,797)	–	(6,797)
At 1 January 2010 (Restated, Note2(b))	(2,436)	(1,998)	(5,099)	(77,966)	–	(87,499)
Depreciation	(479)	(1,406)	(1,066)	(10,422)	–	(13,373)
Disposals	–	–	1,612	–	–	1,612
At 31 December 2010	(2,915)	(3,404)	(4,553)	(88,388)	–	(99,260)
Net book value						
At 31 December 2010	835	3,584	5,538	21,083	8,104	39,144
At 1 January 2010	1,314	1,488	2,388	28,085	6,452	39,727

16 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost						
At 1 January 2009, as previously reported	3,581	3,191	6,448	92,919	24,098	130,237
Adjustment for early adoption of amendment to IFRS1	–	–	–	6,797	–	6,797
At 1 January 2009 (Restated, Note2(b))	3,581	3,191	6,448	99,716	24,098	137,034
Additions	154	257	1,039	2,523	11,322	15,295
Disposals	–	–	–	(68)	(25,035)	(25,103)
Transfer upon completion	15	38	–	3,880	(3,933)	–
At 31 December 2009	3,750	3,486	7,487	106,051	6,452	127,226
Accumulated depreciation						
At 1 January 2009, as previously reported	(1,748)	(1,443)	(3,834)	(59,340)	–	(66,365)
Adjustment for early adoption of amendment to IFRS1	–	–	–	(6,797)	–	(6,797)
At 1 January 2009 (Restated)	(1,748)	(1,443)	(3,834)	(66,137)	–	(73,162)
Depreciation	(688)	(555)	(1,265)	(11,894)	–	(14,402)
Disposals	–	–	–	65	–	65
At 31 December 2009	(2,436)	(1,998)	(5,099)	(77,966)	–	(87,499)
Net book value						
At 31 December 2009	1,314	1,488	2,388	28,085	6,452	39,727
At 1 January 2009	1,833	1,748	2,614	33,579	24,098	63,872

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

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17 PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	The Group	
	2010	2009
	RMB'000	RMB'000
At beginning of year	362,763	388,514
Additions	55,820	79,007
Transfer to land use rights	(291,366)	(104,758)
At end of year	127,217	362,763

18 LAND USE RIGHTS

	The Group	
	2010	2009
	RMB'000	RMB'000 (Restated, Note 2(b))
At beginning of year as previously reported	1,106,855	955,800
Adjustment for early adoption of amendment to IFRS1	525,901	552,672
At beginning of year (Restated, Note 2(b))	1,632,756	1,508,472
Additions	168,008	58,320
Transfer from prepayments for acquisition of land use rights	291,366	104,758
Disposals	(52,654)	–
Operating lease charges	(50,065)	(38,794)
At end of year	1,989,411	1,632,756

All of the Group's land use rights are located in the Mainland, the PRC and are held under operating leases of between 10 to 50 years (2009: 10 to 50 years).

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

19 INTANGIBLE ASSETS

	The Group			2010	2009
	Software RMB'000	Goodwill RMB'000	Others RMB'000	Total RMB'000	Total RMB'000 (Restated, Note 2(b))
Cost					
At beginning of year, as previously reported	175,784	40,523	6,000	222,307	181,112
Adjustment for early adoption of amendment to IFRS1	1,948	(1,136)	–	812	705
At beginning of year (Restated, Note 2(b))	177,732	39,387	6,000	223,119	181,817
Additions	16,800	–	–	16,800	35,302
Acquisition of a subsidiary	–	–	–	–	6,000
At end of year	194,532	39,387	6,000	239,919	223,119
Accumulated amortisation					
At beginning of year, as previously reported	(121,379)	–	(600)	(121,979)	(103,772)
Adjustment for early adoption of amendment to IFRS1	(1,325)	–	–	(1,325)	(1,331)
At beginning of year (Restated, Note 2(b))	(122,704)	–	(600)	(123,304)	(105,103)
Amortisation	(18,716)	–	(600)	(19,316)	(18,201)
At end of year	(141,420)	–	(1,200)	(142,620)	(123,304)
Net book value					
At end of year	53,112	39,387	4,800	97,299	99,815
At beginning of year (Restated, Note 2(b))	55,028	39,387	5,400	99,815	76,714

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19 INTANGIBLE ASSETS (continued)

For the purposes of impairment testing, goodwill has been allocated to 14 (2009: 14) individual cash generating units ("CGU").

The recoverable amount was determined based on value-in-use calculations. The recoverable amount of each CGU is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period, and a discount rate of 10%. Cash flow projections during the forecast period for the CGUs are based on the expected gross margins during the forecast period. Forecast gross margins have been determined based on past performance and management's expectations for the market development.

As at 31 December 2010, management of the Group was of the view that there was no impairment of goodwill.

	The Company	
	2010	2009
	Software	Software
	RMB'000	RMB'000
Cost		
At beginning of year	112,048	83,201
Additions	10,637	28,847
At end of year	122,685	112,048
Accumulated amortization		
At beginning of year	(71,235)	(58,512)
Amortisation	(14,433)	(12,723)
At end of year	(85,668)	(71,235)
Net book value		
At end of year	37,017	40,813
At beginning of year	40,813	24,689

20 INVESTMENTS IN SUBSIDIARIES

	The Company 2010 RMB'000	2009 RMB'000 (Restated)
Investments at cost:		
Unlisted equity interests	4,840,293	4,345,022
Shares in a company listed in the PRC	988,022	988,022
	5,828,315	5,333,044
Market value of the listed shares	5,091,291	5,051,066

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

The following is a list of the principal subsidiaries as at 31 December 2010:

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
China Marine Shipping Agency Company Limited	Beijing, the PRC Limited liability company	RMB30,000,000	80%	100%	Shipping agency
Sinotrans Logistics Development Company Limited	Beijing, the PRC Limited liability company	RMB120,000,000	99.18%	100%	Freight forwarding
Sinotrans Air Transportation Development Company Limited	Beijing, the PRC Joint stock company with limited liability	RMB905,481,720	63.46%	63.46%	Air freight forwarding and express services
Sinotrans Eastern Company Limited	Shanghai, the PRC Limited liability company	RMB1,120,503,439	96.33%	100%	Freight forwarding, shipping agency and express services
Sinotrans Jiangsu Company Limited	Nanjing, the PRC Limited liability company	RMB100,000,000	100%	100%	Freight forwarding, shipping agency and express services

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20 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Sinotrans Zhejiang Company Limited	Ningbo, the PRC Limited liability company	RMB100,000,000	10%	100%	Freight forwarding, shipping agency and express services
Sinotrans Hubei Company Limited	Wuhan, the PRC Limited liability company	RMB70,000,000	100%	100%	Freight forwarding
Sinotrans Container Lines Company Limited	Shanghai, the PRC Limited liability company	RMB100,000,000	100%	100%	Marine transportation
Sinotrans Fujian Company Limited	Xiamen, the PRC Limited liability company	RMB223,257,966	90%	100%	Freight forwarding, shipping agency, express services and non-vessel operating common carrier
Trade Sky International Limited	Hong Kong, the PRC Limited liability company	HK$161,100,000	100%	100%	Investment activities
Sinotrans Guangdong Company Limited	Guangzhou, the PRC Limited liability company	RMB1,249,668,932	93.8%	100%	Freight forwarding, shipping agency and express services
Sinotrans Shandong Company Limited	Qingdao, the PRC Limited liability company	RMB645,339,942	97.5%	100%	Freight forwarding, shipping agency and express services
Sinotrans Tianjin Company Limited	Tianjin, the PRC Limited liability company	RMB57,363,906	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Liaoning Company Limited	Dalian, the PRC Limited liability company	RMB48,966,940	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Landbridge Transportation Company Limited	Lianyungang, the PRC Limited liability company	RMB59,382,238	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Heavy-lift Logistics Company Limited	Jinan, the PRC Limited liability company	RMB46,080,000	80%	80%	Hoisting and transporting
Sinotrans Anhui Company Limited	Hefei, the PRC Limited liability company	RMB78,266,081	100%	100%	Freight forwarding

20 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Sinotrans Chongqing Company Limited	Chongqing, the PRC Limited liability company	RMB27,925,642	100%	100%	Freight forwarding
Sinotrans (Hong Kong) Logistics Company Limited	Hong Kong, the PRC Limited liability company	HK$500,000	100%	100%	Freight forwarding, shipping agency
Sinotrans Jiangxi Company Limited	Jiujiang, the PRC Limited liability company	RMB9,924,241	100%	100%	Freight forwarding
Sinotrans Sunny Express Company Limited	Shanghai,the PRC Limited liability company	RMB150,000,000	100%	100%	Marine transportation

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

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
At beginning of year	1,799,121	1,634,846	10,150	10,150
Acquisition of jointly controlled entities	7,443	115,935	1,823	–
Capital injection	8,512	–	–	–
Share of profit of jointly controlled entities				
– profit before income tax	711,840	454,487	–	–
– income tax expense	(278,920)	(126,163)	–	–
	432,920	328,324	–	–
Disposals	(10,272)	(594)	–	–
Dividends received	(342,281)	(279,390)	–	–
At end of year	1,895,443	1,799,121	11,973	10,150

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21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The following is a list of the principal jointly controlled entities as at 31 December 2010, which are held by the Company directly and indirectly through its subsidiaries.

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Ningbo Southeast International Freight Company Limited	Ningbo, the PRC Sino-foreign equity joint venture	US$1,120,000	–	55%	Freight forwarding
Ningbo Taiping International Trade Transportation Company Limited	Ningbo, the PRC Sino-foreign equity joint venture	US$3,750,000	–	55%	Freight forwarding, warehousing and trucking
Shanghai Express International Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$4,000,000	20%	51%	Freight forwarding, warehousing and trucking
DHL-Sinotrans International Air Courier Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	–	31.73%*	Express services
Sinotrans-OCS International Express Company Limited ("Sinotrans-OCS") **	Beijing, the PRC Sino-foreign equity joint venture	US$2,540,000	–	31.73%*	Express services
Rex International Forwarding Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,200,000	–	31.73%*	Air freight forwarding
Grandstar Cargo International Airlines Company Limited ("Grandstar Airlines")	Tianjin, the PRC Sino-foreign equity joint venture	US$65,000,000	–	32.36%*	Air freight forwarding
Sinoswiss Inspection Company Limited	Beijing, the PRC Sino-foreign equity joint venture	RMB15,000,000	51%	51%	Inspection and storage management

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

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

** Sinotrans-OCS came to the end of business operation on 12 December 2010 according to the approved operating period. The Group and the jointly venture partner decided to liquidate Sinotrans-OCS. The Group's share of the profit of Sinotrans-OCS was RMB36,779,000 for the year ended 31 December 2010.

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Non-current assets	1,482,118	1,549,361
Current assets	1,692,217	1,583,501
Non-current liabilities	(179,645)	(270,697)
Current liabilities	(1,099,247)	(1,065,837)
Net assets	1,895,443	1,796,328
Revenue	5,672,899	4,395,950
Expenses	(4,909,684)	(3,924,369)
Profit for the year	432,920	328,324

Investments in jointly controlled entities as at 31 December 2010 include goodwill of RMB5,724,000 (2009: RMB5,724,000) and unrecognised investment loss of RMB Nil (2009: RMB2,793,000).

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21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	2010 RMB'000	2009 RMB'000
Capital commitments		
Authorised and contracted for but not provided for	667	15,000
Authorised but not contracted for	–	–
	667	15,000
An analysis of the above capital commitments by nature is as follows:		
Construction commitments	667	–
Investments in subsidiaries	–	15,000
	667	15,000

Operating lease commitments – as lessee	2010 RMB'000	2009 RMB'000
Land and buildings		
– Not later than one year	48,014	54,437
– Later than one year but not later than five years	40,802	58,457
– Later than five years	51,937	51,334
Vessels, containers and other equipment		
– Not later than one year	965	1,272
– Later than one year but not later than five years	966	118
	142,684	165,618

Operating lease commitments – as lessor	2010 RMB'000	2009 RMB'000
Land and buildings		
– Not later than one year	724	710
– Later than one year but not later than five years	550	889
Vessels, containers and other equipment		
– Not later than one year	–	92
	1,274	1,691

22 INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000 (Restated)
At beginning of year	825,602	911,530	129,600	200,284
Addition	5,946	14,027	–	–
Share of profit of associates				
– profit before income tax	100,922	50,308	–	–
– income tax expense	(31,155)	(13,791)	–	–
	69,767	36,517	–	–
Share of other reserve	2,544	–	–	–
Disposals	(2,277)	(103,735)	(2,477)	(69,684)
Transfer to subsidiary	–	–	(10,000)	(1,000)
Currency translation differences of an associate	(4,135)	387	–	–
Dividends received	(49,328)	(33,124)	–	–
At end of year	848,119	825,602	117,123	129,600

Investments in associates as at 31 December 2010 include goodwill of RMB38,011,000 (2009: RMB38,011,000).

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

	The Group	
	2010 RMB'000	2009 RMB'000
Assets	1,171,376	1,228,618
Liabilities	323,257	403,016
Revenue	681,962	708,011
Profit for the year	69,767	36,517

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22 INVESTMENTS IN ASSOCIATES (continued)

The following is a list of the principal associates as at 31 December 2010:

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

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

23 FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group	Loans and receivables RMB'000	At fair value through profit or loss RMB'000	Available–for-sale RMB'000	Total RMB'000
Financial assets as per consolidated balance sheet				
As at 31 December 2010				
Available-for-sale financial assets (Note 25)	–	–	2,155,079	2,155,079
Trade and other receivables (Note 28)	6,421,248	–	–	6,421,248
Financial assets at fair value through profit or loss (Note 30)	–	5,276	–	5,276
Restricted cash (Note 31)	199,755	–	–	199,755
Term deposits with initial terms of over three months (Note 32)	313,968	–	–	313,968
Cash and cash equivalents (Note 33)	5,202,508	–	–	5,202,508
Total	12,137,479	5,276	2,155,079	14,297,834
As at 31 December 2009				
Available-for-sale financial assets (Note 25)	–	–	1,438,111	1,438,111
Trade and other receivables (Note 28)	5,489,000	–	–	5,489,000
Financial assets at fair value through profit or loss (Note 30)	–	5,357	–	5,357
Restricted cash (Note 31)	239,283	–	–	239,283
Term deposits with initial terms of over three months (Note 32)	510,656	–	–	510,656
Cash and cash equivalents (Note 33)	4,196,987	–	–	4,196,987
Total	10,435,926	5,357	1,438,111	11,879,394

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23 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RMB'000	At fair value through profit or loss RMB'000	Total RMB'000
Financial assets as per balance sheet			
As at 31 December 2010			
Trade and other receivables (Note 28)	5,705,338	–	5,705,338
Financial assets at fair value through profit or loss (Note 30)	–	5,276	5,276
Restricted cash (Note 31)	800	–	800
Cash and cash equivalents (Note 33)	411,091	–	411,091
Total	6,117,229	5,276	6,122,505
As at 31 December 2009			
Trade and other receivables (Note 28)	4,955,368	–	4,955,368
Financial assets at fair value through profit or loss (Note 30)	–	5,216	5,216
Restricted cash (Note 31)	800	–	800
Cash and cash equivalents (Note 33)	464,104	–	464,104
Total	5,420,272	5,216	5,425,488

23 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per consolidated balance sheet		
As at 31 December 2010		
Trade payables (Note 36)	–	4,420,758
Other payables, accruals and other current liabilities (Note 37)	–	1,068,722
Borrowings (Note 34)	–	4,254,584
Derivative financial instruments (Note 29)	106,647	–
Total	106,647	9,744,064
As at 31 December 2009		
Trade payables (Note 36)	–	3,900,202
Other payables, accruals and other current liabilities (Note 37)	–	1,169,051
Borrowings (Note 34)	–	2,987,765
Derivative financial instruments (Note 29)	122,606	–
Total	122,606	8,057,018

The Company	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per balance sheet		
As at 31 December 2010		
Trade payables (Note 36)	–	147,714
Other payables, accruals and other current liabilities (Note 37)	–	1,888,213
Borrowings (Note 34)	–	3,096,400
Total	–	5,132,327
As at 31 December 2009		
Trade payables (Note 36)	–	133,897
Other payables, accruals and other current liabilities (Note 37)	–	1,328,257
Borrowings (Note 34)	–	2,772,524
Total	–	4,234,678

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24 CREDIT QUALITY OF FINANCIAL ASSETS

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

(a) Trade and other receivables

As at 31 December 2010, the Group's trade and other receivables of RMB6,090,366,000 (2009: RMB5,223,427,000) and the Company's trade and other receivables of RMB5,570,577,000 (2009: RMB4,911,319,000) were fully performing. Trade and other receivables that were fully performing mainly represent those due from customers with good credit history and low default rate. None of trade and other receivables that were fully performing has been renegotiated in 2010 and 2009. Trade and other receivables that were either past due or impaired were disclosed in Note 28.

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

As at 31 December 2010 and 2009, substantially all of the Group's and the Company's cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months were held in major financial institutions located in the PRC, which are of high credit quality with good credit history without any default records. None of cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months that were fully performing has been renegotiated in 2010 and 2009.

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Listed equity securities-PRC (a)	1,900,123	1,289,053	–	–
Unlisted equity investments, at cost less impairment (b)	254,956	149,058	50,000	–
Available-for-sale financial assets	2,155,079	1,438,111	50,000	–

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

	For the year ended 31 December	
	2010 RMB'000	2009 RMB'000
At beginning of year	1,289,053	328,000
Addition	303,000	395,000
Disposal	(11,760)	–
Fair value gains	319,830	566,053
At end of year	1,900,123	1,289,053
Market value of listed securities	1,900,123	1,289,053

Listed equity investment includes the ordinary shares of Air China Limited ("Air China") and China Eastern Airlines Corporation Limited ("China Eastern") listed on the Shanghai Stock Exchange and BOE Technology Group Co., Ltd. ("BOE") listed on the Shenzhen Stock Exchange. Air China and China Eastern were incorporated in the PRC whose principal activities were air transportation. During the year ended 31 December 2010, the Group removed profit of RMB44,454,000 from equity into the income statement due to disposal of 4.2 million ordinary shares of Air China. Sinoair subscribed for 100 million ordinary shares at RMB3.03 each in BOE upon its non-public offering at a cash consideration of RMB303,000,000 in December 2010. BOE was incorporated in the PRC whose principal activities were electronic device manufacturing and sales.

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25 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(b) Unlisted equity investments comprised equity interests in entities which are engaged in logistics, freight forwarding operations and other financing activities. 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 non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale financial assets are impaired in accordance with the guidelines in IAS39. The assessment requires the Company's directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

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

26 PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Prepayments on behalf of customers	856,457	557,899	8,895	14,855
Prepaid expenses	28,392	20,161	1,269	151
Due from related parties	15,290	12,317	1,071	550
Others	3,026	1,911	68	1,089
	903,165	592,288	11,303	16,645

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

27 INVENTORIES

Inventories mainly comprise supplies, consumables and spare parts. As at 31 December 2010, the inventories of the Group stated at net realisable value amounted to RMB15,663,000 (2009: RMB9,487,000).

28 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables (a)	5,527,044	4,837,044	313,331	216,009
Bills receivables (b)	218,623	135,674	–	2,200
Other receivables (c)	499,493	246,166	14,620	10,549
Due from related parties (d)	176,088	270,116	5,377,387	4,726,610
	6,421,248	5,489,000	5,705,338	4,955,368

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

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
RMB	4,617,703	3,916,043	5,472,192	4,774,742
US$	1,652,662	1,501,995	229,727	180,626
HK$	135,485	57,636	–	–
Others	15,398	13,326	3,419	–
	6,421,248	5,489,000	5,705,338	4,955,368

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

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, both locally and internationally dispersed.

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28 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2010 and 2009, the following trade and other receivables were impaired. The factors considered by management in determining the impairment are described in Note 3(m). It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	1,171	2,654	–	–
Between 6 and 12 months	59,655	50,183	33,340	28,242
Between 1 and 2 years	22,808	59,814	10,165	12,950
Between 2 and 3 years	20,115	8,943	2,702	695
Over 3 years	28,498	28,359	345	–
	132,247	149,953	46,552	41,887
Less: Provision for impairment of receivables	(75,446)	(71,554)	(14,466)	(6,866)
	56,801	78,399	32,086	35,021

As at 31 December 2010 and 2009, the following trade and other receivables were past due but not impaired. The aging analysis of these receivables is as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	273,754	186,334	102,675	9,028
Between 6 and 12 months	324	222	–	–
Between 1 and 2 years	–	601	–	–
Between 2 and 3 years	–	6	–	–
Over 3 years	3	11	–	–
	274,081	187,174	102,675	9,028

28 TRADE AND OTHER RECEIVABLES (continued)

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
At beginning of year	(71,554)	(98,276)	(6,866)	(2,133)
Provision for impairment	(23,567)	(26,608)	(7,635)	(17,503)
Receivables written off as uncollectible	10,637	39,948	–	12,431
Unused amounts reversed	9,038	13,382	35	339
At end of year	(75,446)	(71,554)	(14,466)	(6,866)

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

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

(a) Trade receivables

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables	5,577,429	4,880,605	327,797	222,875
Less: Provision for impairment of receivables	(50,385)	(43,561)	(14,466)	(6,866)
Trade receivables, net	5,527,044	4,837,044	313,331	216,009

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28 TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	5,471,334	4,760,996	281,631	180,989
Between 6 and 12 months	59,531	49,900	32,954	28,242
Between 1 and 2 years	22,552	59,329	10,165	12,950
Between 2 and 3 years	18,007	7,351	2,702	694
Over 3 years	6,005	3,029	345	–
	5,577,429	4,880,605	327,797	222,875

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

28 TRADE AND OTHER RECEIVABLES (continued)

(c) Other receivables

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Deposits receivables	167,106	123,671	2,560	200
Receivables from payments on behalf of customers	123,128	43,637	1,481	–
Compensation receivables	86,708	5,582	–	–
Dividend and investment income receivables	–	24	–	–
Interest receivable	27,557	4,906	–	31
Others	120,029	96,316	10,579	10,318
	524,528	274,136	14,620	10,549
Less: Provision for impairment of receivables	(25,035)	(27,970)	–	–
	499,493	246,166	14,620	10,549

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28 TRADE AND OTHER RECEIVABLES (continued)

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables:				
Ultimate holding company				
and fellow subsidiaries	25,882	27,683	1,394	552
Jointly controlled entities	25,772	40,630	–	–
Associates	20,544	9,731	–	–
	72,198	78,044	1,394	552
Less: Provision for impairment of receivables	(6)	(3)	–	–
	72,192	78,041	1,394	552
Other receivables:				
Ultimate holding company				
and fellow subsidiaries	69,072	82,656	5,375,970	4,725,976
Jointly controlled entities	34,814	107,667	–	–
Associates	30	1,772	23	82
	103,916	192,095	5,375,993	4,726,058
Less: Provision for impairment of receivables	(20)	(20)	–	–
	103,896	192,075	5,375,993	4,726,058
	176,088	270,116	5,377,387	4,726,610

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

28 TRADE AND OTHER RECEIVABLES (continued)

(d) Due from related parties (continued)

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	71,865	77,036	1,008	552
Between 6 and 12 months	324	304	386	–
Between 1 and 2 years	–	645	–	–
Between 2 and 3 years	–	47	–	–
Over 3 years	9	12	–	–
	72,198	78,044	1,394	552

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

29 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2010 RMB'000	2009 RMB'000
Current liabilities		
– Foreign exchange forward contracts – held for trading (a)	106,647	122,784
– Fuel oil forward contracts – held for trading (b)	–	(178)
Total	106,647	122,606

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29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group's derivative financial instruments are as follows:

(a) Foreign exchange forward contracts

As at 31 December 2010, the Group had certain outstanding gross-settled foreign exchange forward contracts with banks. The spot rate of JPY against US$ as at 31 December 2010 was higher than the threshold agreed in the foreign exchange forward contracts, and if the future rate of JPY against US$ remains higher than the threshold, the Group is required to buy approximately US$64,376,812 and simultaneously sell approximately JPY 6,515,400,000 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 2011. These contracts may be terminated before the maturity date when certain conditions are met.

During the year ended 31 December 2010, the realised net losses on the above foreign exchange forward contracts amounting to RMB97,272,000 were charged in the consolidated income statement under "finance costs, net".

(b) Fuel oil forward contracts

As at 31 December 2010, the Group had no outstanding fuel oil forward contract. The contract had been settled in January 2010.

During the year ended 31 December 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".

30 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Listed equity securities in the PRC, at market value	5,276	5,357	5,276	5,216

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

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

31 RESTRICTED CASH

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits denominated in RMB				
in banks restricted for				
– bank borrowings	104,132	15,637	–	–
– other business purposes	95,623	223,646	800	800
	199,755	239,283	800	800

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

The weighted average effective interest rates of the Group and the Company on restricted cash per annum were 1.42% (2009: 1.62%) and 0.36%(2009: 0.36%) respectively as at 31 December 2010.

32 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Term deposits with initial terms of over three months	313,968	510,656

As at 31 December 2010, the weighted average effective interest rates per annum on term deposits with initial terms of over three months of the Group was 2.01% (2009:3.22%).

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

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33 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	3,768,683	3,361,213	411,091	229,104
Short-term bank deposits	1,433,825	835,774	–	235,000
	5,202,508	4,196,987	411,091	464,104

(a) As at 31 December 2010 and 2009, the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	3,962,745	3,460,449	343,452	413,410
US$	1,107,424	653,387	52,593	47,492
HK$	97,730	65,389	56	58
JPY	918	8,773	10	9
Others	33,691	8,989	14,980	3,135
	5,202,508	4,196,987	411,091	464,104

(b) The weighted average effective interest rates of the Group and the Company on short term bank deposits per annum were 1.46% (2009: 2.31%) and nil (2009: 1.35%) respectively as at 31 December 2010.

34 BORROWINGS

(a) Borrowings represented bank borrowings and entrusted loans payable to SINOTRANS & CSC, which are analysed as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Current				
Bank borrowings denominated in				
– RMB	326,842	80,402	149,166	–
– US$	981,847	158,530	235,958	80,691
– HK$	50,035	–	–	–
– JPY	211,276	191,833	211,276	191,833
– AUD	20,142	–	–	–
Current portion of non-current borrowings denominated in RMB	1,520,000	5,000	1,500,000	–
	3,110,142	435,765	2,096,400	272,524
Non-current				
Bank borrowings repayable between 1 to 2 years				
– denominated in RMB	20,000	20,000	–	–
Bank borrowings repayable between 2 to 5 years				
– denominated in RMB	12,000	32,000	–	–
– denominated in USD	112,442	–	–	–
Entrusted loans payable to SINOTRANS & CSC between 1 to 2 years				
– denominated in RMB	1,000,000	1,500,000	1,000,000	1,500,000
Entrusted loans payable to SINOTRANS & CSC between 2 to 5 years				
– denominated in RMB	–	1,000,000	–	1,000,000
	1,144,442	2,552,000	1,000,000	2,500,000
Total borrowings	4,254,584	2,987,765	3,096,400	2,772,524

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34 BORROWINGS (continued)

(a) (continued)

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Borrowings				
Unsecured				
– Bank borrowings	1,553,852	344,728	596,400	272,524
– Entrusted loans payable to SINOTRANS & CSC	2,500,000	2,500,000	2,500,000	2,500,000
Secured or guaranteed	200,732	143,037	–	–
	4,254,584	2,987,765	3,096,400	2,772,524

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair values.

(b) The weighted average effective interest rates per annum of the borrowings for the Group were 5.06% (2009: 5.73%) for bank borrowings denominated in RMB, 2.36% (2009: 5.00%) for bank borrowings denominated in US$, 1.32% (2009: 4.80%) for bank borrowings denominated in HK$, 1.71% (2009: 3.84%) for bank borrowings denominated in JPY and 7.25% (2009: nil) for bank borrowings denominated in AUD and 3.28% (2009:3.48%) for entrusted loans payable to SINOTRANS & CSC as at 31 December 2010.

The weighted average effective interest rates per annum of the borrowings for the Company were 5.23% (2009: 6.18%) for bank borrowings denominated in RMB, 1.95% (2009: 3.79%) for bank borrowings denominated in US$, Nil (2009: 4.80%) for bank borrowings denominated in HK$ and 1.71% (2009: 3.84%) for bank borrowings denominated in JPY and 3.28% (2009: 3.48%) for entrusted loans payable to SINOTRANS & CSC as at 31 December 2010.

34 BORROWINGS (continued)

(c) Securities and guarantees

	The Group	
	2010	2009
	RMB'000	RMB'000
Restricted cash pledged	104,132	15,637
Net book value of property, plant and equipment pledged	93,924	189,833
Net book value of land use rights pledged	35,014	53,520
Corresponding borrowings		
– pledged by restricted cash	93,732	15,637
– pledged by property, plant and equipment	77,980	89,856
– pledged by land use rights	29,020	37,544
	200,732	143,037

(d) The exposure of the Group's and the Company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	1,380,109	427,765	446,400	272,524
6-12 months	1,842,475	8,000	1,650,000	–
1-5 years	1,032,000	2,552,000	1,000,000	2,500,000
	4,254,584	2,987,765	3,096,400	2,772,524

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35 PROVISIONS

	The Group						
	One-off cash housing subsidies RMB'000	Guarantees RMB'000	Outstanding claims RMB'000	Onerous contracts RMB'000	Foreseeable losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2010	31,682	3,133	52,541	55,244	6,730	–	149,330
Additional provision	–	–	7,265	40,634	5,840	31,209	84,948
Utilised during the year	(784)	–	(9,547)	(81,445)	(6,730)	–	(98,506)
As at 31 December 2010	30,898	3,133	50,259	14,433	5,840	31,209	135,772
As at 1 January 2009	32,773	8,178	27,095	26,663	10,165	–	104,874
Additional provision	–	–	36,709	49,815	6,730	–	93,254
Utilised during the year	(1,091)	(5,045)	(11,263)	(21,234)	(10,165)	–	(48,798)
As at 31 December 2009	31,682	3,133	52,541	55,244	6,730	–	149,330

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 the respective balance sheet dates relates to certain legal claims brought against the Group by customers.

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

	The Company	
	2010 RMB'000	2009 RMB'000
As at 1 January	1,800	6,160
Additional provision	9,512	4,604
Utilised during the year	(3,747)	(8,964)
As at 31 December	7,565	1,800

The carrying amounts of the Group's and the Company's provisions at the respective balance sheet dates approximate their fair values as the impact of discounting is not significant.

36 TRADE PAYABLES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade payables (a)	4,277,764	3,784,644	111,613	122,685
Due to related parties (b)	142,994	115,558	36,101	11,212
	4,420,758	3,900,202	147,714	133,897

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
RMB	3,328,963	2,905,348	36,947	28,577
US$	942,195	903,030	108,633	105,261
HK$	113,839	62,268	–	–
Others	35,761	29,556	2,134	59
	4,420,758	3,900,202	147,714	133,897

(a) Trade payables

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	3,858,375	3,355,317	82,321	109,974
Between 6 and 12 months	205,585	225,796	7,799	8,050
Between 1 and 2 years	129,412	122,849	19,173	3,404
Between 2 and 3 years	68,929	54,465	1,373	348
Over 3 years	15,463	26,217	947	909
	4,277,764	3,784,644	111,613	122,685

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36 TRADE PAYABLES (continued)

(b) Due to related parties

The amounts due to related parties, which are trading in nature, are analysed as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Ultimate holding company and fellow subsidiaries	114,730	88,735	36,041	11,212
Jointly controlled entities	19,372	19,613	60	–
Associates	8,892	7,210	–	–
	142,994	115,558	36,101	11,212

The normal credit period for trade payables due to related parties generally ranges from 1 to 3 months. The aging of these amounts due to the ultimate holding company, fellow subsidiaries, jointly controlled entities, associates and other related parties is summarised as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within 6 months	128,978	98,801	32,708	11,158
Between 6 and 12 months	2,530	4,427	1,782	15
Between 1 and 2 years	610	627	1,611	39
Between 2 and 3 years	157	390	–	–
Over 3 years	10,719	11,313	–	–
	142,994	115,558	36,101	11,212

37 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other payables and accruals (a)	656,768	599,595	56,097	32,205
Due to related parties (b)	411,954	569,456	1,832,116	1,296,052
	1,068,722	1,169,051	1,888,213	1,328,257

(a) Other payables and accruals

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Payables for property, plant and equipment	107,923	173,293	–	–
Customers' deposits	311,433	263,836	18,981	7,876
Accrued expenses	54,793	40,260	19,656	10,287
Dividends payable to Non-controlling shareholders of subsidiaries	5,440	6,514	–	–
Temporary receipts	68,977	39,445	9,262	7,678
Other current tax liabilities	62,505	55,026	7,095	6,172
Others	45,697	21,221	1,103	192
	656,768	599,595	56,097	32,205

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37 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES (continued)

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Ultimate holding company and fellow subsidiaries	393,924	527,032	1,832,116	1,296,052
Jointly controlled entities	16,475	40,862	–	–
Associates	1,555	1,562	–	–
	411,954	569,456	1,832,116	1,296,052

The amounts due to related parties are generally unsecured, non-interest bearing and have no fixed repayment terms.

38 RECEIPTS IN ADVANCE FROM CUSTOMERS

	The Group	
	2010 RMB'000	2009 RMB'000
Receipts in advance from customers	1,004,972	669,802
Collection and payment on behalf of others	1,151,022	827,719
	2,155,994	1,497,521

39 SHARE CAPITAL

	The Group and The Company	
	2010	2009
	RMB'000	RMB'000
Registered, issued and fully paid		
– Domestic shares of RMB1.00 each	2,461,596	2,461,596
– H shares of RMB1.00 each	1,787,406	1,787,406
	4,249,002	4,249,002

As at 31 December 2010 and 2009, the registered and issued share capital of the Group and the Company comprises 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital, respectively.

All the domestic state-owned ordinary shares and H shares rank pari passu in all material respects except that the dividends to holders of H shares are declared in RMB but paid in HK$.

40 RESERVES

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

For the year ended 31 December 2010, the Company transferred of 10% of the Company's profit after tax determined under the PRC accounting standards, after reduction of accumulated losses, of RMB50,019,000 to the statutory surplus reserve fund.

As at 31 December 2010, the Company's retained earnings available for distribution was approximately RMB618,972,000, being the amount determined in accordance with the PRC accounting standards.

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41 CASH-SETTLED SHARE-BASED PAYMENT

The Group had cash-settled share-based payment arrangements, also known as SAR Plan with key employees and directors.

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

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

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

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

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

41 CASH-SETTLED SHARE-BASED PAYMENT (continued)

Information on outstanding SAR is summarised as follows:

(a) Information on outstanding SAR

	Date of grant	Expiry date	Exercise price in HK$ per share	The Group 2010 (Thousands)	The Group 2009 (Thousands)
Tranche I	20 January 2003 (Note 41(a)(i))	20 January 2013	2.19	21,004	21,004
Tranche II	24 June 2003 (Note 41(a)(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 31 December 2010 determined using the Black-Scholes valuation model was HK$0.24 (2009: HK$0.46). The significant inputs into the model were share price of HK$2.13 as at 31 December 2010(2009: HK$2.04), exercise price shown above, expected life of SAR of 1.03 years(2009: 1.53 years), expected dividend rate of 2.44% (2009: 1.33%) and risk-free interest rate of 0.35% (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 31 December 2010 determined using the Black-Scholes valuation model was HK$0.27 (2009: HK$0.50). The significant inputs into the model were share price of HK$2.13 as at 31 December 2010 (2009: HK$2.04), exercise price per share shown above, expected life of SAR of 1.24 years (2009: 1.74 years), expected dividend rate of 2.44% (2009: 1.33%) and risk-free interest rate of 0.42% (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 31 December 2010 for both Tranche I and II is nil (31 December 2009: nil).

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41 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:

	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 year	2.19	25,064	2.19	25,384
Forfeited	–	–	–	–
Exercised	–	–	2.19	(320)
At end of year	2.19	25,064	2.19	25,064

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

(c) The amounts recognised in the consolidated financial statements (before taxes) for SAR:

	The Group	
	2010 RMB'000	2009 RMB'000
At beginning of year, included in salary and welfare payables	10,291	5,275
(Credited)/charged to other (losses)/gains, net	(5,119)	5,016
At end of year, included in salary and welfare payables	5,172	10,291

42 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to cash generated from operations:

	The Group	
	2010 RMB'000	2009 RMB'000 (Restated, Note 2(b))
Profit for the year	832,058	526,651
Interest income	(56,736)	(83,506)
Interest expenses	122,617	132,591
Net losses on disposal of property, plant and equipment	5,539	117
Provision for impairment on receivables	14,529	13,226
Gains on financial assets at fair value through profit and loss	(60)	(231)
Depreciation of property, plant and equipment	394,970	375,478
Amortisation of intangible assets	19,316	18,201
Operating lease charges on other non-current assets	35,277	31,478
Operating lease charges on land use rights	50,065	38,794
Share of profit of associates, net of taxation	(69,767)	(36,517)
Share of profit of jointly controlled entities, net of taxation	(432,920)	(328,324)
Dividend income on available-for-sale financial assets	(3,039)	(3,226)
Gain on liquidation of a jointly controlled entity	(5,583)	–
Gain on liquidation of a subsidiary	–	(4,002)
Gain on disposal of an associate	(2,157)	(6,380)
Gain on disposal of available-for-sale financial assets	(44,454)	–
Fair value gains on derivative financial instruments	(15,959)	(189,301)
Fair value (gains)/losses on SAR	(5,119)	5,016
Bank charges on entrusted loans payable to SINOTRANS & CSC	–	5,108
Exchange losses	32,553	18,838
Operating profit before working capital changes	871,130	514,011
Increase in deferred income tax assets	(21,853)	(16,891)
Increase in prepayments, deposits and other current assets	(307,005)	(149,665)
(Increase)/decrease in inventories	(4,394)	2,669
Increase in trade and other receivables	(1,004,093)	(905,286)
Decrease in deferred income tax liabilities	(72,730)	(24,620)
(Decrease)/increase in other non-current liabilities	(65)	64
(Decrease)/increase in provisions	(13,558)	44,456
Increase in trade payables	513,044	689,323
Increase in other payables, accruals and other current liabilities	138,777	138,748
Increase in receipts in advance from customers	658,040	439,720
Increase in income tax liabilities	315,385	270,118
Increase in salary and welfare payable	117,268	52,246
Cash generated from operations	1,189,946	1,054,893

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43 BUSINESS COMBINATION

On 30 September 2010, one of the Company's subsidiaries, Sinotrans Changjiang Co., Ltd., acquired the shipping related assets and businesses of Changsha JieAn Shipping Company Limited ("Changsha JieAn"), which is mainly engaged in river transportation in the PRC. The total cash consideration after agreed adjustments is RMB24,919,000.

The acquired business contributed revenues of RMB14,028,000 and loss of RMB1,353,000 to the Group for the period from acquisition date to 31 December 2010. If the acquisition had occurred on 1 January 2010, the acquired business's revenue and profit for the year ended 31 December 2010 would have been RMB59,410,000 and RMB1,139,000 respectively; the Group's consolidated revenue and consolidated profit would have been RMB42,592,155,000 and RMB834,550,000 respectively.

	RMB'000
At 30 September 2010 Consideration-cash:	24,919
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2010)	468
	25,387

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Fair value RMB'000
Cash and cash equivalents	2,168
Property, plant and equipment	24,669
Investments in jointly controlled entity	869
Inventories	725
Trade and other receivables	16,424
Trade and other payables	(16,299)
Salary payables	(433)
Tax liabilities	(3,204)
Total identifiable net assets	24,919
Goodwill	–

44 CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account the legal advice, provisions have been made for the probable losses which are included in Note 35. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 31 December 2010, the maximum exposure of such lawsuits to the Group amounted to approximately RMB71,553,000 (2009: RMB72,492,000).

45 GUARANTEES

The following is a summary of the Group's significant guarantees:

	The Group	
	2010 RMB'000	2009 RMB'000
Loan guarantees provided by Group for the benefit of a jointly controlled entity	201,844	234,121
Performance guarantees provided by Group for the benefit of a jointly controlled entity	3,000	3,000
Tariff guarantees provided by Group for the benefit of third parties	2,000	1,000

In addition, in its ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amount to the Civil Aviation Administration of China for the benefit of certain jointly controlled entities to enable those entities to obtain the required air freight forwarding operating licences. Certain of these guarantees have been extended for periods up to 2013, while the others have no expiry dates.

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46 CAPITAL COMMITMENTS

The Group and the Company have the following outstanding capital commitments not provided for in the consolidated financial statements:

	The Group	
	2010	2009
	RMB'000	RMB'000
Authorised and contracted for but not provided for	69,111	41,451
Authorised but not contracted for	922,207	253,827
	991,318	295,278

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

	2010 RMB'000	2009 RMB'000
Acquisition of property, plant and equipment	290,533	136,965
Construction commitments	552,273	136,313
Investments in subsidiaries/jointly controlled entities/associates	148,512	22,000
	991,318	295,278

The Company didn't have any outstanding capital commitments in 2010 and 2009.

47 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

The Group leases various land and buildings, vessels, containers and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the consolidated income statement during the year is disclosed in Note 10.

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

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Land and buildings				
– Not later than one year	150,182	103,265	6,945	6,946
– Later than one year but not later than five years	355,115	172,426	27,780	27,780
– Later than five years	164,480	100,818	48,615	55,560
Vessels, containers and other equipment				
– Not later than one year	532,577	654,795	39,574	83,373
– Later than one year but not later than five years	433,083	387,931	3,277	–
– Later than five years	49,037	5,394	–	–
	1,684,474	1,424,629	126,191	173,659

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47 OPERATING LEASE COMMITMENTS (continued)

(b) The Group as lessor

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Land and buildings		
– Not later than one year	18,448	17,244
– Later than one year but not later than five years	23,061	15,657
– Later than five years	7,274	4,975
Machinery		
– Not later than one year	48,911	74,889
– Later than one year but not later than five years	–	53,406
	97,694	166,171

48 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.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions and such transactions are carried out on normal commercial terms that are consistently applied to all customers.

(a) Transactions with related parties

	The Group	
	2010 RMB'000	2009 RMB'000
Transactions with ultimate holding company and fellow subsidiaries		
Revenue:		
Revenue from provision of transportation and logistics services	217,352	153,493
Expenses:		
Service fees	(179,521)	(204,219)
Rental expenses for office buildings, warehouses and depots	(39,250)	(44,251)
Rental expenses for containers	(57,698)	(62,931)
Rental expenses for vessels	(95,310)	(112,828)
Gains from disposal of an associate:	–	6,380
*Purchase of non-controlling interests:**	(12,610)	–
Transactions with associates of the Group		
Revenue:		
Revenue from provision of services	104,816	165,035
Expenses:		
Service fees	(98,337)	(156,546)

* The Company purchased 49% interests in Sinotrans Changjiang Co., Ltd. ("Changjiang"), a subsidiary of the Company, on September 30, 2010 from SINOTRANS&CSC. According to the purchase agreement, the net consideration was RMB12,610,000, representing the consideration of RMB16,970,000 and netting off SINOTRANS&CSC's share of the loss for the transition period. The carrying value of acquired share of net assets of Changjiang as of September 30, 2010 was RMB4,052,000 and the difference between net consideration and the carrying value of acquired share of net assets amounting to RMB8,558,000 was charged in equity.

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48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

	The Group	
	2010	2009
	RMB'000	RMB'000
Transactions with jointly controlled entities of the Group		
Revenue:		
Revenue from provision of services	124,358	124,142
Expenses:		
Service fees	(374,577)	(256,638)
Gains from disposal of a subsidiary:	2,157	4,002
Transactions with other PRC state-owned enterprises		
Interest income from bank deposits	46,986	59,782

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	The Group	
	2010	2009
	RMB'000	RMB'000
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	94,928	110,316
Prepayments, deposits and other current assets	14,410	11,674
Trade payables	114,730	88,735
Other payables, accruals and other liabilities	393,924	527,032
Receipts in advance from customers	1,650	2,646
Balances with jointly controlled entities of the Group		
Trade and other receivables	60,586	148,297
Prepayments, deposits and other current assets	695	639
Trade payables	19,372	19,613
Other payables, accruals and other liabilities	16,475	40,862
Receipts in advance from customers	874	715
Balances with associates of the Group		
Trade and other receivables	20,574	11,503
Prepayments, deposits, and other current assets	185	4
Trade payables	8,892	7,210
Other payables, accruals and other liabilities	1,555	1,562
Receipts in advance from customers	267	–
Balances with other PRC state-owned enterprises		
Restricted cash	143,755	239,283
Terms deposits with initial terms of over three months	304,634	167,290
Cash and cash equivalents	4,972,700	3,004,630

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48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Borrowings

	The Group	
	2010	2009
	RMB'000	RMB'000
Entrusted loans payable to SINOTRANS & CSC		
At beginning of year	2,500,000	–
Proceeds from borrowings	–	2,500,000
At end of year	2,500,000	2,500,000
Interest charged	86,038	69,046
Interest paid	(84,883)	(53,153)

As at 31 December 2010, the weighted average effective interest rate of the entrusted loans above was 3.28% (2009:3.48%) per annum.

	The Group	
	2010	2009
	RMB'000	RMB'000
Borrowings from the PRC state-owned banks		
At beginning of year	487,765	2,070,734
Proceeds from borrowings	2,095,357	734,548
Repayment of borrowings	(958,539)	(2,317,517)
At end of year	1,624,583	487,765
Interest charged	36,402	63,545
Interest paid	(11,091)	(64,402)

As at 31 December 2010, the weighted average effective interest rate of the bank borrowings above was 2.82% (2009: 3.93%) per annum.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

Key management includes executive directors, senior management and supervisors. The compensation paid or payable to key management for employee services is shown below:

	The Group	
	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	2,103	2,310
Discretionary bonuses	4,162	4,334
Contributions to pension plans	284	264

49 SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2010:

(a) Sinoair provided a loan guarantee amounting to USD 15,000,000 for the benefit of Grandstar Airlines, a jointly controlled entity of Sinoair, on February 25, 2011. Korean Air Lines Co., Ltd, a foreign shareholder of Grandstar Airlines, provided a counter-guarantee up to 49%, being the corresponding interest in the jointly controlled entity held by Korean Air Lines, of the total amount.

(b) Sinoair is approved by the shareholders at the Extraordinary General Meeting to acquire 100% interests in Tianjin Tianhua Hongyun Logistics Co., Ltd with reference to the listed price in Tianjin Property Rights Exchange. On 1 March 2011, Sinoair obtained the acquisition right and the related transfer procedures are still under process.

(c) At the Board of Directors' meeting held on 23 March 2011, the Directors proposed a final dividend of RMB0.02 per ordinary share totaling RMB0.04 for the year ended 31 December 2010.

50 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Sinotrans & CSC, an unlisted stated-owned company controlled by the SASAC, as the immediate and ultimate holding company of the Company.