



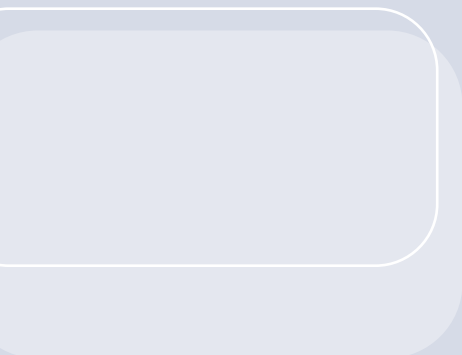
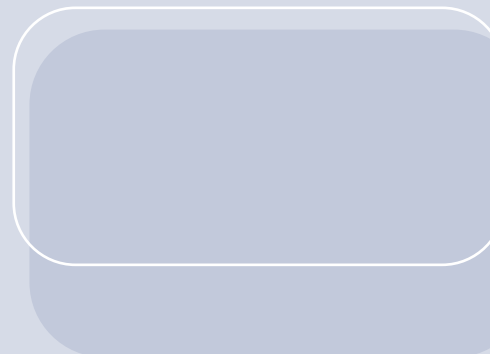
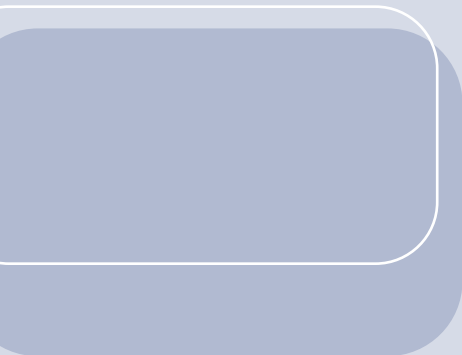
SINOTRANS LIMITED

Stock Code : 598



to Stride Forward
Reach our GOAL

» Interim Report 2011



to **Stride Forward** Reach our **GOAL**
昂首前行 成就理想

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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

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:
Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

PRC auditors:
Deloitte Touche Tohmatsu CPA Ltd.
30/F Bund Center
222 East Yan An Road
Shanghai 200002
People's Republic of China

LEGAL ADVISERS:

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

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2011

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|--------------------------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Revenue | 3 | 20,601,190 | 20,002,742 |
| Other income | | 67,471 | 115,960 |
| Business tax and other surcharges | | (150,548) | (127,872) |
| Transportation and related charges | | (16,901,379) | (16,845,068) |
| Staff costs | | (1,104,492) | (941,017) |
| Depreciation and amortisation | | (213,203) | (197,294) |
| Repairs and maintenance | | (70,763) | (59,703) |
| Fuel | | (702,729) | (476,594) |
| Travel and promotional expenses | | (144,976) | (124,564) |
| Office and communication expenses | | (87,887) | (74,117) |
| Rental expenses | | (583,805) | (556,277) |
| Other gains/(losses), net | | 26,486 | (110,984) |
| Other operating expenses | | (186,180) | (189,120) |
| Operating profit | 4 | 549,185 | 416,092 |
| Finance costs, net | 5 | (99,571) | (84,374) |
| Share of profit of jointly controlled entities | | 238,281 | 244,412 |
| Share of profit of associates | | 23,005 | 27,707 |
| Profit before income tax | | 710,900 | 603,837 |
| Income tax expense | 6 | (157,349) | (89,677) |
| Profit for the period | | 553,551 | 514,160 |
| Attributable to: | | | |
| – Equity holders of the Company | | 438,136 | 382,243 |
| – Non-controlling interests | | 115,415 | 131,917 |
| | | 553,551 | 514,160 |
| Earnings per share for profit attributable to the equity holders of the Company, basic and diluted (RMB) | 8 | 0.10 | 0.09 |

The notes on pages 10 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

| | Notes | For the six months ended 30 June | |
|--|-------|----------------------------------|--------------------------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Profit for the period | | 553,551 | 514,160 |
| Other comprehensive income | | | |
| Fair value (losses)/gains on available-for-sale financial assets | 10(a) | | |
| – (Losses)/gains arising during the period | | (413,180) | 115,766 |
| – Less: reclassification adjustments for gains included in profit for the period | | – | (21,095) |
| Share of other comprehensive income of associates | | – | 2,873 |
| Currency translation differences | | (4,611) | (748) |
| Income tax relating to components of other comprehensive income | | 103,295 | (23,667) |
| Other comprehensive (losses)/income for the period, net of tax | | (314,496) | 73,129 |
| Total comprehensive income for the period | | 239,055 | 587,289 |
| Total comprehensive income attributable to: | | | |
| – Equity holders of the Company | | 236,916 | 429,428 |
| – Non-controlling interests | | 2,139 | 157,861 |
| | | 239,055 | 587,289 |

The notes on pages 10 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2011

| | Notes | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|-------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | | 2,091,080 | 1,989,411 |
| Prepayments for acquisition of land use rights | | 123,736 | 127,217 |
| Property, plant and equipment | 9 | 4,952,840 | 4,752,252 |
| Investments in jointly controlled entities | | 1,614,440 | 1,895,443 |
| Investments in associates | | 1,042,848 | 848,119 |
| Deferred income tax assets | | 73,200 | 88,607 |
| Intangible assets | | 96,992 | 97,299 |
| Available-for-sale financial assets | 10 | 1,835,591 | 2,155,079 |
| Other non-current assets | | 76,123 | 59,208 |
| | | 11,906,850 | 12,012,635 |
| Current assets | | | |
| Prepayments and other current assets | | 1,018,374 | 903,165 |
| Inventories | | 68,605 | 36,068 |
| Trade and other receivables | 11 | 7,250,425 | 6,421,248 |
| Financial assets at fair value through profit or loss | | 5,266 | 5,276 |
| Restricted cash | | 326,872 | 199,755 |
| Term deposits with initial terms of over three months | | 138,677 | 313,968 |
| Cash and cash equivalents | | 5,158,400 | 5,202,508 |
| | | 13,966,619 | 13,081,988 |
| Total assets | | 25,873,469 | 25,094,623 |
| EQUITY | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | | 4,249,002 | 4,249,002 |
| Reserves | | 5,576,812 | 5,424,876 |
| Proposed interim dividends | 7(b) | 84,980 | 84,980 |
| | | 9,910,794 | 9,758,858 |
| Non-controlling interests | | 2,230,113 | 2,281,131 |
| Total equity | | 12,140,907 | 12,039,989 |

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2011

| | Notes | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|--|-------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 147,944 | 251,329 |
| Provisions | 15 | 99,841 | 135,772 |
| Borrowings | 14 | 131,876 | 1,144,442 |
| Other non-current liabilities | | 39,352 | 39,394 |
| | | 419,013 | 1,570,937 |
| Current liabilities | | | |
| Trade payables | 13 | 5,222,598 | 4,420,758 |
| Other payables, accruals and other current liabilities | | 1,102,640 | 1,068,722 |
| Receipts in advance from customers | | 2,082,289 | 2,155,994 |
| Current income tax liabilities | | 85,160 | 174,013 |
| Borrowings | 14 | 4,342,610 | 3,110,142 |
| Derivative financial instruments | 12 | 49,787 | 106,647 |
| Salary and welfare payables | | 428,465 | 447,421 |
| | | 13,313,549 | 11,483,697 |
| Total liabilities | | 13,732,562 | 13,054,634 |
| Total equity and liabilities | | 25,873,469 | 25,094,623 |
| Net current assets | | 653,070 | 1,598,291 |
| Total assets less current liabilities | | 12,559,920 | 13,610,926 |

The notes on pages 10 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

| | For the six months ended 30 June 2011 (Unaudited) | | | | | | | | |
|--|---|------------------|---------------------------|--------------------------------|------------------|-------------------|------------------|---------------------------|-------------------|
| | Attributable to equity holders of the Company | | | | | | | Non-controlling interests | Total equity |
| | Share capital | Capital reserve | Statutory surplus reserve | Investment revaluation reserve | Exchange reserve | Retained earnings | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2011 | 4,249,002 | 1,631,297 | 317,539 | 476,318 | (18,003) | 3,102,705 | 9,758,858 | 2,281,131 | 12,039,989 |
| Profit for the period | — | — | — | — | — | 438,136 | 438,136 | 115,415 | 553,551 |
| Other comprehensive losses for the period | — | — | — | (196,609) | (4,611) | — | (201,220) | (113,276) | (314,496) |
| Total comprehensive (losses)/income for the period | — | — | — | (196,609) | (4,611) | 438,136 | 236,916 | 2,139 | 239,055 |
| Transactions with owners | | | | | | | | | |
| 2010 final dividends | — | — | — | — | — | (84,980) | (84,980) | — | (84,980) |
| Dividends declared to non-controlling interests | — | — | — | — | — | — | — | (68,157) | (68,157) |
| Capital injection from non-controlling interests of a subsidiary | — | — | — | — | — | — | — | 15,000 | 15,000 |
| Total transactions with owners | — | — | — | — | — | (84,980) | (84,980) | (53,157) | (138,137) |
| Transfer to statutory reserve (Note 7(a)) | — | — | 23,473 | — | — | (23,473) | — | — | — |
| As at 30 June 2011 | 4,249,002 | 1,631,297 | 341,012 | 279,709 | (22,614) | 3,432,388 | 9,910,794 | 2,230,113 | 12,140,907 |
| Representing: | | | | | | | | | |
| Share capital and reserves | 4,249,002 | 1,631,297 | 341,012 | 279,709 | (22,614) | 3,347,408 | 9,825,814 | 2,230,113 | 12,055,927 |
| 2011 interim dividends (Note 7(b)) | — | — | — | — | — | 84,980 | 84,980 | — | 84,980 |
| As at 30 June 2011 | 4,249,002 | 1,631,297 | 341,012 | 279,709 | (22,614) | 3,432,388 | 9,910,794 | 2,230,113 | 12,140,907 |

Unaudited Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2011

| | For the six months ended 30 June 2010 (Unaudited) | | | | | | | | |
|--|---|-----------------|---------------------------|--------------------------------|------------------|-------------------|-----------|---------------------------|--------------|
| | Attributable to equity holders of the Company | | | | | | | Non-controlling interests | Total equity |
| | Share capital | Capital reserve | Statutory surplus reserve | Investment revaluation reserve | Exchange reserve | Retained earnings | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2010 | 4,249,002 | 1,637,311 | 267,520 | 324,091 | (20,505) | 2,706,260 | 9,163,679 | 2,057,690 | 11,221,369 |
| Profit for the period | — | — | — | — | — | 382,243 | 382,243 | 131,917 | 514,160 |
| Other comprehensive income/(losses) for the period | — | 2,873 | — | 45,060 | (748) | — | 47,185 | 25,944 | 73,129 |
| Total comprehensive income/(losses) for the period | — | 2,873 | — | 45,060 | (748) | 382,243 | 429,428 | 157,861 | 587,289 |
| Transactions with owners | | | | | | | | | |
| 2009 final dividends | — | — | — | — | — | (84,980) | (84,980) | — | (84,980) |
| Dividends declared to non-controlling interests | — | — | — | — | — | — | — | (70,660) | (70,660) |
| Capital injection from non-controlling interests of a subsidiary | — | — | — | — | — | — | — | 4,615 | 4,615 |
| Total transactions with owners | — | — | — | — | — | (84,980) | (84,980) | (66,045) | (151,025) |
| Transfer to statutory reserve (Note 7(a)) | — | — | 27,379 | — | — | (27,379) | — | — | — |
| As at 30 June 2010 | 4,249,002 | 1,640,184 | 294,899 | 369,151 | (21,253) | 2,976,144 | 9,508,127 | 2,149,506 | 11,657,633 |
| Representing: | | | | | | | | | |
| Share capital and reserves | 4,249,002 | 1,640,184 | 294,899 | 369,151 | (21,253) | 2,891,164 | 9,423,147 | 2,149,506 | 11,572,653 |
| 2010 interim dividends (Note 7(b)) | — | — | — | — | — | 84,980 | 84,980 | — | 84,980 |
| As at 30 June 2010 | 4,249,002 | 1,640,184 | 294,899 | 369,151 | (21,253) | 2,976,144 | 9,508,127 | 2,149,506 | 11,657,633 |

The notes on pages 10 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

| | Notes | For the six months ended 30 June | |
|--|-------|----------------------------------|--------------------------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Net cash generated from/(used in) operating activities | | 282,616 | (209,091) |
| Net cash used in investing activities | 17(a) | (391,782) | (520,134) |
| Net cash generated from financing activities | 17(b) | 86,086 | 624,257 |
| Effect of foreign exchange rate changes | | (21,028) | (10,159) |
| Net decrease in cash and cash equivalents | | (44,108) | (115,127) |
| Cash and cash equivalents at 1 January | | 5,202,508 | 4,196,987 |
| Cash and cash equivalents at 30 June | | 5,158,400 | 4,081,860 |

The notes on pages 10 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

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

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

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

This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 18 August 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

New or revised standards and interpretations adopted by the Group

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on 1 January 2011:

- Improvements to IFRSs issued in 2010
- IAS 24 (as revised in 2009) — Related Party Disclosures*
- Amendments to IAS 32 — Classification of Rights Issues
- Amendments IFRIC Int 14 — Prepayments of a Minimum Funding Requirement
- IFRIC Int 19 — Extinguishing Financial Liabilities with Equity Instruments

Notes to the Unaudited Condensed Consolidated Interim Financial Information

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

New or revised standards and interpretations adopted by the Group (Continued)

* IAS 24, *Related Party Disclosures* (as revised in 2009) has been revised on the following two aspects:

- (a) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities; and
- (b) IAS 24 (as revised in 2009) has changed the definition of a related party.

The Group is a government related entity. In its annual consolidated financial statements for the year ended 31 December 2010, the Group had early applied the partial exemption from the disclosure requirements for government-related entities.

In the current interim period, the Group has applied for the first time the revised definition of a related party as set out in IAS 24 (as revised in 2009).

The application of the above new or revised standards and interpretations in the current interim period has had no material effect on the amounts reported in this unaudited condensed consolidated interim financial information and/or disclosures set out in this unaudited condensed consolidated interim financial information.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date on which the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

- IAS 1 (Amendments) — Presentation of Items of Other Comprehensive Income¹
- IAS 19 (as revised in 2011) — Employee Benefits²
- IFRS 10 — Consolidated Financial Statements²
- IFRS 11 — Joint Arrangements²
- IFRS 12 — Disclosures of Interests in Other Entities²
- IAS 27 (as revised in 2011) — Separate Financial Statements²
- IAS 28 (as revised in 2011) — Investments in Associates and Joint Ventures²
- IFRS 13 — Fair Value Measurement²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

The directors anticipate that these new or revised standards will be adopted in the Group's financial statements for the period beginning on 1 January 2013. The directors are in the process of assessing the potential impact of the adoption of the relevant standards.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

3. SEGMENT INFORMATION

The chief operating decision-maker ("management") reviews the Group's internal reporting in order to assess performance and allocate resources. 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. 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 gains/(losses), net and corporate expenses.

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

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

3. 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 six months ended 30 June 2011 (Unaudited) | | | | | | | |
| Revenue — external | 16,805,172 | 343,286 | 1,977,494 | 821,414 | 653,824 | — | 20,601,190 |
| Revenue — inter-segment | 252,066 | 59,529 | 545,957 | 112,833 | 98,493 | (1,068,878) | — |
| Total revenue | 17,057,238 | 402,815 | 2,523,451 | 934,247 | 752,317 | (1,068,878) | 20,601,190 |
| Segment results | 338,590 | 147,226 | (82,388) | 160,742 | 3,034 | — | 567,204 |
| Other gains, net | | | | | | | 26,486 |
| Corporate expenses | | | | | | | (44,505) |
| Operating profit | | | | | | | 549,185 |
| Finance costs, net | | | | | | | (99,571) |
| Share of profit of jointly controlled entities | 9,010 | 7,887 | — | 23,570 | 197,814 | — | 238,281 |
| Share of profit of associates | | | | | | | 23,005 |
| Profit before income tax | | | | | | | 710,900 |
| Income tax expense | | | | | | | (157,349) |
| Profit for the period | | | | | | | 553,551 |
| As at 30 June 2011 (Unaudited) | | | | | | | |
| Segment assets | 12,746,529 | 1,586,690 | 1,787,609 | 4,605,710 | 973,424 | (1,353,452) | 20,346,510 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

3. 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 six months ended 30 June 2010 (Unaudited) | | | | | | | |
| Revenue — external | 16,831,354 | 294,811 | 1,536,172 | 704,178 | 636,227 | — | 20,002,742 |
| Revenue — inter-segment | 170,973 | 69,806 | 357,189 | 108,082 | 89,246 | (795,296) | — |
| Total revenue | 17,002,327 | 364,617 | 1,893,361 | 812,260 | 725,473 | (795,296) | 20,002,742 |
| Segment results | 256,634 | 146,365 | (50,915) | 193,968 | 19,710 | — | 565,762 |
| Other losses, net | | | | | | | (110,984) |
| Corporate expenses | | | | | | | (38,686) |
| Operating profit | | | | | | | 416,092 |
| Finance costs, net | | | | | | | (84,374) |
| Share of profit of jointly controlled entities | 8,822 | 9,624 | — | 17,286 | 208,680 | — | 244,412 |
| Share of profit of associates | | | | | | | 27,707 |
| Profit before income tax | | | | | | | 603,837 |
| Income tax expense | | | | | | | (89,677) |
| Profit for the period | | | | | | | 514,160 |
| As at 31 December 2010 (Audited) | | | | | | | |
| Segment assets | 12,075,669 | 1,476,619 | 1,365,925 | 4,835,193 | 941,288 | (1,127,230) | 19,567,464 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Crediting | | |
| Rental income from | | |
| – buildings | 11,856 | 11,748 |
| – plant and machinery | 4,203 | 42,742 |
| Gain on disposal of available-for-sale financial assets | – | 21,094 |
| Gain on disposal of property, plant and equipment | 3,923 | 7,352 |
| Reversal of provision for impairment losses of receivables | 7,012 | 3,598 |
| Realised net gain of the fuel oil forward contract | – | 178 |
| Dividend income from available-for-sale financial assets | 8,960 | – |
| Income from property management | 2,100 | 4,874 |
| Charging | | |
| Depreciation | | |
| – owned property, plant and equipment | 201,071 | 185,339 |
| – owned property, plant and equipment leased out under operating leases | 3,630 | 3,181 |
| Losses on disposal of property, plant and equipment | 1,581 | 799 |
| Provision for impairment losses of receivables | 15,407 | 8,394 |
| Operating lease charges | | |
| – land use rights | 25,039 | 22,445 |
| – buildings | 101,427 | 91,361 |
| – plant and equipment | 457,339 | 442,471 |
| Amortisation of intangible assets | 8,502 | 8,774 |
| Charges on property management and facilities | 43,748 | 40,224 |
| Other tax expenses | 27,888 | 23,740 |
| Provision for onerous contract and foreseeable losses | 8,141 | 29,310 |
| Charges on IT support | 20,220 | 11,549 |
| Provision for outstanding claims | – | 2,272 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5. FINANCE COSTS, NET

| | For the six months ended 30 June | |
|----------------------------------|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Interest income on bank balances | 43,499 | 27,420 |
| Interest expenses on borrowings | (71,333) | (55,251) |
| Exchange losses, net | (60,687) | (49,629) |
| Bank and other charges | (11,050) | (6,914) |
| | (99,571) | (84,374) |

6. INCOME TAX EXPENSE

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

| | For the six months ended 30 June | |
|--------------------------|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Current income tax | | |
| – Hong Kong profit tax | 191 | 367 |
| – PRC income tax expense | 141,841 | 108,846 |
| Deferred PRC income tax | 15,317 | (19,536) |
| | 157,349 | 89,677 |

Hong Kong profit tax has been provided at the rate of 16.5% (Six months ended 30 June 2010: 16.5%) on the estimated assessable profit for the period.

The provision for PRC current income tax is based on the statutory rate of 25% (Six months ended 30 June 2010: 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 24% (Six months ended 30 June 2010: 12.5% to 22%) based on the relevant PRC tax laws and regulations.

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

Deferred income taxes are calculated under the liability method using the tax rates which are enacted or substantively enacted by the end of reporting periods.

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

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

7. PROFIT APPROPRIATIONS

(a) Statutory surplus reserve

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

For the six months ended 30 June 2011, approximately RMB23,472,931 (six months ended 30 June 2010: RMB27,379,000), representing 10% of profit after tax (six months ended 30 June 2010: 10%) determined under the PRC accounting standards, has been appropriated to the statutory surplus reserve.

(b) Dividends

At the Board of Directors' meeting held on 18 August 2011, the directors of the Company declared an interim dividend of RMB0.02 (Six months ended 30 June 2010: RMB0.02) per ordinary share for the six months ended 30 June 2011. The total dividends declared is approximately RMB84,980,000 (six months ended 30 June 2010: RMB84,980,000) for 4,249,002,200 shares (30 June 2010: 4,249,002,200 shares), being the number of ordinary shares issued and outstanding on 30 June 2011. This interim dividend has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in the year ending 31 December 2011.

8. EARNINGS PER SHARE

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

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------|
| | 2011 (Unaudited) | 2010 (Unaudited) |
| Profit attributable to equity holders of the Company (RMB'000) | 438,136 | 382,243 |
| Weighted average number of ordinary shares in issue (thousands) | 4,249,002 | 4,249,002 |
| Basic earnings per share (RMB) | 0.10 | 0.09 |

As the Company has no dilutive potential ordinary shares, no diluted earnings per share is presented.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

9. PROPERTY, PLANT AND EQUIPMENT

| | For the six months ended 30 June 2011 (Unaudited) | | | | | | | | |
|--|---|------------------------|--------------------------|-----------------|---------------------|----------------------------|--------------------------------|---------------------------|--------------------|
| | Buildings | Leasehold improvements | Port and rail facilities | Containers | Plant and machinery | Motor vehicles and vessels | Furniture and office equipment | Assets under construction | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost | | | | | | | | | |
| At 1 January 2011 | 3,106,382 | 3,064 | 782,977 | 55,066 | 1,239,632 | 1,331,864 | 449,665 | 349,113 | 7,317,763 |
| Exchange differences | (902) | — | — | (760) | (93) | (3,128) | (81) | — | (4,964) |
| Additions | 2,633 | 1,819 | 105 | 2,832 | 69,743 | 77,328 | 18,135 | 249,103 | 421,698 |
| Disposals | (7,897) | (109) | — | (256) | (21,573) | (3,413) | (15,145) | — | (48,393) |
| Transfer upon completion | 109,975 | — | 29,822 | — | 16,757 | 57,015 | 2,082 | (215,651) | — |
| At 30 June 2011 | 3,210,191 | 4,774 | 812,904 | 56,882 | 1,304,466 | 1,459,666 | 454,656 | 382,565 | 7,686,104 |
| Accumulated depreciation and impairment losses | | | | | | | | | |
| At 1 January 2011 | (747,478) | (1,450) | (223,494) | (16,082) | (582,179) | (668,878) | (325,950) | — | (2,565,511) |
| Exchange differences | 256 | — | — | 127 | 48 | 2,261 | 66 | — | 2,758 |
| Depreciation charge | (53,606) | (437) | (16,043) | (1,663) | (44,022) | (68,701) | (20,229) | — | (204,701) |
| Disposals | 7,731 | 2 | — | 64 | 10,973 | 1,532 | 13,888 | — | 34,190 |
| At 30 June 2011 | (793,097) | (1,885) | (239,537) | (17,554) | (615,180) | (733,786) | (332,225) | — | (2,733,264) |
| Net book value | | | | | | | | | |
| At 30 June 2011 | 2,417,094 | 2,889 | 573,367 | 39,328 | 689,286 | 725,880 | 122,431 | 382,565 | 4,952,840 |
| At 1 January 2011 | 2,358,904 | 1,614 | 559,483 | 38,984 | 657,453 | 662,986 | 123,715 | 349,113 | 4,752,252 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| For the six months ended 30 June 2010 (Unaudited) | | | | | | | | | |
|---|------------------|------------------------|--------------------------|-----------------|---------------------|----------------------------|--------------------------------|---------------------------|--------------------|
| | Buildings | Leasehold improvements | Port and rail facilities | Containers | Plant and machinery | Motor vehicles and vessels | Furniture and office equipment | Assets under construction | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost | | | | | | | | | |
| At 1 January 2010 | 2,970,456 | 3,233 | 712,968 | 34,204 | 1,117,288 | 1,165,187 | 432,134 | 210,693 | 6,646,163 |
| Exchange differences | (267) | — | — | (203) | (40) | (622) | 10 | — | (1,122) |
| Additions | 3,791 | 50 | 664 | 21,182 | 67,732 | 66,663 | 17,969 | 143,039 | 321,090 |
| Disposals | (7,763) | — | (28) | (6) | (6,336) | (22,174) | (5,437) | — | (41,744) |
| Transfer upon completion | 10,111 | — | — | — | 3,699 | 2,883 | 668 | (17,361) | — |
| At 30 June 2010 | 2,976,328 | 3,283 | 713,604 | 55,177 | 1,182,343 | 1,211,937 | 445,344 | 336,371 | 6,924,387 |
| Accumulated depreciation and impairment losses | | | | | | | | | |
| At 1 January 2010 | (651,782) | (1,422) | (192,880) | (13,418) | (516,850) | (603,487) | (302,002) | — | (2,281,841) |
| Exchange differences | 106 | — | — | 32 | (4) | 568 | (78) | — | 624 |
| Depreciation charge | (50,657) | (198) | (14,993) | (1,307) | (47,030) | (52,893) | (21,442) | — | (188,520) |
| Disposals | 1,336 | — | — | 5 | 4,911 | 18,495 | 2,722 | — | 27,469 |
| Reversal of provision for impairment losses | 32 | — | — | — | — | — | — | — | 32 |
| At 30 June 2010 | (700,965) | (1,620) | (207,873) | (14,688) | (558,973) | (637,317) | (320,800) | — | (2,442,236) |
| Net book value | | | | | | | | | |
| At 30 June 2010 | 2,275,363 | 1,663 | 505,731 | 40,489 | 623,370 | 574,620 | 124,544 | 336,371 | 4,482,151 |
| At 1 January 2010 | 2,318,674 | 1,811 | 520,088 | 20,786 | 600,438 | 561,700 | 130,132 | 210,693 | 4,364,322 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|--|--|--|
| Listed equity investments, at fair value (a) | 1,486,943 | 1,900,123 |
| Unlisted equity investments, at cost less impairment (b) | 348,648 | 254,956 |
| Available-for-sale financial assets | 1,835,591 | 2,155,079 |

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

| | For the six months ended 30 June | |
|---------------------------|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| At beginning of period | 1,900,123 | 1,289,053 |
| Disposal | — | (5,600) |
| Fair value (losses)/gains | (413,180) | 94,671 |
| At end of period | 1,486,943 | 1,378,124 |

Listed equity investments include 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 are incorporated in the PRC whose principal activities are air transportation. BOE is incorporated in the PRC whose principal activities are electronic device manufacturing and sales.

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

(b) Unlisted equity investments comprised equity interests in entities which are engaged in logistics, freight forwarding operations and other financial activities. There is no open market for these instruments and the directors of the Company 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 IAS 39 “Financial Instruments: Recognition and Measurement”. The assessment requires the Company’s directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

As at 30 June 2011 and 31 December 2010, the entire available-for-sale financial assets were denominated in RMB and none of them were impaired or pledged.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

11. TRADE AND OTHER RECEIVABLES

| | 30 June 2011 | 31 December 2010 |
|--------------------------|---------------------|------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Trade receivables, net | 6,292,422 | 5,527,044 |
| Bills receivables | 188,950 | 218,623 |
| Other receivables, net | 529,506 | 499,493 |
| Due from related parties | 239,547 | 176,088 |
| | 7,250,425 | 6,421,248 |

| | 30 June 2011 | 31 December 2010 |
|---|---------------------|------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Trade receivables | 6,346,801 | 5,577,429 |
| Less: Provision for impairment of receivables | (54,379) | (50,385) |
| Trade receivables, net | 6,292,422 | 5,527,044 |

As at 30 June 2011 and 31 December 2010, the aging analysis of trade receivables is as follows:

| | 30 June 2011 | 31 December 2010 |
|-------------------------|---------------------|------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Within 6 months | 6,182,781 | 5,471,334 |
| Between 6 and 12 months | 111,961 | 59,531 |
| Between 1 and 2 years | 35,428 | 22,552 |
| Between 2 and 3 years | 8,844 | 18,007 |
| Over 3 years | 7,787 | 6,005 |
| | 6,346,801 | 5,577,429 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 30 June 2011 and 31 December 2010, the aging analysis of amounts due from related parties, which are trading in nature, is summarised as follows:

| | 30 June 2011 | 31 December 2010 |
|-------------------------|---------------------|------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Within 6 months | 86,357 | 71,865 |
| Between 6 and 12 months | 1,013 | 324 |
| Between 1 and 2 years | 70 | — |
| Between 2 and 3 years | — | — |
| Over 3 years | 6 | 9 |
| | 87,446 | 72,198 |

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2011 | 31 December 2010 |
|--|---------------------|------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Current liabilities — Foreign exchange forward contracts | 49,787 | 106,647 |

The critical accounting estimates and judgments on derivative financial instruments made by management are consistent with those disclosed in the annual financial statements for the year ended 31 December 2010.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2010.

The Group's derivative financial instruments — foreign exchange forward contracts are as follows:

As at 30 June 2011, the Group had certain outstanding gross-settled foreign exchange forward contracts with banks. The spot rate of JPY against US\$ as at 30 June 2011 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\$29,188,406 and simultaneously sell approximately JPY2,971,800,000 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 period ended 30 June 2011, the realised net losses on the above foreign exchange forward contracts amounting to RMB52,910,102 (2010: RMB37,100,000) were charged in the unaudited condensed consolidated income statement under "Finance costs, net".

Notes to the Unaudited Condensed Consolidated Interim Financial Information

13. TRADE PAYABLES

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

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|-------------------------|---|--|
| Within 6 months | 4,668,374 | 3,987,353 |
| Between 6 and 12 months | 319,196 | 208,115 |
| Between 1 and 2 years | 113,553 | 130,022 |
| Between 2 and 3 years | 83,944 | 69,086 |
| Over 3 years | 37,531 | 26,182 |
| | 5,222,598 | 4,420,758 |

14. BORROWINGS

(a) Borrowings are analysed as follows:

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|---|--|
| Current: | | |
| Bank borrowings | 1,677,610 | 1,590,142 |
| Entrusted loans payable to SINOTRANS & CSC | 145,000 | — |
| Current portion of non-current bank borrowings | 20,000 | 20,000 |
| Current portion of non-current entrusted loans payable to SINOTRANS & CSC | 2,500,000 | 1,500,000 |
| | 4,342,610 | 3,110,142 |
| Non-current: | | |
| Bank borrowings | 131,876 | 144,442 |
| Entrusted loans payable to SINOTRANS & CSC | — | 1,000,000 |
| | 131,876 | 1,144,442 |
| Total borrowings | 4,474,486 | 4,254,584 |
| Borrowings: | | |
| Unsecured | | |
| — Bank borrowings | 1,574,498 | 1,553,852 |
| — Entrusted loans payable to SINOTRANS & CSC | 2,645,000 | 2,500,000 |
| Secured and guaranteed | 254,988 | 200,732 |
| | 4,474,486 | 4,254,584 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

14. BORROWINGS (CONTINUED)

- (a) Borrowings are analysed as follows (Continued):

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

| | For the six months ended 30 June | |
|----------------------------|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| At the beginning of period | 4,254,584 | 2,987,765 |
| New borrowings | 780,180 | 1,136,803 |
| Repayments of borrowings | (560,278) | (428,242) |
| At the end of period | 4,474,486 | 3,696,326 |

- (b) The non-current borrowings as at 30 June 2011 and 31 December 2010 were repayable as follows:

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|-----------|--|--|
| 1–2 years | 20,000 | 1,020,000 |
| 2–5 years | 111,876 | 124,442 |
| | 131,876 | 1,144,442 |

- (c) The weighted average effective annual interest rates of the bank borrowings and the entrusted loans payable to SINOTRANS & CSC as at 30 June 2011 are 3.51% and 3.36% (31 December 2010: 3.17% and 3.48%) per annum, respectively.

- (d) Securities and guarantees

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|--|--|
| Restricted cash secured | 146,736 | 104,132 |
| Net book value of property, plant and equipment pledged | 66,066 | 93,924 |
| Net book value of land use rights pledged | 44,883 | 35,014 |
| Corresponding borrowings | | |
| – pledged by restricted cash | 133,288 | 93,732 |
| – pledged by property, plant and equipment | 65,952 | 77,980 |
| – pledged by land use rights | 46,048 | 29,020 |
| – guaranteed by third parties | 9,700 | – |
| | 254,988 | 200,732 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

15. PROVISIONS

| | 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 2011 | 30,898 | 3,133 | 50,259 | 14,433 | 5,840 | 31,209 | 135,772 |
| Additional provision | — | — | — | — | 8,141 | 2,642 | 10,783 |
| Utilised during the period | (298) | (20) | (29,275) | (12,100) | (5,021) | — | (46,714) |
| As at 30 June 2011 | 30,600 | 3,113 | 20,984 | 2,333 | 8,960 | 33,851 | 99,841 |
| As at 1 January 2010 | 31,682 | 3,133 | 52,541 | 55,244 | 6,730 | — | 149,330 |
| Additional provision | — | — | 2,272 | 26,303 | 3,007 | — | 31,582 |
| Utilised during the period | (121) | — | (7,900) | (30,012) | (6,730) | — | (44,763) |
| As at 30 June 2010 | 31,561 | 3,133 | 46,913 | 51,535 | 3,007 | — | 136,149 |

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

The outstanding claims provision as at respective end of the reporting periods relates to certain legal claims brought against the Group by customers.

Onerous contracts provision as at the respective end of the reporting periods were made for Group's vessels which were sub-let with a loss.

16. CASH-SETTLED SHARE-BASED PAYMENT

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

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

The eligible grantees under the SAR Plan are members of the Board of Directors of the Group and the supervisory committee (excluding independent directors and independent supervisors), the president, vice president, company secretary, assistant to the president, financial controller, 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

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

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

As at 30 June 2011, the Company has granted SAR to a total of 5 (31 December 2010: 5) directors of the Company, 1 (31 December 2010: 1) supervisor of the Company and 120 (31 December 2010: 120) senior employees of the Group. As at 30 June 2011, the directors and the supervisor of the Company had received 2,740,000 SAR (31 December 2010: 2,740,000 SAR) and the senior employees of the Group had received 22,324,000 SAR (31 December 2010: 22,324,000 SAR).

Information on outstanding SAR is summarized as follows:

(a) Information on outstanding SAR:

| | Date of grant | Expiry date | Exercise price in HK\$ per share | 30 June 2011 Number of SAR (Thousands) (Unaudited) | 31 December 2010 Number of SAR (Thousands) (Audited) |
|------------|----------------------------|--------------------|---|---|---|
| Tranche I | 20 January 2003 (Note (i)) | 20 January 2013 | 2.19 | 21,004 | 21,004 |
| Tranche II | 24 June 2003 (Note (ii)) | 24 June 2013 | 2.18 | 4,060 | 4,060 |
| | | | | 25,064 | 25,064 |

(i) The fair value of SAR granted under Tranche I as at 30 June 2011 determined using the Black-Scholes valuation model was HK\$0.07 (31 December 2010: HK\$0.24). The significant inputs into the model were share price of HK\$1.84 (31 December 2010: HK\$2.13), exercise price per share shown above, expected life of SAR of 0.78 year (31 December 2010: 1.03 years), expected dividend rate of 1.09% (31 December 2010: 2.44%), risk-free interest rate of 0.11% (31 December 2010: 0.35%), and expected volatility of 28.59% (31 December 2010: 33.47%). The expected volatility is estimated based on historical daily share price of the Company.

(ii) The fair value of SAR granted under Tranche II as at 30 June 2011 determined using the Black-Scholes valuation model was HK\$0.08 (31 December 2010: HK\$0.27). The significant inputs into the model were share price of HK\$1.84 (31 December 2010: HK\$2.13), exercise price per share shown above, expected life of SAR of 0.99 year (31 December 2010: 1.24 years), expected dividend rate of 1.09% (31 December 2010: 2.44%), risk-free interest rate of 0.15% (31 December 2010: 0.42%), and expected volatility of 27.41% (31 December 2010: 33.65%). The expected volatility is estimated based on historical daily share price of the Company.

(iii) The intrinsic value of SAR vested at 30 June 2011 and 31 December 2010 for both Tranche I and II is nil.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

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

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

| | For the six months ended 30 June (Unaudited) | | | |
|----------------------------|--|---------------------------|--|---------------------------|
| | 2011 | | 2010 | |
| | Average exercise price in HK\$ per share | Number of SAR (Thousands) | Average exercise price in HK\$ per share | Number of SAR (Thousands) |
| At the beginning of period | 2.19 | 25,064 | 2.19 | 25,064 |
| Exercised | — | — | — | — |
| At the end of period | 2.19 | 25,064 | 2.19 | 25,064 |

All of the outstanding SAR as at 30 June 2011 (31 December 2010: All) were exercisable. 616,000 (31 December 2010: 616,000) SAR have been exercised since the date of grant.

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

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Credited to other gains/(losses), net | (3,685) | (5,307) |

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|-----------------------------|---|---|
| Salary and welfare payables | 1,487 | 5,172 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

17. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major investing activities:

| | For the six months ended 30 June | |
|---|----------------------------------|------------------------|
| | 2011 | 2010 |
| | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| Decrease/(increase) in term deposits with initial terms of over three months | 175,291 | (153,526) |
| Interest income received | 21,150 | 28,348 |
| Proceeds from disposal of property, plant and equipment | 9,808 | 51,583 |
| Dividends received from associates | 13,921 | 11,128 |
| Dividends received from jointly controlled entities | 467,065 | 273,774 |
| Purchase of land use rights | (98,872) | (159,080) |
| Prepayments for acquisition of land use rights | (29,630) | (39,630) |
| Settlement of investment cost paid by ultimate holding company on behalf of the Group | (21,682) | (96,575) |
| Purchase of available-for-sale financial assets | (93,692) | (30,898) |
| Purchase of property, plant and equipment | (427,665) | (426,202) |
| Capital injection to associates | (190,570) | (15) |
| Purchase of held-to-maturity assets | (100,000) | — |
| Increase in restricted cash | (100,000) | — |
| Proceeds from disposal of available-for-sale financial assets | — | 26,694 |
| Proceeds from disposal of land use rights | 5,943 | 87,443 |

(b) Major financing activities:

| | For the six months ended 30 June | |
|---|----------------------------------|------------------------|
| | 2011 | 2010 |
| | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| New bank borrowings | 635,180 | 1,136,803 |
| Entrusted loans payable to SINOTRANS & CSC | 145,000 | — |
| (Increase)/decrease in restricted cash | (27,117) | 156,013 |
| Payment of dividends | (3,526) | (134,212) |
| Dividends paid to non-controlling interests in subsidiaries | (67,934) | (70,660) |
| Repayments of bank borrowings | (560,278) | (428,242) |

18. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice, provisions have been made for the probable losses which are included in Note 15. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 30 June 2011, the maximum exposure of such lawsuits of the Group amounted to approximately RMB89,333,091(31 December 2010: RMB71,553,000).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

19. GUARANTEES

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

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|---|---|
| Loan guarantees provided by Group for the benefit of a jointly controlled entity | 584,450 | 201,844 |
| 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 |
| | 587,450 | 206,844 |

In addition, in the common business practice, certain subsidiaries of the Company issued related letters of guarantee to the Civil Aviation Administration of China to ensure some jointly controlled entities to obtain the operating licenses of air freight forwarding. Such letters of guarantee contain no specific amount, among which, the longest will terminate in 2014.

20. CAPITAL COMMITMENTS

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

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|--|---|---|
| Authorised and contracted for but not provided for | 784,757 | 69,111 |
| Authorised but not contracted for | 1,254,594 | 922,207 |
| | 2,039,351 | 991,318 |

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

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|---|---|
| Acquisition of property, plant and equipment | 1,119,472 | 290,533 |
| Construction commitments | 888,479 | 552,273 |
| Investments in subsidiaries, jointly controlled entities and associates | 31,400 | 148,512 |
| | 2,039,351 | 991,318 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

21. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|---|---|
| Land and buildings | | |
| – not later than one year | 157,573 | 150,182 |
| – later than one year but not later than five years | 324,745 | 355,115 |
| – later than five years | 137,561 | 164,480 |
| Vessels, containers and other property, plant and equipment | | |
| – not later than one year | 538,960 | 532,577 |
| – later than one year but not later than five years | 424,139 | 433,083 |
| – later than five years | 72,070 | 49,037 |
| | 1,655,048 | 1,684,474 |

(b) The Group as lessor

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

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|---|---|
| Land and buildings | | |
| – not later than one year | 24,381 | 18,448 |
| – later than one year but not later than five years | 21,133 | 23,061 |
| – later than five years | 4,737 | 7,274 |
| Machinery | | |
| – not later than one year | 4,228 | 48,911 |
| | 54,479 | 97,694 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. 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 with SINOTRANS & CSC (including its subsidiaries and associates) 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, jointly 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 of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| <i>Transactions with ultimate holding company and fellow subsidiaries</i> | | |
| Revenue | | |
| Revenue from provision of services | 98,340 | 97,196 |
| Expenses | | |
| Service fees | 95,837 | 88,297 |
| Rental expenses for office buildings, warehouses and depots | 13,657 | 20,143 |
| Rental expenses for containers | 47,808 | 22,730 |
| Rental expenses for vessels | 51,090 | 43,712 |
| <i>Transactions with associates of the Group</i> | | |
| Revenue | | |
| Revenue from provision of services | 50,186 | 61,663 |
| Expenses | | |
| Service fees | 39,288 | 64,402 |
| <i>Transactions with jointly controlled entities of the Group</i> | | |
| Revenue | | |
| Revenue from provision of services | 54,144 | 59,942 |
| Expenses | | |
| Service fees | 142,846 | 184,341 |
| <i>Transactions with other PRC state-owned enterprises</i> | | |
| Interest income from bank deposits | 41,752 | 26,266 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

| | 30 June 2011 RMB'000 (Unaudited) | 31 December 2010 RMB'000 (Audited) |
|---|---|---|
| <i>Balances with ultimate holding company and fellow subsidiaries</i> | | |
| Trade and other receivables | 107,922 | 94,928 |
| Prepayments and other current assets | 1,174 | 14,410 |
| Trade payables | 109,639 | 114,730 |
| Other payables, accruals and other current liabilities | 454,074 | 393,924 |
| Receipts in advance from customers | 3,110 | 1,650 |
| <i>Balances with jointly controlled entities of the Group</i> | | |
| Trade and other receivables | 110,503 | 60,586 |
| Prepayments and other current assets | 915 | 695 |
| Trade payables | 36,310 | 19,372 |
| Other payables, accruals and other current liabilities | 20,669 | 16,475 |
| Receipts in advance from customers | 7,704 | 874 |
| <i>Balances with associates of the Group</i> | | |
| Trade and other receivables | 21,122 | 20,574 |
| Prepayments and other current assets | 1,094 | 185 |
| Trade payables | 8,951 | 8,892 |
| Other payables, accruals and other liabilities | 1,608 | 1,555 |
| Receipts in advance from customers | 37 | 267 |
| <i>Balances with other PRC state-owned enterprises</i> | | |
| Restricted cash | 265,872 | 143,755 |
| Term deposits with initial terms of over three months | 134,677 | 304,634 |
| Cash and cash equivalents | 4,970,567 | 4,972,700 |

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| <i>Entrusted loans payable to SINOTRANS & CSC</i> | | |
| At the beginning of period | 2,500,000 | 2,500,000 |
| New borrowings | 145,000 | — |
| At the end of period | 2,645,000 | 2,500,000 |
| Interest charged | 44,668 | 44,177 |
| Interest paid | (28,288) | (25,630) |

As at 30 June 2011, the weighted average effective interest rate of the entrusted loans above was 3.36% (31 December 2010: 3.48%) per annum.

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| <i>Borrowings from the PRC state-owned banks</i> | | |
| At the beginning of period | 1,624,583 | 487,765 |
| New borrowings | 599,242 | 1,136,803 |
| Repayment of borrowings | (546,461) | (428,242) |
| At the end of period | 1,677,364 | 1,196,326 |
| Interest charged | 25,648 | 11,074 |
| Interest paid | (21,124) | (10,687) |

As at 30 June 2011, the weighted average effective interest rate of the bank borrowings above was 3.51% (31 December 2010: 3.17%) per annum.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel compensation

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 (Unaudited) |
| Basic salaries, housing allowances and other allowances and benefits in kind | 1,633 | 1,489 |
| Discretionary bonuses | 1,475 | 1,337 |
| Contributions to pension plans | 163 | 148 |

23. SUBSEQUENT EVENTS

- (a) At the Board of Directors' meeting held on 18 August 2011, the directors proposed an interim dividend of RMB0.02 per ordinary share for the six months ended 30 June 2011.
- (b) At the Board of Directors' meeting held on 28 July 2011, Sinotrans Air Transportation Development Company Limited ("Sinoair"), a non-wholly owned subsidiary of the Company, provided a loan guarantee amounting to USD5,000,000 for the benefit of Grandstar Cargo International Airlines Company Limited ("Grandstar Airlines"), a jointly controlled entity of Sinoair. 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 Co., Ltd. of the total loan amount.

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF OPERATING RESULTS

During the first half of 2011, the overall economy of China continued with its steady and favourable development as China's import and export saw further growth, despite signs of significant drop in the growth rate of foreign trade. Between January and June, total import and export of China recorded a year-on-year increase of 25.8%, with export up by 24.0% and import up by 27.6%. Foreign trade cargoes throughput at nationwide large-scale ports across the country grew year-on-year by 13.2%, with 8.0% year-on-year rise for coastal ports and 15.6% for inland ports.

2011 was set as the beginning of the Group's five-year plan, which proposes the work objectives for 2011 as follows: to develop based on the five-year plan and to aim at corporate restructuring. The Group intends to grasp every opportunity to make in-depth adjustments and step up development so as to achieve remarkable growth and establish a first-rate integrated logistics platform. Under such objectives, the Group has continuously solidified and optimised traditional operations and further strengthened synergies among businesses; accelerated the development of specialised logistics to boost the competitiveness of integrated logistics; increased the efforts in business structural adjustments while developed domestic trade operations rapidly; put extra marketing efforts targeting at key customers and improved the customer mix; intensively consolidated and sped up the optimisation of its integrated logistics resources; and implemented the basis of corporate management and performed lean management. With its relentless efforts, the Group has seen satisfactory results of operations and management for the first half of the year, laying a strong foundation for the fulfillment of its annual objectives.

For the six months ended 30 June 2011, on a year-on-year basis, the Group recorded an increase of 15.4% for the number of containers handled by sea freight forwarding services; an increase of 14.0% for the business volume handled by air freight forwarding services; an increase of 10.1% for the number of containers handled by shipping agency business; an increase of 3.6% for the number of containers handled in terminal throughput; a similar business volume of containers handled at container yards; an increase of 16.9% for the number of containers transported by marine transportation business; an increase of 5.4% for the number of containers handled by trucking business; and an increase of 9.2% for the business volume handled by express services.

For the six months ended 30 June 2011, the Group achieved a revenue of approximately RMB20,601.2 million, climbed by 3.0% as compared with the corresponding period in 2010. Profit attributable to shareholders of the Company amounted to RMB438.2 million, representing a year-on-year increase of 14.6% as compared to the corresponding period in 2010. Earnings per share was RMB0.10 (corresponding period in 2010: RMB0.09).

Management Discussion and Analysis of Results of Operations and Financial Position

OPERATING STATISTICS

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

| | For the six months ended 30 June | |
|---|----------------------------------|--------|
| | 2011 | 2010 |
| Freight forwarding | | |
| Sea freight forwarding | | |
| Bulk cargo (in millions of tonnes) | 1.5 | 2.7 |
| Container cargo (in ten thousands of TEUs) | 384.2 | 333.0 |
| Air freight forwarding (in millions of kilograms) | 185.8 | 163.0 |
| Rail freight forwarding | | |
| Bulk cargo (in millions of tonnes) | 0.5 | 0.4 |
| Container cargo (in ten thousands of TEUs) | 2.0 | 1.5 |
| Road freight forwarding | | |
| Bulk cargo (in millions of tonnes) | 0.05 | 0.06 |
| Container cargo (in ten thousands of TEUs) | 12.4 | 16.3 |
| Shipping agency | | |
| Net registered tonnes (in millions of tonnes) | 322.1 | 287.8 |
| Vessel calls (number of times) | 30,406 | 29,948 |
| Containers (in millions of TEUs) | 6.23 | 5.66 |
| Bulk cargo (in millions of tonnes) | 88.2 | 87.1 |
| Storage and terminal services | | |
| Warehouse operating volume | | |
| Bulk cargo (in millions of tonnes) | 6.6 | 6.2 |
| Containers (in millions of TEUs) | 4.1 | 4.1 |
| Terminal throughput | | |
| Bulk cargo (in millions of tonnes) | 0.9 | 0.9 |
| Containers (in ten thousands of TEUs) | 146.5 | 141.4 |
| Marine transportation | | |
| TEUs (in ten thousands) | 119.4 | 102.1 |
| Other services | | |
| Trucking of bulk cargo (in ten thousands of tonnes) | 105.7 | 118.3 |
| Trucking of containers (in ten thousands of TEUs) | 34.9 | 33.1 |
| Express operations packages (in millions of units) | 0.83 | 0.76 |

Management Discussion and Analysis of Results of Operations and Financial Position

FINANCIAL STATISTICS

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

| | For the six months ended 30 June (unaudited) | |
|--|---|---|
| | 2011 (In RMB millions except for earnings per share and number of shares) | 2010 (In RMB millions except for earnings per share and number of shares) |
| Revenue | 20,601.2 | 20,002.7 |
| Other income | 67.5 | 116.0 |
| Business tax and surcharges | (150.5) | (127.9) |
| Transportation and related charges | (16,901.4) | (16,845.1) |
| Depreciation and amortisation | (213.2) | (197.3) |
| Cost of operation (excluding transportation and related charges, business tax and surcharges, depreciation and amortisation, and other (losses)/gains, net): | | |
| – Staff costs | (1,104.5) | (941.0) |
| – Repairs and maintenance | (70.8) | (59.7) |
| – Fuel | (702.7) | (476.6) |
| – Travel and promotional expenses | (145.0) | (124.5) |
| – Office and communication expenses | (87.9) | (74.1) |
| – Rental expenses | (583.8) | (556.3) |
| – Other operating expenses | (186.2) | (189.1) |
| Other (losses)/gains, net | 26.5 | (111.0) |
| Operating profit | 549.2 | 416.1 |
| Financial costs, net | (99.6) | (84.4) |
| Share of profit of jointly controlled entities | 238.3 | 244.4 |
| Share of profit of associates | 23.0 | 27.7 |
| Profit before income tax | 710.9 | 603.8 |
| Income tax expense | (157.3) | (89.6) |
| Profit after income tax | 553.6 | 514.2 |
| Profit attributable to shareholders | | |
| – Equity holders of the Company | 438.2 | 382.2 |
| – Non-controlling interests | 115.4 | 132.0 |
| Proposed interim dividends | 85.0 | 85.0 |
| Earnings per share attributable to the equity holders of the Company, basic and diluted | RMB0.10 | RMB0.09 |
| Number of shares (in millions of shares) | 4,249.0 | 4,249.0 |

Management Discussion and Analysis of Results of Operations and Financial Position

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

| | For the six months ended 30 June (unaudited) | | | |
|-------------------------------|---|--------------|----------|-------|
| | 2011 | | 2010 | |
| Freight forwarding | 17,057.2 | 78.7% | 17,002.3 | 81.7% |
| Shipping agency | 402.8 | 1.9% | 364.6 | 1.8% |
| Storage and terminal services | 934.2 | 4.3% | 812.3 | 3.9% |
| Marine transportation | 2,523.5 | 11.6% | 1,893.4 | 9.1% |
| Other services | 752.3 | 3.5% | 725.5 | 3.5% |

The table below sets forth the segmental results (in million RMB) of the major business segments of the Group and comparative figures for the corresponding period in 2010. The results of each segment is defined as the operating profit of each segment excluding other (losses)/gains, net and corporate expenses.

| | For the six months ended 30 June (unaudited) | |
|-------------------------------|---|--------|
| | 2011 | 2010 |
| Freight forwarding | 338.6 | 256.6 |
| Shipping agency | 147.2 | 146.4 |
| Storage and terminal services | 160.7 | 194.0 |
| Marine transportation | (82.4) | (50.9) |
| Other services | 3.0 | 19.7 |

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Revenue

For the six months ended 30 June 2011, the Group's revenue amounted to RMB20,601.2 million, up by 3.0% from RMB20,002.7 million for the corresponding period in 2010. The increase in revenue was mainly attributable to the slow down of China's growth rate of foreign import and export trade, particularly foreign export trade, and the drop in freight rates of containers shipping as well.

Freight Forwarding

Revenue from the Group's freight forwarding services increased by 0.3% to RMB17,057.2 million during the six months ended 30 June 2011, compared to RMB17,002.3 million for the corresponding period in 2010.

Volume of sea freight forwarding containers was 3.842 million TEUs for the first half of 2011, having increased by 15.4% from 3.33 million TEUs for the first half of 2010. Cargo tonnage of air freight forwarding services was 0.1858 million tonnes for the first half of 2011, having increased by 14.0% from 0.163 million tonnes for the first half of 2010.

The increase in revenue from freight forwarding for the first half of 2011 was lower than the increase in business volume, primarily attributable to the drop in market freight rates.

For the first half of the year, the consolidated freight index of exporting container shipping in China recorded a 7.84% year-on-year decrease, while the freight index of exporting container shipping in Shanghai area dropped by 23.89% year-on-year.

Management Discussion and Analysis of Results of Operations and Financial Position

Shipping Agency

For the six months ended 30 June 2011, revenue from our shipping agency services was RMB402.8 million, representing an increase of 10.5% from RMB364.6 million for the corresponding period in 2010.

Number of containers handled in shipping agency business of the Group was 6.23 million TEUs for the first half of 2011, representing a rise of 10.1% from 5.66 million TEUs for the corresponding period of 2010. Net registered tonnage of vessels handled by the shipping agency services reached 322.1 million tonnes, representing an increase of 11.9% from 287.8 million tonnes for the corresponding period of 2010. Number of vessel calls increased by 1.5% to 30,406 times in 2011, compared with 29,948 times for the corresponding period of 2010.

Increases in revenue and business volume of shipping 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

For the six months ended 30 June 2011, revenue from storage and terminal services amounted to RMB934.2 million, representing a 15.0% growth from RMB812.3 million for the corresponding period in 2010.

The Group's warehouses handled 6.6 million tonnes of bulk cargo in the first half of 2011, representing a 6.5% increase from 6.2 million tonnes for the corresponding period in 2010. Containers handled approximated to 4.1 million TEUs for the corresponding period in 2010. Containers handled through terminals increased by 3.6% to 1.465 million TEUs from 1.414 million TEUs for the corresponding period in 2010. The volume of bulk cargo handled at terminals approximated to 0.9 million tonnes for the corresponding period in 2010.

Growth in revenue of the storage and terminal services were mainly attributable to the Group's proactive market expansion and strengthening of cooperation efforts with shipping companies.

Marine Transportation

Revenue from marine transportation of the Group for the six months ended 30 June 2011 amounted to RMB2,523.5 million, up by 33.3% from RMB1,893.4 million for the corresponding period in 2010.

Number of containers shipped by the Group rose to 1.194 million TEUs for the first half of 2011, up by 16.9% from 1.021 million TEUs for the corresponding period in 2010.

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

Other Services

The Group's revenue from other services (mainly from trucking transportation and express services) for the six months ended 30 June 2011 amounted to RMB752.3 million, representing an increase of 3.7% from RMB725.5 million for the corresponding period in 2010.

The Group's trucking of bulk cargo handled for the first half of 2011 was 1.057 million tonnes, representing a decrease of 10.7% from 1.183 million tonnes for the corresponding period in 2010. Volume of containers handled was 0.349 million TEUs, representing a growth of 5.4% from 0.331 million TEUs for the corresponding period in 2010. The number of documents and packages handled in express services was up by 9.2% from 0.76 million units in the first half of 2010 to 0.83 million units for the first half of 2011.

Growth in the revenue and business volume were mainly due to the enhanced market expansion amid the Group's initiatives to leverage on the favourable market growth.

Management Discussion and Analysis of Results of Operations and Financial Position

The Group's jointly controlled entities recorded an investment income of RMB246.3 million from the operation of express services, representing a year-on-year increase of 20.3%. The number of documents or packages handled by express services of the jointly controlled entities was down by 3.3% from 7.29 million units for the first half of 2010 to 7.05 million units for the first half of 2011.

Transportation and Related Charges

Transportation and related charges were up by 0.3% to RMB16,901.4 million for the six months ended 30 June 2011, compared with RMB16,845.1 million for the corresponding period in 2010. Such increase in transportation and related charges was mainly attributable to the increasing business volume of the Group.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB213.2 million for the six months ended 30 June 2011, representing an increase of 8.1% from RMB197.3 million for the corresponding period in 2010, mainly as a result of the successive commencement of operation of the Group's 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 RMB2,880.9 million for the six months ended 30 June 2011, representing a 19.0% increase from RMB2,421.3 million for the corresponding period in 2010.

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 rise in fuel cost and staff cost.

The increase in staff costs was mainly due to the business expansion, the recruitment of additional staff and the higher social insurance expenses.

The increase in fuel expenses was primarily because of the rising prices of fuel and the growth of lines services.

Operating Profit

The Group's operating profit was RMB549.2 million for the six months ended 30 June 2011, representing a growth of 32.0% from RMB416.1 million for the corresponding period in 2010. Operating profit as a percentage of total revenue for the six months ended 30 June 2011 increased to 2.7% from 2.1% for the six months ended 30 June 2010, and to 14.6% from 12.7% as a percentage of net revenue (total revenue less transportation and related charges), primarily as a result of the growth in business volume in the first half of 2011.

Income tax

For the six months ended 30 June 2011, taxation of the Group amounted to RMB157.4 million, representing an increase of 75.5% from RMB89.6 million for the corresponding period in 2010. Taxation as a percentage of profit before tax rose to 22.1% from 14.9% for the six months ended 30 June 2010, mainly attributable to the partial elimination of income tax expense by the loss from the transfer of equity of the Group's non-wholly owned subsidiary, which was deductible before tax with the approval granted by the taxation authority in the first half of 2010.

NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

For the six months ended 30 June 2011, net profit attributable to non-controlling interests amounted to RMB115.4 million, representing a decrease of 12.5% as compared with RMB132.0 million for the corresponding period in 2010, which was mainly because of the decrease in profit for the period of Sinotrans Air Transportation Development Company Limited, a non-wholly owned subsidiary of the Group.

Management Discussion and Analysis of Results of Operations and Financial Position

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

For the six months ended 30 June 2011, the Group recorded a profit after tax of RMB553.6 million, representing an increase of 7.7% when compared to RMB514.2 million for the corresponding period in 2010.

The Group's profit attributable to shareholders of the Company for the six months ended 30 June 2011 amounted to RMB438.2 million, representing an increase of 14.6% from RMB382.2 million for the corresponding period in 2010.

LIQUIDITY AND CAPITAL RESOURCES

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

| | For the six months ended | |
|--|--------------------------|-----------------|
| | 30 June (Unaudited) | |
| | 2011 | 2010 |
| | RMB in millions | RMB in millions |
| Net cash generated from/(used in) operating activities | 282.6 | (209.1) |
| Net cash used in investing activities | (391.8) | (520.1) |
| Net cash generated from financing activities | 86.1 | 624.3 |
| Effect of foreign exchange rate changes | (21.0) | (10.2) |
| Net decrease in cash and cash equivalents | (44.1) | (115.1) |
| Cash and cash equivalents as at the end of the period | 5,158.4 | 4,081.9 |

Operating Activities

Net cash generated from operating activities for the six months ended 30 June 2011 amounted to RMB282.6 million, while net cash used in operating activities was RMB209.1 million for the corresponding period in 2010. For the six months ended 30 June 2011, net cash used in operating activities was primarily attributable to the Company's profit attributable to equity holders of RMB438.1 million (corresponding period in 2010: RMB382.2 million), an increase of RMB801.8 million in trade payables (corresponding period in 2010: increase of RMB1,030.3 million), a decrease of RMB73.7 million in advanced receipts from customers (corresponding period in 2010: decrease of RMB34.3 million), an increase of RMB829.2 million in trade receivables (corresponding period in 2010: increase of RMB1,697.2 million) and an increase of RMB115.2 million in prepayments and other current assets (corresponding period in 2010: increase of RMB45.9 million).

For the six months ended 30 June 2011, the average age of trade receivables was 60 days, as compared to 57 days for the corresponding period in 2010.

Investing Activities

For the six months ended 30 June 2011, net cash used in investing activities amounted to RMB391.8 million, comprising primarily RMB427.7 million for the addition of property, plant and equipment, RMB190.6 million for the investment in associates, RMB128.5 million for the acquisition and the prepayments for acquisition of land use rights, RMB100.0 million for the acquisition for held-to-maturity assets, RMB100.0 million was put in restrict cash providing an guarantee for the loans of jointly controlled entities, RMB93.7 million for the purchase of available-for-sale financial assets, RMB21.7 million for the settlement of investment cost paid by ultimate holding company on behalf of the Group, and an decrease of RMB175.3 million in term deposits with maturity of over three months, and dividends amounted to RMB467.1 million received from jointly controlled entities. For the six months ended 30 June 2010, net cash used in investing activities amounted to RMB520.1 million, comprising primarily RMB426.2 million for the addition of property, plant and equipment, RMB198.7 million for the acquisition of land use rights and cash prepaid for acquisition of land use rights and RMB96.6 million for the repayment of investment proceeds advanced from the ultimate holding company, and an increase of RMB153.5 million in term deposits with maturity of over three months, which were partially offset by proceeds of RMB87.4 million on the disposal of land use rights, proceeds of RMB51.6 million on the disposal of properties and other equipment and the receipt of dividends of RMB273.8 million from jointly controlled entities.

Management Discussion and Analysis of Results of Operations and Financial Position

Financing Activities

Net cash generated from the Group's financing activities for the six months ended 30 June 2011 amounted to RMB86.1 million, compared with net cash generated from financing activities of RMB624.3 million for the corresponding period in 2010.

Net cash generated from financing activities for the six months ended 30 June 2011 comprised mainly additional bank borrowings amounting to RMB635.2 million, partially offset by dividend payment of RMB67.9 million to non-controlling interests of subsidiaries and repayments of bank borrowings of RMB560.3 million. Net cash generated from financing activities for the six months ended 30 June 2010 comprised mainly additional bank borrowings amounting to RMB1,136.8 million, partially offset by dividend payment of RMB204.9 million and repayments of bank borrowings of RMB428.2 million.

Capital Expenditure

For the six months ended 30 June 2011, the Group's capital expenditure amounted to RMB557.8 million, consisting primarily of RMB427.7 million for acquisition of property, plant and equipment, RMB128.5 million for the purchase of land use rights and RMB1.6 million for the acquisition of intangible assets, among which, RMB378.6 million was used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB147.1 million for the purchase of vehicles, vessels and machinery equipments and RMB32.1 million for IT investment and refurbishment and purchase of office equipments.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2011, the Group's contingent liabilities mainly comprised RMB89.333 million (31 December 2010: RMB71.553 million) in relation to outstanding lawsuits.

As at 30 June 2011, the amount of guarantees provided by the Group in favour of its jointly controlled entities and customers was RMB587.5 million (31 December 2010: guarantees provided in favour of jointly controlled entities and customers: RMB206.8 million).

In addition, in the common business practice, certain subsidiaries of the Company 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 contain no specific amount, among which, the longest will terminate in 2014.

BORROWINGS

As at 30 June 2011, the Group's total borrowings amounted to RMB4,474.5 million (31 December 2010: RMB4,254.6 million), which comprised bank borrowings of RMB1,829.5 million denominated as to RMB574.3 million in Renminbi, RMB997.6 million in US dollars, RMB48.9 million in Hong Kong dollars and RMB208.6 million in Japanese Yen. The weighted average interest rate for the above bank borrowings was 3.51% per annum. The total borrowings of the Group also included a RMB entrusted loan of RMB2,645 million obtained from the ultimate holding company, at a weighted average interest rate of 3.36% per annum.

SECURED AND GUARANTEED BORROWINGS

As at 30 June 2011, the Group pledged restricted cash amounting to approximately RMB146.7 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB66.1 million) and land use rights (with net book value of approximately RMB44.9 million) for borrowings.

GEARING RATIO

As at 30 June 2011, the gearing ratio of the Group was 61.7% (31 December 2010: 61.1%), which was calculated at dividing the sum of liabilities and non-controlling interests by total assets of the Group as at 30 June 2011.

Management Discussion and Analysis of Results of Operations and Financial Position

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

As at 30 June 2011, the Group had 24,748 (31 December 2010: 24,431) employees. Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2010 Annual Report with no significant changes.

PROSPECTS AND OUTLOOK

In the second half of the year, from an international perspective, the global economy will maintain a recovery trend; however, the growth disparity between different countries especially the debt crisis in Europe and America, may cause the global economic downturn to linger, putting pressure on the growth of China's export. In the second half of the year, from a domestic perspective, China will put a lot of efforts in balancing and choosing among the triple objectives of maintaining a stable and relatively fast economic growth, stabilising overall price level and accelerating economic restructuring. Under an active control, the momentum of China's economic growth will steadily slow down in the second half of the year with an estimated growth rate of approximately 9.0% for 2011. Overall, good fundamentals are laid in the economic development of China, while emerging conflicts exposed the imbalance, lack of coordination or unsustainability in such development. New conditions, issues and conflicts that may exist in the international environment and domestic economic operations will bring us both greater challenges and opportunities in our operations and development.

In the second half of the year, the Group will well penetrate the economic conditions and seize every positive factor to further its business innovation according to the annual work plan, speed up the development of the domestic trading business and deeply advance the resource integration in integrated logistics. The Group will, with its relentless efforts, be dedicated to maintain a stable growth and achieve higher profit of its major businesses as well as to secure a healthy, rapid and sustainable growth in order to deliver greater value to our shareholders.

Zhao Huxiang

Chairman

Beijing, 18 August 2011

Interim Dividends

The Board has declared an interim dividend of RMB0.020 per share for the six months ended 30 June 2011. Shareholders at the annual general meeting of the Company for the year 2010 authorised the directors of the Company to decide on matters relating to the recommendation, declaration and payment of the interim dividend for the year 2011.

It is expected that the interim dividend will be paid on or before Friday, 9 December 2011 to shareholders whose names appear on the register of members on Friday, 21 October 2011. The register of members of the Company will be closed from Monday, 17 October 2011 to Friday, 21 October 2011 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2011 interim dividend.

In order to qualify for the interim dividend, holders of H Shares whose transfers have not been registered are requested to lodge their instruments of transfer together with the relevant share certificates with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 14 October 2011, for registration.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK\$"). The exchange rate for dividends payable in HK\$ is the mean average exchange rate of RMB to HK\$ published by the People's Bank of China during the week (11 August 2011 to 18 August 2011) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK\$ for the said week was HK\$1 = RMB0.820579. Accordingly, the amount of interim dividend for each H Share of the Company is HK\$0.024373.

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

The Company will withhold and pay on behalf of the Individual H Shareholders the income tax in accordance with the tax regulations of the People's Republic of China (the "PRC"). Pursuant to the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by The Stock Exchange of Hong Kong Limited to the issuers on 4 July 2011, for non-foreign investment companies of the Mainland which are listed in Hong Kong distributing dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10%. They do not have to make any applications for entitlement to the above-mentioned tax rate. However, for shareholders who are residents of other countries and whose home countries have reached an agreement with China on an applicable withholding tax rate higher or lower than 10%, they have to follow the bilateral tax agreement in paying tax in connection with dividends paid by Mainland companies listed in Hong Kong. When making payments of dividend, the Company acting like a withholding agent in general will withhold 10% of the dividend on behalf of the individual H shareholders as individual income tax. Unless otherwise specified by the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividend in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

Other Information

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

As at 30 June 2011, so far as the directors of the Company were aware, none of the directors, supervisors or their respective associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have 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 Issuers (the "Model Code").

SHARE CAPITAL

Share capital of the Company as at 30 June 2011 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 30 June 2011, so far as the directors of the Company were aware, the interests or short positions of the following persons (other than directors or supervisors) in the shares of the Company which were required to be disclosed to the Company pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

| Name | Corporate Interests | Class of Shares | Percentage of the Company's Total Issued Share Capital | Percentage of the Company's Issued H Share Capital |
|--|---------------------|-----------------|--|--|
| SINOTRANS & CSC Holdings Co., Ltd. (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% |
| The Bank of New York Mellon Corporation (Note 3) | 161,059,722(L) | H Shares | 3.79% | 9.01% |
| | 91,852,522(P) | H Shares | 2.16% | 5.14% |
| Franklin Templeton Investments Corp. | 157,230,536(L) | H Shares | 3.70% | 8.80% |
| JPMorgan Chase & Co. (Note 4) | 128,790,900(L) | H Shares | 3.03% | 7.21% |
| | 126,479,900(P) | H Shares | 2.98% | 7.08% |
| Brandes Investment Partners, L.P. | 125,239,364(L) | H Shares | 2.95% | 7.00% |
| Templeton Asset Management Limited | 107,132,850(L) | H Shares | 2.52% | 5.99% |
| Templeton Investment Counsel, LLC | 93,443,000(L) | H Shares | 2.20% | 5.23% |

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

Other Information

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 Beteiligungen GmbH ("Deutsche GmbH") and 35,616,000 shares held by DHL Supply Chain (Hong Kong) Limited. Deutsche GmbH and DHL 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 126,479,900 Shares held by JPMorgan Chase Bank, N.A., and 2,311,000 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 SFO, as at 30 June 2011, 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 SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2011.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2011 are set out in Note 22 to the unaudited condensed consolidated interim financial information.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited as the code of corporate governance practices of the Company. The Company has complied with all the code provisions in effect as set out in the Code throughout the six months period ended 30 June 2011.

Board of Directors

As at 30 June 2011, the Board of Directors of the Company comprised of 11 directors. The members were as follows:

Chairman: Mr. Zhao Huxiang

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

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

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

Other Information

Audit Committee

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

Deloitte Touche Tohmatsu, the Company's auditors, and the Audit Committee of the Company have reviewed the condensed consolidated interim financial information of the Company and its subsidiaries for the six months ended 30 June 2011.

Remuneration Committee

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

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. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the period from 1 January to 30 June 2011.