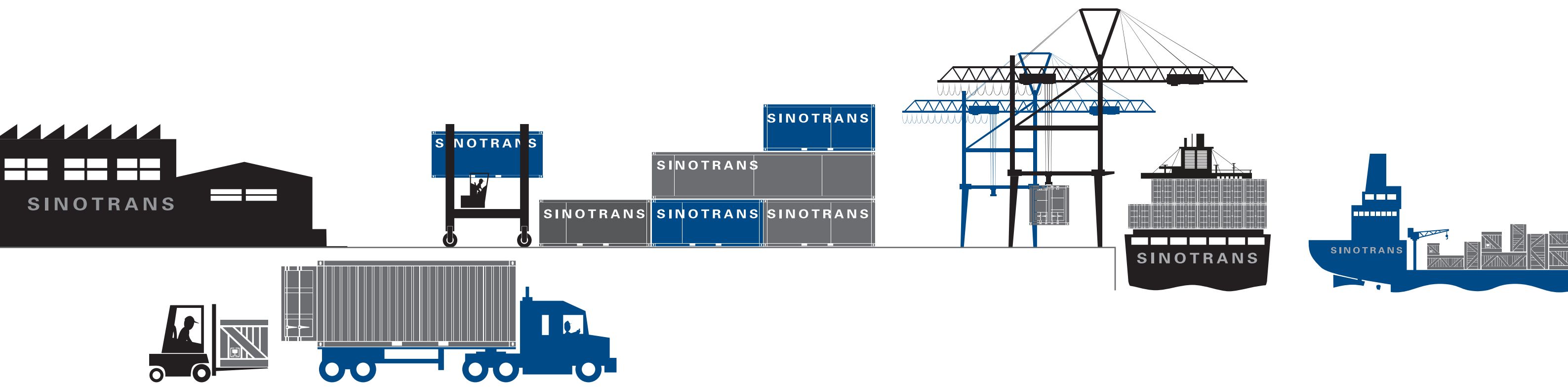
中國外運股份有限公司
SINOTRANS LIMITED

Stock Code : 598

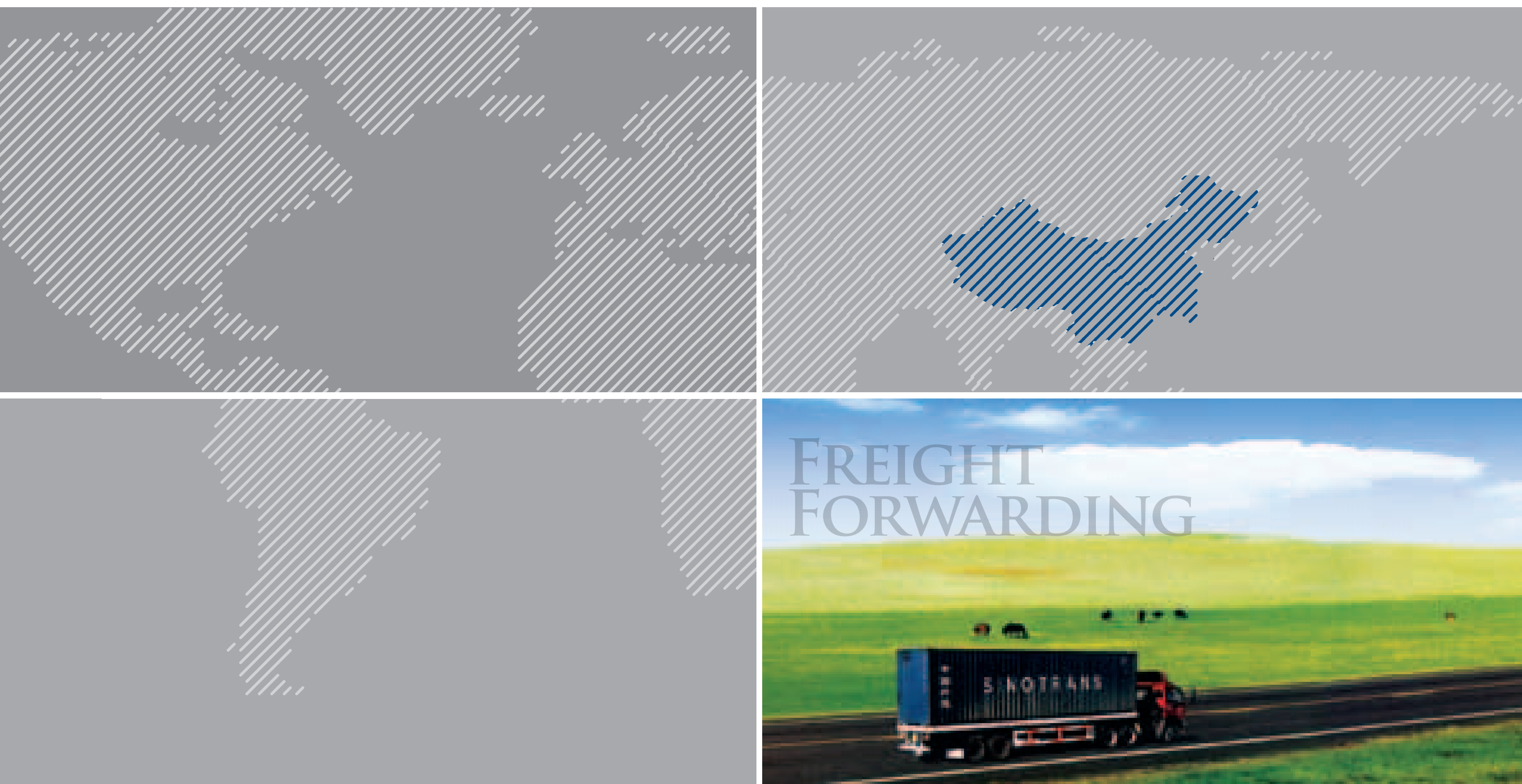
fulfilling our MISSION



Annual Report 2011

go GLOBAL

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



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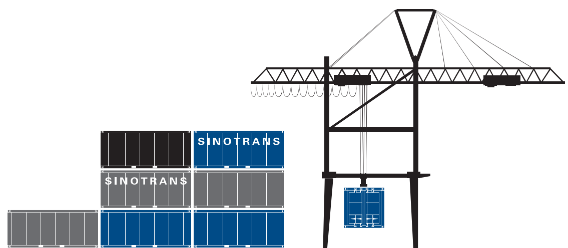
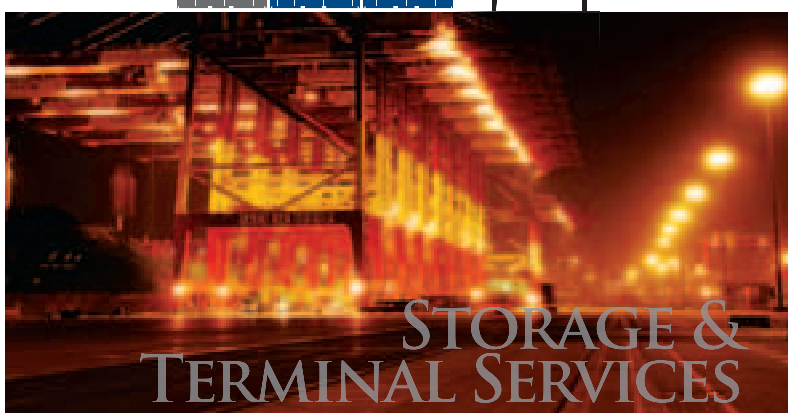

SINOTRANS
SINOTRANS

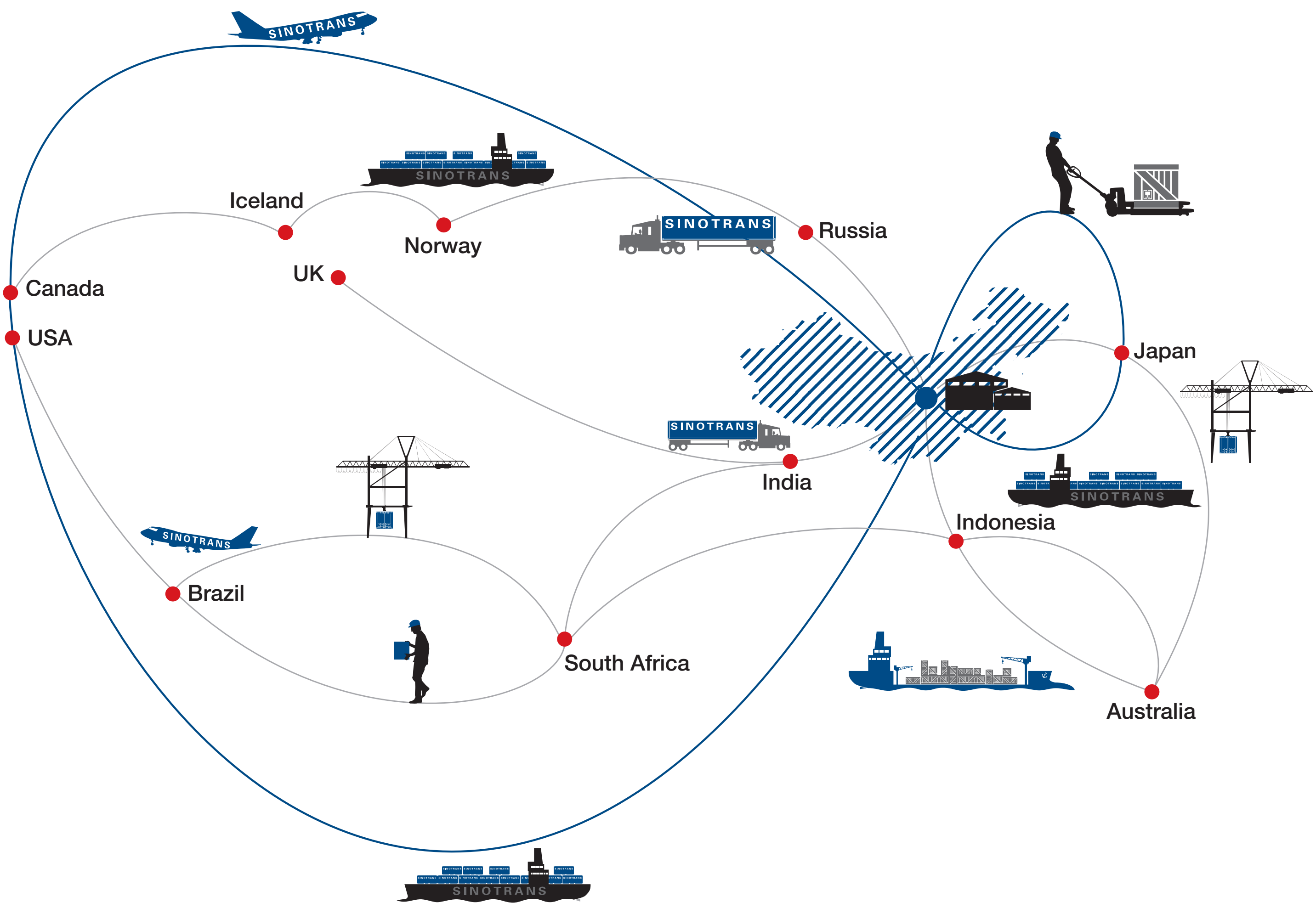

SHIPPING AGENCY


STORAGE & TERMINAL SERVICES


MARINE TRANSPORTATION


OTHER SERVICES

go COVERING



SINOTRANS
Iceland
Norway
Russia
Canada
UK
USA
Japan
India
Indonesia
Brazil
South Africa
Australia

FREIGHT FORWARDING

The Group's freight forwarding businesses will be continuously developed in terms of **characteristics, logistics and scale, service chains** will be extended and integrated service capability will be enhanced.

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

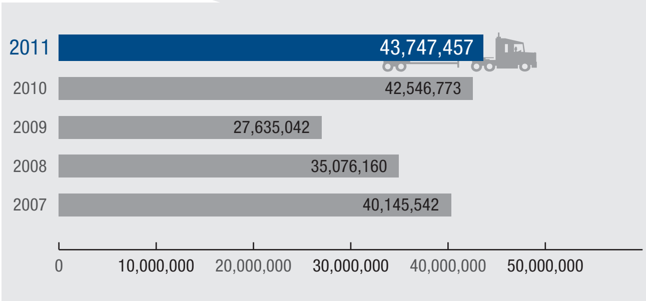
PRC auditors:
Deloitte Touche Tohmatsu CPA Ltd.
30/F, Bund Center
222 Yan An Road East
Shanghai 200002
People's Republic of China

LEGAL ADVISERS:

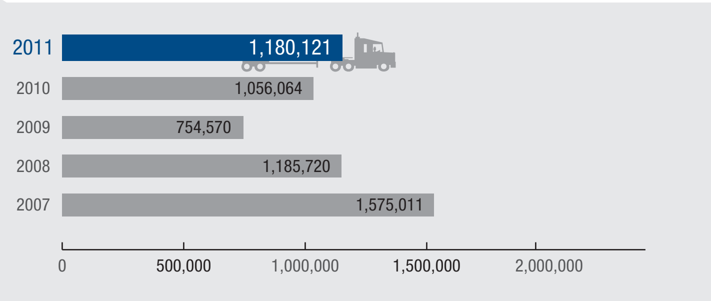
ReedSmith
Richards Butler
20th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

Financial Highlights

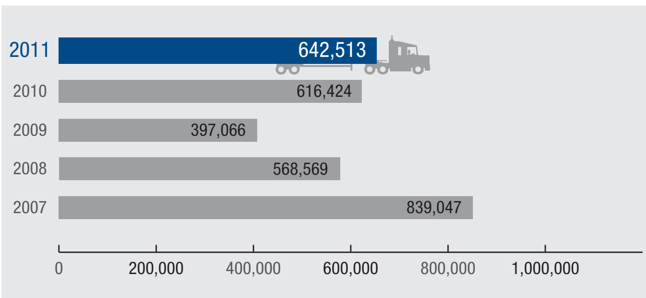
Turnover
RMB'000



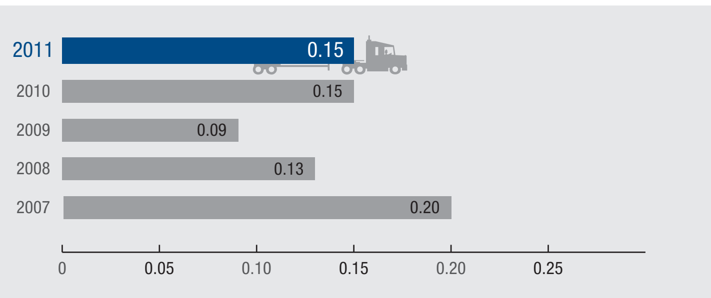
Profit Before Income Tax
RMB'000



Profit For The Year
(Attributable To Equity Holders)
RMB'000



Earnings Per Share
(Basic And Diluted)
RMB



As at 31 December	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**26,802,292**	25,094,623	21,718,532	19,660,184	20,262,980
Total liabilities	**14,817,423**	13,054,634	10,497,163	9,232,046	8,647,528
Non-controlling interests	**2,200,154**	2,281,131	2,057,690	1,847,436	2,281,281
Equity holders' equity	**9,784,715**	9,758,858	9,163,679	8,580,702	9,334,171

Note 1: Basic and diluted earnings per share for the five years ended 31 December 2007, 2008, 2009, 2010 and 2011 have been computed by dividing the profit for the year by, respectively, 4,249,002,200 shares, being the weighted average number of shares in issue during the year ended 31 December 2007, 2008, 2009, 2010 and 2011. As there are no potentially dilutive securities, there is no difference between basic and diluted earnings per share.

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

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

Zhao Huxiang
Executive Director and Chairman

To: the shareholders

I am pleased to present the annual report of Sinotrans Limited (the "Company") for the financial year ended 31 December 2011 for your review.

REVIEW OF OPERATING RESULTS

2011 saw a significant slowdown in global economic recovery. In developed countries, there lacked a momentum for economic recovery. In emerging economies, the growth trend was good in general, albeit variations in performance. Growth rate in international trade and investment dropped. Prices of bulk commodities fluctuated at high level. Adding to these was the turbulence in the international financial market, and the wavering sovereign debt crisis. For China, 2011 was the first year of its Twelfth 5-year Plan. Reining in prices was of paramount importance under the nation's macro-economic austerity measures, which gradually proved to be effective, resulting in stable economic performance in general. **The GDP of China grew by 9.2% in 2011 compared with the corresponding period of 2010, and the total foreign trade value increased by 22.5%, among which, the export value increased by 20.3% and import value increased by 24.9%.**

In 2011, based on the Group's idea for its work, being "guided by the 5-Year Plan, targeting at the transformation, capturing the opportunities, deepening the adjustments, speeding up the development, to realize the leap-forward development and build up a leading integrated logistics platform", the Group proactively acted upon the complexity and the depressed market environment. To enhance the quality and effectiveness of its development, the Group continued to step up the adjustment to and optimization of its business structure; stick to the implementation of its major-customer strategy; proactively push ahead business innovation and optimization; increase resources deployment to business development and the building up of capability; thoroughly advance logistics resource consolidation; and continually enhance its refined corporate management capability. By pushing ahead a series of work items, the Group maintained its steady trend of development and delivered good results of operations in 2011.

In 2011, the Group's business achieved a revenue of approximately RMB43.747 billion, representing an increase of 2.8% as compared with the corresponding period in 2010; operating profit generated from its business operation increased by 11.5%. Profit distributable to equity holders increased by 4.2% as compared with the corresponding period in 2010. Earnings per share was RMB0.15 (corresponding period in 2010: RMB0.15).

RESOURCE INTEGRATION

The Group is considering a possible reorganisation with the SINOTRANS & CSC Group, further improving the strengths and professionalism of its integrated service network, with a view to providing consolidated and professional integrated logistics services to its customers.

DIVIDENDS

The Board has proposed to recommend the payment of a final dividend of RMB0.01 per share at the forthcoming Annual General Meeting to reward shareholders for their continuous support of the Group, taking into account the Company's sound financial position.

SOCIAL RESPONSIBILITY

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

Since the establishment of the ISO 9001:2008/ISO 14001:2004/OHSAS 18001:2007 quality and EHS management systems in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment has been conducted and controllable environmental factors in the operating activities and relevant services of the Company that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention be given to significant environmental factors and effective control be exercised to minimise adverse impact on the environment.

INVESTOR RELATIONS

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

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

PROSPECTS

In 2012, the global economy will remain adverse and complicated. In view of the uncertainties existing in the process of global economic recovery, it is quite likely that 2012 will be another year of slow economic growth around the globe. In 2012, China's export and investment demand will exhibit downside pressure and potential risks are on the rise. That having said, with the further solidification of growth trend of the economy situation of China, macro-economic policies will, in the process of risk control, make the most out of the favorable conditions brought by structural adjustment and maintain steady and normal performance of the national economy. It is predicted that total social logistics value will increase by about 11%, and the added value of logistics industry will increase by about 13% in 2012. Social logistics value as a proportion to GDP will remain at about 18%. In 2012, the demand on the logistics industry of China for integrated, refined and smart-tech supply chain services will continue to grow. Professional, customized and softened co-distribution demand will grow rapidly. The demand from e-commerce and residential consumption for logistics distribution and express services will be increasingly robust. Furthermore, market competition will become increasingly fierce. Such complicated situation and the increase in factor costs will remain unchanged in the short run.

In 2012, under the complicated external environment, the Group will be more alert and forward-thinking about future development and become fully aware of the adverse macroeconomic landscape in 2012. The Group will be more cautious about risks and will endeavour to safeguard itself against risks. Meanwhile, the Group will grasp market opportunities and take a proactive approach so as to ensure that the Group will operate in a healthy and sustainable manner under such complicated environment. In 2012, the key principal of the Group's work will be: To continue to adjust and optimize itself, grow in a healthy manner, invest moderately, and safeguard itself against risks. In 2012, the Group will continue to consolidate and optimize its traditional business, elevate its integrated logistics services capability, make the most of out its network strengths, continue to expand the breadth and depth of its sales and marketing, and maintain steady growth in business scale; it will also continue to grow its domestic trade business and step up efforts in developing a variety of models of transportation for domestic trade; it will further expand the business scale and revenue of its space-booking platform, and optimize the functions of its space-booking platform; it will also proactively develop novel specialized logistics, expedite the development of specialized logistics business, and enhance the approach to innovative value-added service; it will thoroughly advance integrated logistics resource integration; further refine its overseas and domestic network deployment; and continue to enhance its refined corporate management capability.

I firmly believe that, riding on the Group's established advantages of both network resources and talents, solid development strategies, rich administrative, management experiences and operation control power, we have the ability to continue promoting the improvement of operation scale and efficiency, and to create greater value for our shareholders, customers and employees.

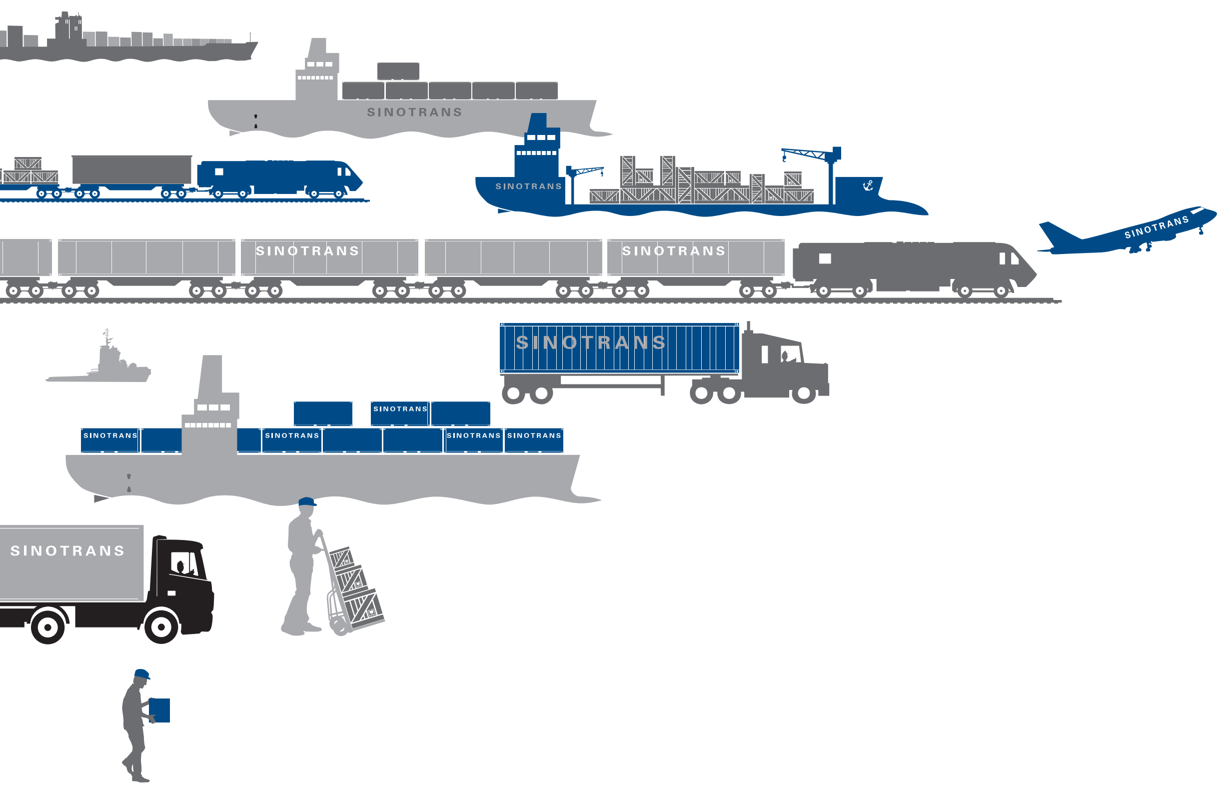
APPRECIATION

Shareholders, customers and employees are our valuable resources and fortunes, which lead to our success. In spite of fierce competition, the Group can still continue to develop and expand due to the endeavor and supports by all staff and various parties. I would like to express my deepest gratitude to the continued support of shareholders, customers and others over the past years and to the extraordinary efforts undertaken by all the directors, supervisors and staff in the last year. Your confidence and support to our Group will encourage us to make more successes in the future.

Zhao Huxiang
Chairman

Beijing, the PRC
21 March 2012

go LEADERSHIP



SHIPPING AGENCY

The breadth and depth of integrated sales and marketing of the Group's shipping agency businesses will be **expanded, steady business growth** will be maintained and market share will be expanded by making the most out of its network strengths.

Management Discussion and Analysis of Results of Operations and Financial Position

Zhang Jianwei
Executive Director and President

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

BUSINESS OVERVIEW

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

The geographical areas covered by the Group's businesses operation include Guangdong, Fujian, Shanghai, Zhejiang, Jiangsu, Hubei, Lianyungang, Shandong, Tianjin, Liaoning, Anhui, Jiangxi, Sichuan, Chongqing and Hong Kong etc., being coastal regions and strategic locations under rapid growth in China. We also have an extensive domestic service network, as well as a large overseas agency network.

With comprehensive service networks and the mode of integrated logistics services and professional capability, the Group is able to provide customers with all-rounded integrated logistics services and become our customers' professional collaborative partner in logistics, maintaining its leading position amidst market competition.

REVIEW OF OPERATION

2011 was the beginning of the Group's five-year plan, a year in which we sought to progress while maintaining stability. Based on the Group's idea for its work, being "guided by the 5-Year Plan, targeting at the transformation, capturing the opportunities, deepening the adjustments, speeding up the development, to realize the jump in development and build up a leading integrated logistics platform", the Group proactively acted upon the adversity of market environment and delivered good results of operations in joint efforts with the staff members of the Group. In 2011, the Group's work focused on the following:

- We made an effort in formulating the five-year development plan for the Group and defined the positioning of the Group in its future development.

- We got breakthrough in the consolidation of integrated logistics resources. The consolidation of the Group's integrated logistics segment was progressing in full gear. The integration of resources along the Yangtze River achieved ground-breaking progress. Development in various business aspects progressed smoothly and the integration was gradually taking effect. Chemical logistics business evolved in the direction of becoming more professional and intensive.

- Adjustment of the business structure of the Group continued to improve. Domestic trade logistics business continued to develop rapidly. The business scale of space-booking platform continued to expand, generating stable revenue during a period of market downturn. We also continued to adhere to the implementation of our major-customer strategy, further improving the customer structure. While various businesses under our strategic cooperation agreement was put to implementation, we continued to explore the depth and breadth of our cooperation with customers and probe into the potential demand from customers.

- We worked around the construction of professional capability and the network layout for the deployment of resources. In tandem with our business development, we increased our resources deployment, proactively push ahead investment in our logistics infrastructure and the construction of container vessels. Breakthrough was made in our merger and acquisition exercises, both domestic and international, providing strong support to the development of our professional logistics business.

- We also proactively push ahead business innovation and optimization. We explored new modes for business development, and at the same time proactively explored the innovation of traditional business.

- We continued to enhance our basic corporate management level. We further enhanced our team building and personnel exchanges; continued to push ahead financial management, strengthening risk management and credit management, and strictly controlling our costs and expenses; and refined our IT construction, in support of the rapid development of our core businesses.

OPERATING STATISTICS

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

	For the year ended 31 December	
	2011	2010
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in million tonnes)	**2.9**	5.9
Container cargo (in ten thousand TEUs)	**797.9**	694.4
Air freight forwarding (in million kilograms)	**397.2**	384.1
Rail freight forwarding		
Bulk cargo (in million tonnes)	**0.9**	0.8
Container cargo (in ten thousand TEUs)	**3.6**	3.4
Road freight forwarding		
Bulk cargo (in million tonnes)	**0.09**	0.14
Container cargo (in ten thousand TEUs)	**29.2**	30.8
Shipping agency		
Net registered tonnes (in million tonnes)	**657.3**	608.9
Vessel calls (number of times per vessel)	**60,658**	60,047
Containers (in million TEUs)	**12.81**	12.26
Bulk cargo (in million tonnes)	**179.6**	171.3
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in million tonnes)	**13.3**	12.0
Containers (in million TEUs)	**8.6**	8.6
Terminal throughput		
Bulk cargo (in million tonnes)	**2.1**	1.8
Containers (in ten thousand TEUs)	**304.7**	294.7
Marine transportation		
TEUs (in ten thousands)	**257.3**	221.0
Other services		
Trucking of containers (in ten thousand TEUs)	**70.2**	73.6
Express operations packages (in million units)	**1.83**	1.51

OPERATING RESULTS

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

	For the year ended 31 December	
	2011 (In RMB million except for earnings per share and number of shares)	2010 (In RMB million except for earnings per share and number of shares)
Revenue	**43,747.5**	42,546.8
Other income	**195.6**	249.3
Business tax and other surcharges	**(313.8)**	(272.9)
Transportation and related charges	**(36,100.3)**	(35,482.3)
Depreciation and amortisation	**(440.9)**	(414.3)
Cost of operation (excluding transportation and related charges, business tax and surcharges, depreciation and amortisation and other gains/(losses), net:		
— Staff costs	**(2,450.7)**	(2,138.4)
— Repairs and maintenance	**(175.6)**	(156.8)
— Fuel	**(1,495.3)**	(1,159.3)
— Travel and promotional expenses	**(342.3)**	(292.8)
— Office and communication expenses	**(194.6)**	(179.4)
— Rental expenses	**(1,191.5)**	(1,419.3)
— Other operating expenses	**(442.3)**	(428.7)
Other gains/(losses), net	**70.3**	(75.2)
Operating profit	**866.1**	776.7
Financial costs, net	**(254.2)**	(223.3)
Share of profit of jointly controlled entities	**510.0**	432.9
Share of profit of associates	**58.2**	69.8
Profit before income tax	**1,180.1**	1,056.1
Income tax expense	**(308.2)**	(224.0)
Profit after income tax	**871.9**	832.1
Profit attributable to		
— Equity holders of the Company	**642.5**	616.4
— Non-controlling interests	**229.4**	215.7
Dividends	**127.5**	170.0
Earnings per share attributable to the equity holders of the Company, basic and dilute (RMB)	**0.15**	0.15
Weighted average number of shares during the year (in millions of shares)	**4,249.00**	4,249.00
Number of shares at the end of year (in millions of shares)	**4,249.00**	4,249.00

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

Turnover by business segment (in million RMB)

	For the year ended 31 December			
	2011		2010	
Freight forwarding	**36,617.2**	**79.6%**	35,896.6	81.2%
Shipping agency	**815.9**	**1.8%**	775.3	1.8%
Storage and terminal services	**1,934.3**	**4.2%**	1,697.0	3.8%
Marine transportation	**5,081.7**	**11.0%**	4,330.8	9.8%
Other services	**1,583.0**	**3.4%**	1,504.4	3.4%

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

	For the year ended 31 December	
	2011	2010
Freight forwarding	**674.7**	499.8
Shipping agency	**297.1**	270.9
Storage and terminal services	**317.6**	299.5
Marine transportation	**(313.7)**	(104.1)
Other services	**6.1**	16.4

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2011

Turnover

In 2011, the Group's turnover amounted to RMB43,747.5 million, up by 2.8% from RMB42,546.8 million in 2010.

Freight Forwarding

Turnover from the Group's freight forwarding services increased by 2.0% to RMB36,617.2 million in 2011, compared to RMB35,896.6 million in 2010.

Volume of sea freight forwarding containers was 7.979 million TEUs in 2011, increasing by 14.9% from 6.944 million TEUs in 2010. Cargo tonnage of air freight forwarding services was 0.3972 million tonnes in 2011, increasing by 3.4% from 0.3841 million tonnes in 2010.

The increase in revenue from freight forwarding in 2011 was lower than the increase in business volume, mainly attributable to the decrease in international freight rates.

China's export container freight rate index in 2011 decreased by 12.6% from last year.

Shipping Agency

In 2011, turnover from our shipping agency services was RMB815.9 million, representing an increase of 5.2% from RMB775.3 million in 2010.

Number of containers handled in shipping agency business of the Group was 12.81 million TEUs in 2011, representing a rise of 4.5% from 12.26 million TEUs in 2010. Volume of bulk cargo handled was 179.6 million tonnes in 2011, representing a rise of 4.8% when compared with 171.3 million tonnes in 2010. Net registered tonnage handled by the shipping agency services reached 657.3 million tonnes in 2011, representing an increase of 7.9% from 608.9 million tonnes in 2010. Number of vessel calls increased by 1.0% to 60,658 times in 2011, compared with 60,047 times in 2010.

Increases in turnover of shipping agency business and business volume were mainly due to the Group's proactive market expansion leveraging upon its network advantage, and strengthening of strategic cooperation with shipping companies.

Storage and Terminal Services

In 2011, turnover from storage and terminal services amounted to RMB1,934.3 million, representing a 14.0% growth from RMB1,697.0 million in 2010.

The Group's warehouses handled 13.30 million tonnes of bulk cargo in 2011, representing a 10.8% increase from 12.00 million tonnes in 2010. Containers handled were at similar level as 8.60 million TEUs recorded in 2010. Containers handled through terminals increased 3.4% to 3.047 million TEUs from 2.947 million TEUs in 2010. The volume of bulk cargo handled at terminals increased 16.7% to 2.10 million tonnes from 1.80 million tonnes in 2010.

The growth in the turnover and business volume of storage and terminal services was mainly attributable to the Group's proactive market expansion and strengthening of strategic cooperation with shipping companies and the further enhancement in its overall operating capability.

Marine Transportation

Turnover from marine transportation of the Group in 2011 amounted to RMB5,081.7 million, up by 17.3% from RMB4,330.8 million in 2010.

The number of containers shipped by the Group rose to 2.573 million TEUs in 2011, up by 16.4% from 2.210 million TEUs in 2010.

The increase in turnover and business volume of marine services was mainly attributable to the enhancement of capacity utilization by proactively exploring the market under the drastic freight price fluctuation in the shipping market. The deployment of capacity platforms for domestic business along major coastal transportation routes was further expanded.

Other Services

Turnover from other services (mainly from trucking transportation and express services) in 2011 amounted to RMB1,583.0 million, representing an increase of 5.2% from RMB1,504.4 million in 2010.

Volume of containers handled by the Group's trucking services in 2011 was 0.702 million TEUs, representing a drop of 4.6% from 0.736 million TEUs in 2010. The number of documents and packages handled in express services increased 21.2% from 1.51 million units in 2010 to 1.83 million units in 2011.

Growth in the turnover of other services was mainly due to the increase in the proportion of long-haul transportation in the trucking transportation of the Group and the growth of business volume of international express business.

The Group's jointly controlled entities recorded an investment gain of RMB612.5 million from the operations of express services, representing an increase of 67.6% compared with the corresponding period of the previous year. The number of documents or packages handled in international express services of the jointly controlled entities was up by 1.8% from 14.34 million units in 2010 to 14.60 million units in 2011.

Transportation and Related Charges

Transportation and related charges were up by 1.7% to RMB36,100.3 million in 2011, compared with RMB35,482.3 million 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 RMB440.9 million in 2011, representing an increase of 6.4% from RMB414.3 million in 2010, mainly as a result the Group's increased investment in property and equipment.

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

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges and other gains/(losses), net) were RMB6,292.3 million in 2011, representing a 9.0% increase from RMB5,774.7 million in 2010.

The increase in operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges, other gains/(losses), net) was mainly because of the increase in business volume during the period.

The increase in staff costs was mainly due to the increase in headcount due to expansion of business scale and the increase in average wage per head and the rise in general price level.

The increase in fuel cost was primarily because of the increase in international crude oil prices and the increase in the number of shipping routes.

Other gains/(losses), Net

"Other gains/(losses), net" changed to gain of RMB70.3 million in 2011 from loss of RMB75.2 million in 2010, primarily due to the change in fair value of financial derivatives held by the Group.

To hedge against the risks of exchange rate fluctuations, the Group held certain forward Japanese Yen/USD exchange contracts. For the year ended 31 December 2011, the gain from changes in fair value of the contracts was RMB106.6 million (2010: RMB16.0 million).

Operating Profit

The Group's operating profit was RMB866.1 million in 2011, representing a growth of 11.5% from RMB776.7 million in 2010. Operating profit as a percentage of total revenue for 2011 increased to 1.98% in 2011 from 1.83% in 2010, or to 11.33% from 11.0 % as a percentage of net revenue (total revenue less transportation and related charges), primarily as a result of the growth in business volume.

Income tax expense

In 2011, income tax expense of the Group amounted to RMB308.2 million, representing an increase of 37.6% from RMB224.0 million in 2010. This was primarily attributable to the increase in operating profit for the year, and the partial elimination of income tax expense by the loss from the transfer of equity of the Group's non wholly-owned subsidiary occurred in the prior year, which was deductible before tax with the approval granted by the taxation authority. Income tax expense as a percentage of profit before income tax expense in 2011 changed to 26.1% from 21.2 % in 2010.

PROFIT AFTER INCOME TAX EXPENSE

For the year ended 31 December 2011, the Group recorded profit after income tax expense of RMB871.9 million, representing an increase of 4.8% when compared to RMB832.1 million in 2010.

NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST

In 2011, net profit attributable to non-controlling interest amounted to RMB229.4 million, representing an increase of 6.4% as compared with RMB215.6 million in 2010, which was mainly because of the increase in profit for the year of Sinotrans Air Transportation Development Company Limited, a non-wholly owned subsidiary controlled by the Group.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2011 amounted to RMB642.5 million, representing an increase of 4.2% from RMB616.4 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

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

The following table summarises the Group's cash flows for the each of the two years ended 31 December 2011 and 2010:

	For the year ended 31 December	
	2011	2010
	RMB in millions	RMB in millions
Net cash generated from operating activities	**1,118.1**	957.9
Net cash used in investing activities	**(1,519.9)**	(887.5)
Net cash generated from financing activities	**761.0**	967.6
Exchange losses on cash and cash equivalents	**(40.6)**	(32.5)
Net increase in cash and cash equivalents	**318.6**	1,005.5
Cash and cash equivalents as at year end	**5,521.1**	5,202.5

Operating Activities

Net cash generated from operating activities for 2011 amounted to RMB1,118.1 million, up by 16.7% compared with RMB957.9 million in 2010. The increase in net cash flow from operating activities primarily attributable to the Company's profit attributable to equity holders for 2011 of RMB642.5 million (2010: RMB616.4 million), an increase in trade payables of RMB421.8 million (2010: increase of RMB513.0 million), an increase in receipts in advance from customers of RMB494.8 million (2010: increase of RMB658.0 million), an increase in income tax liabilities of RMB310.1 million (2010: increase of RMB315.4 million), partly offset by an increase in trade and other receivables of RMB243.1 million (2010: increase of RMB1,004.1 million), an increase in prepayments and other current assets of RMB373.1 million (2010: increase of RMB307.0 million). Average age of trade receivables for 2011 and 2010 were 54 days and 50 days respectively.

Investing Activities

For the year ended 31 December 2011, net cash used in investing activities amounted to RMB1,519.9 million, primarily comprised RMB1,341.1 million for the purchase of property and equipment, RMB171.7 million for the acquisition of land use rights and intangible assets, RMB316.6 million paid for additional investments in subsidiaries, associates and jointly controlled entities and prepayment acquisition of subsidiaries, RMB133.2 million for acquisition of available-for-sale financial assets, RMB234.0 million for the acquisition of other current asset, and an increase of RMB238.5 million in restricted cash and term deposits with initial terms of over three months, which were partially offset by RMB803.7 million dividends received from the associates and jointly controlled entities, RMB63.3 million interest income received. For the year ended 31 December 2010, net cash used in investing activities was RMB887.5 million, mainly comprised of RMB992.4 million for the purchase of property, plant and equipment, RMB253.2 million for the acquisition of land use rights and intangible assets, RMB54.9 million for additional investments in subsidiaries, associates and jointly controlled entities and advanced payment for the acquisition of subsidiaries, RMB408.9 million for addition of available-for-sale financial assets and RMB99.6 million for repayment of investment proceeds advanced from the ultimate holding company, which were partially offset by a decrease of RMB196.7 million in term deposits with initial terms of over three months, RMB467.0 million dividends received from the associates and jointly controlled entities, RMB20.3 million received from disposal of associates and jointly controlled entities, RMB34.1 million interest income received, and proceeds of RMB56.2 million from the disposal of available-for-sale financial assets.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB761.0 million for 2011, compared with net cash generated from financing activities of RMB967.6 million for 2010.

New bank borrowings in 2011 amounted to RMB2,087.7 million (2010: new bank borrowings amounting to RMB2,227.7 million) and the issue of medium-term notes and short-term commercial papers contributed to the receipt of cash in the amount of RMB2,850 million, which were partially offset by repayments of bank borrowings of RMB2,458.5 million (2010: RMB960.9 million), repayment of borrowings advanced by ultimate holding company and fellow subsidiaries of RMB1,795 million (2010: Nil), dividend payment of RMB365.5 million (2010: RMB245.9 million) and payment of loan interest of RMB129.1 million (2010: RMB96 million) in 2011.

Capital Expenditure

For 2011, the Group's capital expenditure amounted to RMB1,535.1 million, consisting primarily of RMB1,341.1 million for acquisition of property, plant and equipment, RMB17.6 million for the acquisition of intangible assets, RMB154.1 million for the purchase of land use rights, among which, RMB1,090.8 million were used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB273.9 million for the purchase of vehicles and equipment and RMB82.6 million for IT investment and refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2011, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business amounting to RMB63.015 million (2010: RMB71.55 million).

As at 31 December 2011, the amount of guarantees provided by the Group in favour of its jointly controlled entities was RMB294.1 million (2010: the amount of guarantees provided by the Group for its jointly controlled entities and customers was RMB206.8 million).

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

BORROWINGS

As at 31 December 2011, the Group's total borrowings amounted to RMB2,331.1 million (31 December 2010: RMB4,254.6 million), which comprised bank borrowings of RMB1,331.1 million denominated as to RMB294.2 million in Renminbi, RMB900 million in US dollars, RMB89.2 million in Japanese Yen and RMB47.7 million in Hong Kong dollars. Of the total bank borrowings, RMB12.0 million were repayable within one to two years. The weighted average annual interest rate for the above borrowings was 3.76%. The weighted average annual interest rate for the entrusted loan obtained from the ultimate holding company was 3.26%.

SECURED AND GUARANTEED BORROWINGS

As at 31 December 2011, the Group pledged restricted cash amounting to approximately RMB85.6 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB66.2 million) and land use rights (with net book value of approximately RMB34.2 million) for borrowings.

GEARING RATIO

As at 31 December 2011, the gearing ratio of the Group was 55.3% (2010: 52.0%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2011.

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, term deposits with initial terms of over three months and financial guarantee. The maximum credit risk exposure in the event that other parties fail to perform their obligations under these financial instruments was the carrying values of these financial instruments.

EMPLOYEES

At the end of 2011, the Group had 26,352 (2010: 24,431) employees.

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

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

ACQUISITION AND DISPOSAL

1. In June 2011, the 165 million new ordinary shares of InterBulk (whose shares are listed on AIM), which have been issued to Sinotrans Hong Kong Logistics Limited, a wholly owned subsidiary of Sinotrans, at the Placing Price to raise gross proceeds of £18.15 million, The Group became the largest shareholder of InterBulk.

2. On 1 November 2011, Sinotrans Air Transportation, a subsidiary of the Group, acquired assets and business undertakings related to freight forwarding from Tianjin Tianhua Hongyun Logistics Co., Ltd. (天津天華宏運物流有限公司), which is mainly engaged in freight forwarding in the PRC.. The total cash consideration is RMB32,091,000.

OUTLOOK OF BUSINESS DEVELOPMENT

2012 is likely to be an even more difficult year for the logistics industry as a whole. From an economic perspective, in 2012, as consumption will continue to shrink due to the sovereign debt crisis and high unemployment rate in the European and US market, global economic recovery will slow down and external demand will lack growth momentum. The international trade environment will become more complicated. Renminbi appreciation and volatile exchange rate fluctuation will dampen the growth potential for exports of China. Thus, the pace of economic growth in China will also slow down.

From an industry perspective, the global shipping industry has slipped into recession. As the logistics industry will also be adversely affected, a prolonged period of intense competition and sluggish market will be experienced since market demand is unlikely to pick up in the near future. However, on the up side, overall demand for logistics in the society is expected to grow, as a result of positive factors such as expansion of domestic consumption and consumer spending, acceleration of social security housing construction and urbanization, gradual adjustment to macroeconomic policies and economic growth brought by industry transfer from Eastern regions to Western regions in China. The “Eight New Measures”, “Nine New Measures” and “12th Five-Year Plan for Development of Trade in Services” rolled out by the government will encourage and promote the development of the logistics industry in China.

In 2012, the Group will be more alert and forward-thinking about future development and become fully aware of the adverse macroeconomic landscape in 2012. It will be more cautious about risks and will endeavour to safeguard itself against risks. In addition, it will grasp market opportunities and take a proactive approach so as to ensure that the Group will operate in a steady manner under such complicated environment. Based on its analysis and judgment on changes in internal and external environment, in 2012, the key ideas of the Group’s work will be: To adjust and optimize itself, grow in a healthy manner, invest moderately, and safeguard itself against risks.

Business development

- Traditional business will be continuously consolidated and optimized, and the economy of scale of cargo-space booking platform will be brought into play. Freight forwarding businesses will be continuously developed in terms of characteristics, logistics and scale, service chains will be extended and integrated service capability will be enhanced. The breadth and depth of integrated sales and marketing of shipping agency businesses will be expanded, steady business growth will be maintained and market share will be expanded by making the most out of its network strengths. Business scale and revenue of cargo-space booking platform will be further expanded and intensive operation of the cargo-space booking business will be fostered. Functions of cargo-space booking service will be optimized through enhancing information integration and customer service quality of the cargo-space booking platform.

- Development of the domestic trade logistics business will be speeded up. Synergies between the trade capacity platform and freight platform will be maximized, cautiousness against risks will be enhanced and the trade capacity platform will be appropriately developed. Point-to-point domestic trading services will be provided through extending its service chain and making the most out of its network strengths, thereby boosting continuous growth of the domestic trading business. A variety of modes of transportation for domestic trade logistics business will be developed.

- New and specialized logistics will be actively developed. The Group will continue to strengthen the development of project logistics, energy logistics, contract logistics, chemical products logistics and financial logistics. It will also maintain its leading market position by means of expansion of business scale and provision of innovative value-added services.

- Consolidation of integrated logistics resources will be vigorously promoted. The Group will press ahead resource consolidation along the riverside area and chemical products logistics, actively participate in society resource restructuring, mergers and acquisitions, optimize financing and fund raising efforts and improve accessibility to financing.

- Refined corporate management capability will be enhanced. Building of corporate capability, talent nurturing and team construction will be strengthened. Cost management will be further strengthened and cost control measures will be intensified. Construction of informatization will be fostered to raise the overall level of informatization of the Group.

Resources consolidation

The Group is considering a possible reorganisation with the SINOTRANS & CSC Group, with a view to an appropriate consolidation of the core business operations and related assets into the Group, to reduce potential competition between the Group and the rest of the SINOTRANS & CSC Group and to expand the business coverage of the Group. The method and subject matter of any such reorganisation is still under consideration, and may be implemented over a period of time. Such reorganisation, if implemented, will constitute connected transactions of the Company under the Listing Rules and the Company will comply with the disclosure and shareholders approval requirements to the extent applicable under the Listing Rules. Such transactions may or may not proceed.

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Specialized logistics

The Group will continue to strengthen the development of **project logistics, energy logistics, contract logistics, chemical products logistics**. It will also maintain its leading market position by means of expansion of business scale and provision of innovative value-added services.

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

CONTINUOUS IMPROVEMENT ON CORPORATE GOVERNANCE PRACTICES

The Company has reviewed and adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as our code on corporate governance practices. The Company trusts the promoting sound corporate governance is very important to maintain the operation and performance. The Company has complied with all the code provisions set out in the CG Code throughout the reporting period for 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The directors have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the reporting period for 2011.

BOARD OF DIRECTORS

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

The Company has prepared and uploaded the newest list of the Board members with their role and position to the website of the Company, on which we marked, who are independent non-executive directors or not. Each director of the Company knows about his duty as a director, as well as the operating mode, business activities, development strategies of the Company and his capabilities. Each director has enough time and energy to deal with the affairs of the Company.

As at 31 December 2011, the Board of the Company comprised 11 directors, of whom 4 were executive directors, 4 were non-executive directors and 3 were independent non-executive directors, whose names are as follows:

Chairman: Mr. Zhao Huxiang;

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

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

Independent non-executive directors: Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Liu Kegu.

Note: On 30 December 2011, Mr. Miao Yuexin ceased to act as an independent non-executive director due to the expiration of his term of office; meanwhile, on the same day, Mr. Liu Kegu was appointed as an independent non-executive director of the Company for a term of three years since 19 November 2011.

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

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

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

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

Appropriate means have been adopted by the Board to maintain effective communications with shareholders to ensure that their views are brought to the attention of the Board. The Company ensures that all the directors devote to the Board upon that all information have been given and fit in with the conditions. All the directors have the authorities to review the documents and relevant material of the Board.

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

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

In order to illustrate its focus on the Company's business management, the Board sets out the attendance of meetings of the Board and its subordinated committees in 2011 in the table below:

	Attendance/No. of meetings		
Director	Directors Board	Audit Committee	Remuneration Committee
Executive directors			
Mr. Zhao Huxiang	6/6[4]		
Mr. Zhang Jianwei	6/6[1]		
Ms. Tao Suyun	6/6[3]		1/1
Mr. Li Jianzhang	6/6[2]		
Non-executive directors			
Mr. Yang Yuntao	5/6		
Ms. Liu Jinghua	5/6[2]	4/4[3]	
Mr. Jerry Hsu	6/6[6]		
Mr. Mok Chi Ming Victor	6/6[6]		
Independent non-executive directors			
Mr. Sun Shuyi	6/6[5]	4/4[4]	1/1[1]
Mr. Lu Zhengfei	6/6	4/4	1/1
Mr. Miao Yuexin	6/6	4/4	1/1

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

1. *One meeting was attended by way of proxy.*

2. *Two meetings were attended by way of proxy.*

3. *Three meetings were attended by way of proxy.*

4. *Four meetings were attended by way of proxy.*

5. *Five meetings were attended by way of proxy.*

6. *Six meetings were attended by way of proxy.*

The Company held six Board meetings in 2011, that is, from 43rd to 48th Board meetings. The Company has prepared and properly kept detailed minutes for the matters being discussed in Board meetings.

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

APPOINTMENT OF DIRECTORS

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

The Company had no Nomination Committee in 2011. The Board is responsible for choosing the candidate with suitable qualification and considering the suitability of a candidate to act as a Director. The Board has also determined the policy for the nomination of directors of the Company.

The No. 46 meeting of Board of Directors held on 18 August 2011 was convened to approve the resolution of the re-election and appointment of the directors of the Company. The directors who attended the meeting in person included Mr. Zhao Huxiang, being the Chairman, and Mr. Zhang Jianwei, Ms. Tao Suyun, Mr. Li Jianzhang, being executive directors, and Mr. Yang Yuntao, Ms. Liu Jinghua, being non-executive directors, and Mr. Lu Zhengfei, being an independent non-executive director. Mr. Jerry Hsu, Mr. Mok Chi Ming Victor, being non-executive directors, and Mr. Sun Shuyi, Mr. Miao Yuexin, being independent non-executive directors, attended the meeting by way of proxy of other director.

At the extraordinary general meeting of the Company held on 30 December 2011, Mr. Zhang Jianwei, Ms. TAO Suyun were re-elected as an executive director of the Company for a term of three years with effect from 19 November 2011; Mr. Yang Yuntao was re-elected as an non-executive director of the Company for a term of three years with effect from 19 November 2011; Mr. Liu Kegu was appointed as an independent non-executive director of the Company for a term of three years with effect from 19 November 2011.

After Mr. Liu Kegu was elected, Mr. Miao Yuexin ceased to act as an independent non-executive director of the Company due to the expiration of his term of office. Therefore, Mr. Miao Yuexin will not be a member of Audit Committee and Remuneration Committee of the Company. The foregoing adjustment was effective from 30 December 2011.

CHAIRMAN AND PRESIDENT

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

COMMITTEES

Board Committees

The Board has established two committees, the Audit Committee and the Remuneration Committee, and their respective main duties are published on the website of the Company, detailing their roles and the authorities delegated from the Board.

Audit Committee

The principal terms of reference of the Company's Audit Committee include reviewing the Company financial information, monitoring the Company's financial reporting system, internal control procedures and the regime of risk management, making recommendations to the Board on the appointment, re-election and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; reviewing and monitoring the independence of the external auditors and effectiveness of the audit procedures according to the standard applied. The Audit Committee will discuss with the auditors about the nature and scope of the auditing and reporting obligations before the audit commences. The Audit Committee implements policy on the engagement of an external auditor to supply non-audit service and practices it. The Audit Committee should report to the Board, identifying any matter in respect of which it considers that action or improvement is needed, and making the recommendations respectively.

The Audit Committee monitored the integrity of financial statements of the Company and the annual report, half-year report, and to review the significant opinions on financial statement and report contained in them.

The Audit Committee ensures that proper arrangement is in place for fair and independent investigation of such matters by the Company and for appropriate follow-up actions. The Audit Committee acts as the main delegate for overseeing the relation between the Company and the external auditors.

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

The Audit Committee held four meetings in 2011. Details of the meetings are as follows:

1. The first meeting of the Audit Committee for the year was convened on 18 March 2011. At the meeting, the financial status and analysis on operations of 2010, the results of internal audit of 2010, the lawsuit and guarantee of 2010 and the report for appointment of external auditors of 2011 were presented. The Audit Committee discussed the significant matter sufficiently. The auditors reported on the year-end audit for 2010 and potential issues of concern for 2011. The Audit Committee reviewed the report on authorizing the Board to make the proposed mandate to issue debt financing instruments at general meeting of the Company and on the continuing connected transactions on financial Services agreement signed with the Sinotrans & CSC finance company. The Audit Committee also reviewed and agreed to present the financial statement audited of 2010 and the candidates of external auditor of Company in 2011 to the Board of Directors for approval.

2. The second meeting of the Audit Committee for the year was convened on 15 July 2011. The schedule and relevant issue of the interim report of 2011 were interpreted by the Financial Department. The external auditor introduced the plan of audit and methods of interim review and illustrated the focused matters. The Internal Audit Department of the Company reported the internal audit work of half-year in 2011 at the meeting.

3. The third meeting of the Audit Committee for the year was convened on 12 August 2011. At the meeting, an analysis of the interim operating results of 2011 was presented by the Financial Department. The Internal Audit Department reported the results of the internal audit project and illustrated relevant matters. The Legal and Securities Department reported the half-year condition of lawsuit and guarantee of the Company. The external auditors reported on their review of the 2011 interim period and identified potential issues of concern for the latter half of 2011. The Audit Committee voted in favor of submitting the reviewed interim financial statements for 2011 to the Board for approval.

4. The fourth meeting of the Audit Committee for the year was convened on 13 December 2011. At the meeting, analysis and discussion of the operating results of 2011 for the period from January to September 2011 was conducted by the Financial Department. The Legal and Securities Department introduced the condition of lawsuit and guarantee of the Company for the period from July to September 2011. The external auditors introduced the plan of auditing of the Company in 2011 and potential issues of concern in preliminary auditing, and discussed with the members of Audit Committee and the senior management of the Company about the financial preliminary auditing.

The Group's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Remuneration Committee

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

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

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

The Remuneration Committee held one meeting in 2011. Details of the meeting are as follows:

The Remuneration Committee held its meeting of 2011 on 18 March 2011. At the meeting, the Remuneration Committee debriefed the report by Human Resource Department of the Company about the situation on implementation in performance assessment and the payment of remuneration to senior management and one of the executive directors of Company in 2010. The Remuneration Committee voted in favor of submitting the meeting report to the Board of Directors for approval.

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.

The Company held three meetings of Supervisory Committee in 2011, the details are as follow:

The first meeting of the Supervisory Committee of 2011 was convened on 18 March 2011. The 2010 work report of the Supervisory Committee and the 2010 audited financial statements and the proposal of annual profit assignment were reviewed and approved at the meeting.

The second meeting of the Supervisory Committee of 2011 was convened on 12 August 2011. The interim operating report of 2011, the proposal of interim profit assignment, the proposal of re-appointment of staff member of Supervisors and the work report of investigation on Tianjin Company were reviewed and approved.

The third meeting of the Supervisory Committee of 2011 was convened in written form. The proposal on appointment of independent Supervisors of the Company was approved.

Mr. Zhou Fangsheng was selected as the Supervisor of the Company on the extraordinary general meeting held on 30 December 2011 for three years since 19 November 2011. After the appointment of Mr. Zhou Fangsheng, Mr. Zhang Junkuo was not the Supervisor of the Company since his term of office has expired.

By convening meetings of the Supervisory Committee and attending Board meetings, meetings of the Audit Committee, meetings of the Remuneration Committee, taking the investigation and check on the site of subsidiary company, 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.

INTERNAL AUDIT

The Internal Audit Department of the Company is established to monitor and assess the Company's operating activities and the suitability, compliance and effectiveness of its internal control system pursuant to the instruction of the management of Company, through the application of professional approaches that are independent, objective and systematic. The work of Internal Audit Department in 2011 was reviewed and acknowledged by the Audit Committee. The Internal Audit Department reported directly to the senior management of the Company.

In 2011, the internal auditing was focused on audit projects of economic responsibility of the operator in local company during the term of office and investment project. The Internal Auditing Department supervised the Company's results of operation and situation on construction in internal control system and reported problems and consulting suggestion of disposal to the management of Company. The Internal Audit Department works as the leading unit of the risk management of the Company and the administrative setup of risk management group and is responsible for the coordination work of risk management arranged by the Company and relevant departments.

EXTERNAL AUDITORS

At the annual general meeting held on 9 June 2011, a resolution was passed to appoint Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the PRC and the international auditors of the Company for the year 2011 respectively, and to authorize the Board to fix their remuneration.

For the year ended 31 December 2011, total fee for audit, audit-related and other services amounted (mainly including the fees for interim review RMB2,600,000) to RMB6,800,000, the remuneration of Auditor for the year ended 31 December 2011 is set out in Note 10 to the financial statements.

INTERNAL CONTROL

Through the customized internal control system, the Board oversees the Company's overall financial and operation conditions and legal compliance and manages any risks to avoid substantial losses due to failure in internal control. The directors have reviewed and confirmed that the internal control system of the Company is stable, proper and effective in order to safeguard the investment of the shareholders and the assets of the Company in 2011. The Company continuously covered the directors & supervisors liability and company reimbursement policy for the Board directors and Supervisors of the Company in 2011.

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

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

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

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

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

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

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

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

- The amendment of the Articles of Association of the Company.

After the extraordinary general meeting was convened on 30 December 2011, the amendment to the articles of association of the Company was approved. The modified content is as follows:

Deleting the second sentence of article 93 of the Articles of Association of the Company, which provides that: "The Board of Directors shall comprise of 12 directors" and replacing it with the following: "The Board of Directors shall comprise of 11 directors".

GENERAL MEETINGS

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

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

The Company held seven general meetings in 2011, including one annual general meeting, one H Shares class meeting, one Domestic Shares class meeting, and four extraordinary general meetings.

1. The annual general meeting held on 9 June 2011 was convened to review and approve the Report of the Board of Directors for the year ended 31 December 2010; to review and approve the Report of the supervisory committee for the year ended 31 December 2010; to review and consider the audited accounts of the Company and the auditors' report for the year ended 31 December 2010; to review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2010; to authorize the directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2011; to appoint Deloitte Touch Tohmatsu CPA Ltd. and Deloitte Touch Tohmatsu as the PRC and the international auditors of the Company for the year 2011, and to authorize the Board of the Company to fix their remuneration; to approve a general mandate to issue shares; to approve a general mandate to repurchase H shares in the capital of the Company. H Shares and Domestic Shares class meeting of the Company held on the same day were convened to approve a general mandate to repurchase H Shares in the capital of the Company.

2. The extraordinary general meeting held on 9 June 2011 was convened to approve the special resolution of the proposed mandate to issue debt financing instruments.

3. The extraordinary general meeting held at 9:30 on 30 September 2011 was convened to consider the Deposit Services and the annual caps for each of the three years ending 31 December 2011, 2012 and 2013 contemplated under the Financial Services agreement between the Company and Sinotrans & CSC finance company. According to the Article of Association of the Company, as the vote ratio for approving the resolution was less than 50% of the votes with the power, the above resolution was not duly passed as ordinary resolution of the Company.

4. The extraordinary general meeting held at 10:30 on 30 September 2011 was convened to consider and approve the Shipbuilding Contracts and the transactions regarding the construction of vessels contemplated under the Shipbuilding Contracts.

5. The extraordinary general meeting held on 30 December 2011 was convened to consider and approve the resolution of the re-election of Mr. Zhang Jianwei and Ms. Tao Suyun as executive director of the Company, of the re-election of Mr. Yang Yuntao as non-executive director of the Company, of the appointment of Mr. Liu Kegu as independent non-executive director of the Company, of the appointment of Mr. Zhou Fangsheng as supervisor of the Company; to authorize the Board of Directors of the Company to determine the remuneration of the directors and the supervisors of the Company; to approve the transactions contemplated under the master services agreement entered into between the Company and each of (a) SINOTRANS & CSC Holdings Corporation Limited; (b) Sinotrans Shandong Hongzhi Logistics Co. Ltd.; (c) Qingdao Jinyun Air Cargo Freight Forwardings Co. Ltd.; and (d) Qingdao Liantong Customs Co. Ltd., on 1 November 2011, and the New Caps; to approve the amendment to the articles of association of the Company.

The resolutions proposed in 2011 for shareholders' approval have been duly passed except the resolution on the extraordinary general meeting at 9:30 on 30 September 2011 was not approved. The general meeting is extremely important for the Company and all shareholders are encouraged to attend. The Company will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

Financial calendar

Announcement of 2010 annual results	21 March 2012
Announcement of 2011 interim results	16 August 2012

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

As for the date of closure of register to determine entitlements for 2011 final dividend, payment of 2011 final dividend and Annual General Meeting of 2011, please refer to the "Notice of Annual General Meeting" to be published by the Company in due course for further details.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

The Company places strong emphasis on communications as it believes that ongoing and open communications with investors will enhance their understanding of and confidence in the Company as well as improving its corporate governance standards. The Company has set up a dedicated Investor Relations Department to deal with investor relations. Through different channels, such as performance conference, analysts meeting, road show, reverse road show, investigation by investors and the website of the Company for investor's relationship and so on, the Company maintains close communications with investors and creates opportunities for investors and analysts to acknowledge the Company by local investigation. The investors may have a better understanding of the Company's management philosophy, operating environment and development strategies. As a result, the transparency of the Company will be improved and investors will have more in-depth knowledge of the Company.

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

Directors, Supervisors & Senior Management

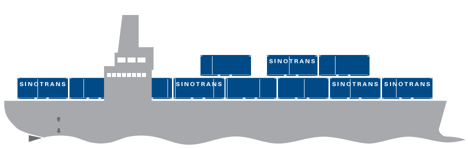
EXECUTIVE DIRECTOR

Zhao Huxiang, age 57, is the executive director and the chairman of the board of the Company. Mr. Zhao graduated with a MBA degree from University of Louisville, USA, and carries the professional title of "Senior Engineer". He used to work in the Marine Shipping Bureau of the Ministry of Communications, and successively served as Deputy General Manager and General Manager of Hoi Tung Marine Machinery Suppliers Limited, Director and General Manager, Vice Chairman of China Merchants Holdings (International) Limited, and President Assistant, Board Director and Vice President of China Merchants Group. In December 2005, Mr. Zhao became the Director and President of Sinotrans Group Company. In December 2008, Mr. Zhao became the Vice Chairman and president of SINOTRANS & CSC. From January 2011, Mr. Zhao was appointed the Chairman of SINOTRANS & CSC. Mr. Zhao is also a chairman and non-executive director of Sinotrans Shipping Limited, a non-wholly owned subsidiary of SINOTRANS & CSC and which is listed on the main board of the Stock Exchange, and the chairman of DHL-Sinotrans. Mr. Zhao was elected as the chairman of China International Freight Forwarders Association in February 2007, and was appointed vice chairman of International Federation of Freight Forwarders Association (FIATA) in October 2007. In March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company.

Zhang Jianwei, age 55, is the executive director and President of the Company. Mr. Zhang has been employed by Sinotrans Group Company since 1980 with experience in Sinotrans Group Company's Finance Department, Overseas Enterprises Management Department and Chartering Department. Mr. Zhang was seconded to China InterOcean Transport Inc. in the United States in 1988 to serve as president assistant. In 1993, Mr. Zhang became the Deputy General Manager of China National Chartering Corporation and later became its General Manager. In 1996, he was promoted to become the President Assistant of Sinotrans Group Company. Then in 1997, Mr. Zhang became Sinotrans Group Company's executive director and Vice President. Mr. Zhang was appointed as director of Sinotrans Group Company by the State-owned Asset Supervision and Administration Commission in October 2006. From December 2008, Mr. Zhang became the Director of SINOTRANS & CSC. Mr. Zhang is also the Chairman of Sinoair and Grandstar Cargo International Airlines Co., Ltd. at present, he is also the managing director and deputy chairman of China Maritime Law Association, as well as the Vice Chairman of China Federation of Logistics & Purchasing (CFLP). Mr. Zhang graduated from University of International Business and Economics in 1980 and obtained his Master of Business Administration degree from China Europe International Business School in 1998. Mr. Zhang was appointed Executive Director of the Company in November 2002.

Tao Suyun, age 58, is the executive director and Vice President of the Company. Ms. Tao has worked for Sinotrans Group Company since 1979 and became Deputy General Manager of the Europe Shipping Department in 1986. She was seconded to Sinorick Shipping Agency Co. in Hamburg, Germany from 1989 to 1993 to serve as General Manager. She later returned to work acted as Deputy General Manager and General Manager of Sinotrans Group Company's liner shipping division. In 1995, Ms. Tao was promoted to become President Assistant and served as Sinotrans Group Company's Vice President in 1997. From December 2008, Ms. Tao became the Vice President of SINOTRANS & CSC. At present, she is also the vice chairman of China Association To Customs and Vice President of Association for Shipping Exchanges across the Taiwan Strait. Ms. Tao graduated from University of International Business and Economics in 1979 and obtained her Master of Business Administration degree from China Europe International Business School in 2002. Ms. Tao was appointed Executive Director of the Company in November 2002.

Li Jianzhang, age 56, is the executive director of the Company. During Mr. Li's career, he has worked in various governmental departments. Mr. Li started working for Sinotrans Group Company in May 2001. In July 2001, Mr. Li was promoted to become a director of Sinotrans Group Company. He was appointed as a supervisor of the Company from November 2002 to June 2003. Mr. Li graduated from Beijing Normal University in 1981. Mr. Li was appointed Executive Director of the Company in June 2003. Mr. Li is also the Chairman of Hong Kong Solar Company Limited.



NON-EXECUTIVE DIRECTOR

Yang Yuntao, age 46, is the non-executive director of the Company. Mr. Yang commenced working for Sinotrans Group Company after receiving his bachelor degree in laws from School of Law in Jilin University in 1988. He was Deputy General Manager of the Port Administration Department in Sinotrans Group Company in 1995. From 1996, Mr. Yang transferred to be General Manager of the Legal Affairs Department. He was appointed director and Vice President of Sinotrans (Hong Kong) Holdings Limited in 2002. In January 2008, Mr. Yang became the General Manager of Legal Affairs Department of Sinotrans Group Company. From January 2009, Mr. Yang became the General Manager of Legal Affairs Department of SINOTRANS & CSC. In December 2010, Mr. Yang was appointed Deputy General Legal Counsel of SINOTRANS & CSC. Mr. Yang obtained his doctorate degree in Laws from University of International Business and Economics in 2006. Mr. Yang was appointed non-executive Director of the Company in January 2003.

Liu Jinghua, age 49, is the non-executive director of the Company. Ms. Liu joined Sinotrans Group Company in 1989 and worked in the Finance Department and Liner Department before she was seconded to DHL-Sinotrans Beijing to be its Finance Manager in 1992. Soon afterwards, she was promoted to be DHL-Sinotrans' National Chief Financial Officer and in 1999 became National Director of HR. Ms. Liu was appointed General Manager of the Finance Department of Sinotrans Group Company in October 2002. From January 2009, Ms. Liu became the General Manager of the Finance Department of SINOTRANS & CSC. Ms. Liu graduated from the Central University of Finance and Economics in 1987 and obtained her EMBA in Buffalo School of Management of State University of New York in 2000. Ms. Liu was appointed non-executive Director of the Company in June 2003.

Jerry Hsu*, age 61, is the non-executive director of the Company. Mr. Hsu is CEO, DHL Express Asia Pacific and a member of the DHL Express Global Management Board. Based in Hong Kong, Mr. Hsu is responsible for China, Hong Kong, Taiwan, Japan, Korea, South East Asia, India and South Asia, Oceania and other markets and regions. Mr. Hsu's previous role in DHL Express was the Area Director responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea, a position he held until September 2002. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in DaimlerChrysler Corporation. Mr. Hsu holds BA/MA degree in International Economics and Politics. Mr. Hsu also holds directorships in various companies within the DPWN Group. Mr. Hsu was appointed non-executive Director of the Company in June 2003.

Mok, Chi Ming Victor*, aged 48, is the non-executive director of the Company. Mr. Mok is the CEO, North Asia of DHL Supply Chain. Prior to that, he served as the Executive Vice President — Head of Global Airfreight, DHL Global based in Bonn, Germany. Mr. Mok joined DHL in 1997 and has ever worked in various divisions within the DHL group. Mr. Mok has over 20 years of experience in the logistics industry. He was the Chairman of Hongkong Association of Freight Forwarding and Logistics Ltd. (HAFFA) during 2002 and 2005, and was appointed as an official member of the Hong Kong Logistics Development Council of the Government of the Hong Kong Special Administrative Region during 2003 and 2005. Mr. Mok became a senior Fellow member of the Chartered Institute of Logistics and Transport in 1996 and was elected as the Vice President of the Institute during 2004 and 2005. Mr. Mok was appointed by the Government of the Hong Kong Special Administrative Region as a member of Hong Kong Committee for Pacific Economic Cooperation from 2006 to 2009. Mr. Mok obtained a Bachelor degree in Economics and Business Management and a Master degree in Transport Studies from The University of Hong Kong. He also obtained his Master degree of Business Administration from Richard Ivey School of Business, The University of Western Ontario, Canada. Mr. Mok. was appointed non-executive Director of the Company in July 2009.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sun Shuyi, age 72, is the independent non-executive director of the Company. Mr. Sun is currently executive vice chairman of China Federation of Industrial Economics and vice executive chairman of China Enterprise Confederation and China Enterprise Director Association (CEC/CEDA). Mr. Sun is also serving as independent non-executive directors for three other companies — Galaxy Fund Management Co., Ltd. and Dongfeng Motor Group Co., Ltd. which is listed on the Hong Kong Stock Exchange and Offshore Oil Engineering Co., Ltd. which is listed on the Shanghai Stock Exchange. Mr. Sun had worked as the deputy director of the office of the Central Leading Group on Finance and Economic Affairs, the Vice Minister of the Ministry of Personnel and the Vice Secretary of the Central Enterprise Working Committee, a member of the 10th Session of the national committee of CPPCC, etc.. Mr. Sun graduated from the University of Science and Technology of China in 1963. Mr. Sun was appointed independent non-executive Director of the Company in November 2002.

Lu Zhengfei, age 49, is the independent non-executive director of the Company. Mr. Lu holds a doctorate degree in Financial Management. Mr. Lu is the Associate Dean of Guanghua School of Management and the Professor of Accounting in GSM of Peking University. Mr. Lu also holds several academic and social positions such as consulting expert for China Financial Accounting Standards Board of Ministry of Finance, member and director of China Accounting Association. Mr. Lu is also serving as independent non-executive directors for three other companies — Sino Biopharmaceutical Limited, Sinoma (both of which are listed on the Hong Kong Stock Exchange) and Lian Life Insurance Co., Ltd.. Mr. Lu is also serving as an independent supervisor of PICC which is listed on the Hong Kong Stock Exchange. Mr. Lu obtained his Master degree in Accounting and Financial Management in the People's University in 1988, and then obtained his Ph.D. in Business Management in Nanjing University in 1996. Between 1997 and 1999, Mr. Lu undertook postdoctoral studies in Economy (Accounting) Postdoctoral Station in the People's University. Mr. Lu was appointed independent non-executive Director of the Company in September 2004.

Liu Kegu, age 65, is the independent non-executive director of the Company. Mr. Liu holds a doctorate degree in Financial Management. From March 1990 to October 1996, Mr. Liu served as deputy director in wealth tax system reforms department and director in tax policy department of Ministry of Finance of the People's Republic of China. From October 1996 to September 2002, Mr. Liu served as assistant to the governor of Liaoning Provincial Government, deputy governor. In September 2002, Mr. Liu served as vice president of China Development Bank. In March 2008, Mr. Liu was elected as the member of the 11th National Committee of the Chinese People's Political Consultative Conference and Economic Committee. In December 2008, Mr. Liu was appointed the consultant of China Development Bank. Mr. Liu graduated from the Renmin University of China in February 1982 and got his bachelor degree in political economics. Mr. Liu obtained his doctorate degree in Financial Management from Dongbei University of Finance and Economics in 2000. Mr. Liu was appointed independent non-executive Director of the Company in December 2011.

SUPERVISOR

Jiang Jian, age 46, is the supervisor of the Company. Mr. Jiang joined Sinotrans Group Company in 1988, serving in Liaoning Shipping Agency Company. From June 1995 to May 1998, Mr. Jiang acted as Deputy Manager and General Manager of Liaoning Container Shipping Company. Mr. Jiang was appointed Deputy General Manager of Sinotrans Liaoning Company in June 1998. Mr. Jiang was promoted General Manager of Sinotrans Liaoning Company in September 2001 and General Manager of Sinotrans Liaoning Limited Company in December 2002. In October 2008, Mr. Jiang was appointed president assistant and General Manager of Human Resources Department of Sinotrans Group Company. From December 2008, Mr. Jiang became the President Assistant and General Manager of Human Resources Department of SINOTRANS & CSC. Mr. Jiang graduated from Dalian Maritime University in 1988 and got a doctorate degree from Dalian Maritime University in October 2007. Mr. Jiang was appointed supervisor of the Company in April 2009.

Shen Xiaobin, age 39, is the supervisor of the Company. Mr. Shen joined the Audit Department of Sinotrans Group Company in 1995. Mr. Shen was pointed as General Manager of Audit Department of Sinotrans Limited in December 2002. From April 2006 to now, Mr. Shen acted as Deputy General Manager of Investment Management Department (Corporate Planning Department). Mr. Shen obtained his bachelor degree from accounting department of Xiamen University in 1995 and his MBA degree from Guanghua School of Management of Peking University in 2003. Mr. Shen was appointed supervisor of the Company in June 2008.

Zhou Fangsheng, age 62, is the independent supervisor of the Company. From 1991 to 1997, Mr. Zhou served as deputy division director and division director in State-owned Assets Administration Bureau, and deputy director in Stated-owned Assets Administration Research Institute. From 1997 to 2001, Mr. Zhou worked as deputy director in difficulty relief working office for stated-owned enterprises of State Economic and Trade Commission. From 2001 to 2003, Mr. Zhou served as director in Stated-owned Assets Administration Research Section of Research Institute for Fiscal Science of Ministry of Finance. From 2003 to 2009, Mr. Zhou worked as Vice Counsel in charge of stated-owned enterprise restructuring and business management in Enterprise Reform Bureau of State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zhou graduated from Hunan University in engineering management in 1985 and then graduated from the Renmin University of China in Enterprise Management of Industrial Economics Department in 1996. Mr. Zhou was appointed independent supervisor of the Company in December 2011.

SENIOR MANAGEMENT

Wang Lin, age 53, is the Vice President of the Company. Mr. Wang started his career with in the Sinotrans Group Company in 1983 by serving in the Ningbo branch of Sinotrans Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Ningbo Group Company. In 1998, he became the General Manager of Sinotrans Zhejiang Company Limited which merged with Sinotrans Ningbo Company in the same year. In 1999, Mr. Wang became the General Manager of Sinotrans Jiangsu Company. Mr. Wang was appointed Vice President of the Company and the General Manager of Sinotrans Eastern Company Limited in 2002 and from March 2003, he also acted as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed Vice President of the Company in November 2002.

Ouyang Pu, age 59, is the Vice President of the Company. Mr. Ouyang joined Sinotrans Group Company in 1986. In 1988, Mr. Ouyang was appointed as the General Manager of China International Exhibition Transportation Company. Then he successively serviced as Deputy General Manager of the Marine Transportation Department II in 1992; Chief Representative of Italy Representative Office of Sinotrans Group Company in 1993; Vice President of China Interocean Transport Inc. in America in 1994; General Manager of Overseas Enterprises Management Department of Sinotrans Group Company in 1998 and General Manager of Sinotrans Beijing Company in 1999. Mr. Ouyang graduated from Beijing Institute of Iron and Steel Technology in 1983, with Bachelor degree in Engineering; from October 2002 to January 2004, Mr. Ouyang studied in senior managers' business management class at Tsinghua University. Mr. Ouyang was appointed Vice President of the Company in October 2006.

Wu Dongming, age 48, is the Vice President of the Company. Mr. Wu began his career in the Sinotrans Group Company in 1986. From 1988 to 1990, he served in TNT Skypak-Sinotrans Company as the National Operation Manager and the General Assistant to General Manager. In 1990, Mr. Wu served as department manager at Sinoair and later became General Manager of Associated International Freight Forwarding Co., Ltd. in 1995. In 1997, Mr. Wu was a pointed the Deputy Managing Director and then the Managing Director of DHL-Sinotrans Air Courier Co., Ltd. Mr. Wu was appointed Vice President of the Company in November 2002.

Yu Jianmin, age 47, is the Vice President of the Company. Mr. Yu began working in the Liner Department of Sinotrans Group Company in 1990 and was seconded to serve as the Chief Representative at Sinotrans Group Company's Italian representative office in 1993. In 1998, he returned to China to serve as Vice General Manager of Sinotrans Group Company's Investment Management Department. Since 1999, Mr. Yu served as the General Manager of Sinotrans Group Company's Logistics Development Department. Mr. Yu obtained his master degree from the Dalian Maritime University in 1990. He also obtained his Master of Business Administration degree from the China Europe International Business School in 2002. From November 2002 to September 2008, Mr. Yu was become President Assistant of the Company. Mr. Yu was appointed Vice President of the Company in October 2008.

Wu Xueming, age 48, is the Vice President of the Company. Mr. Wu has been employed by Sinotrans Group Company since 1987 with experience in vessel management department, chartering department, human resource department and liner shipping department. Mr. Wu has become general manager of JC SHIPPING Co. Ltd. in 1997. In April 2002, he served as deputy general manager of Sinotrans Marine Co. Ltd.. In October 2002, he served as general manager of China Marine Shipping Agency Co. Ltd. Mr. Wu graduated from Dalian Fisheries University in 1987, and obtained MBA from Cheung Kong Graduate School of Business in 2005. From April 2007 to July 2010, Mr. Wu became the Assistant President of the Company. Mr. Wu was appointed Vice President of the Company in August 2010.

Zhang Kui, age 49, is the Chief Financial Officer of the Company. Ms. Zhang served as Finance Manager in Sinotrans Group Company' Hong Kong Eternal Way Company in 1987, and Ms. Zhang served as Finance Manager and Deputy General Manager in Sinotrans Group Company's Finance Department thereafter. Ms. Zhang began to serve as the Director, the Chief Financial Officer and Company Secretary of Sinoair in 1999, and served as General Manager in Sinotrans Group Company's Auditing Department since 2008. Ms. Zhang graduated from the First Campus of the Renmin University of China in 1985 and obtained her master of Business Administration degree from Asia (Macau) International Open University in 2001. Ms. Zhang was appointed chief financial officer of the Company in November 2009.

Gao Wei, age 46, is the Company Secretary and the General Legal Counsel of the Company, a senior fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators (FCIS, FCS).. Mr. Gao began his career in the Legal Department of Sinotrans Group Company in 1993. In 1997, Mr. Gao began working as the Vice General Manager of the Legal Department of Sinotrans Group Company. In the same year, he became the Deputy Manager in the Restructuring Office of the Sinotrans Group Company and became the Vice-General Manager of Sinotrans Group Company's Enterprise Management Department in 1999. During the same year, Mr. Gao began to serve as the Vice-General Manager of Sinoair and was later promoted to become Sinoair's General Manager in 2001. Mr. Gao obtained his Bachelor of Engineering degree from Beijing University of Science and Technology in 1989, and obtained his Master of Economics degree in the Central University of Finance and Economics in 1993 and his doctorate degree in laws in the University of International Business and Economics in 1999. Mr. Gao obtained Legal Professional Qualification in 1996. Mr. Gao was appointed Company Secretary of the Company in November 2002. Mr. Gao was appointed the General Legal Counsel of the Company in January 2010. Mr. Gao is also the director of Sinotrans Air Transportation Development Co., Ltd.. In January 2012, Mr. Gao was elected to be a council member of The Hong Kong Institute of Chartered Secretaries.

Liu Minsheng, age 56, is the Chief Information Officer of the Company. Mr. Liu joined Sinotrans Group Company in 1983 in the Human Resources Department. From 1985, Mr. Liu had been serving in Sinotrans Group Company's IT Centre and later acted as General Manager until February 1996 when he was appointed as Deputy Director of China International Electronic Commerce Centre of the Ministry of Foreign Trade and Economic Cooperation of the PRC. In November 1998, Mr. Liu began to work as Deputy Director of Commercial Network and Sites Development Centre of the National Domestic Trade Bureau of China. In January 2003, Mr. Liu resumed his service in Sinotrans. Mr. Liu has participated in and led many prominent domestic information technology projects and won for times national IT awards. Mr. Liu was appointed chief information officer of the Company in April 2003.

REPORT OF THE DIRECTORS

The board of directors (the "Board") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

BUSINESS OPERATIONS AND GEOGRAPHICAL LOCATION OF THE GROUP

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

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

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the financial statements on pages 59 to 152. The summary of results and assets and liabilities of the Group for the preceding five years is set out on page 7.

FINAL DIVIDEND AND BOOK CLOSURE PERIODS

The Board has recommended the payment of a final dividend of RMB 0.01 per share, subject to passing of the resolution authorizing the Board to propose, declare or pay the final dividend for 2011 by shareholders at the Annual General Meeting to be held in 2012 (the "AGM"). The recommended final dividend will be paid on or before 27th July, 2012 to the shareholders as registered at the close of business on 15th June, 2012. Please refer to the "Notice of Annual General Meeting" for further details.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7th May, 2012 to 7th June, 2012, both days inclusive. In order to be eligible to attend and voted at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's 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 4th May 2012, for registration.

The record date for the recommended final dividend is at the close of business on 15th June, 2012. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 13th June, 2012 to 15th June, 2012, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's 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 12th June, 2012, for registration.

Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (14 March 2012 to 21 March 2012) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.814190. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.012282.

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.

BANK LOANS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively.

For the year ended 31 December 2011, none of the directors, supervisors, their associates and any shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) of the Company had any interests in the five largest customers or the five largest suppliers of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2011 are disclosed in Note 49 to the financial statements.

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

Revenue/(expenses)	Note	2011 RMB'000
Transactions with SINOTRANS & CSC and its subsidiaries	1	
Provision of transportation and logistics services		217,712
Services fees		(252,222)
Vessel chartering fees		(52,037)
Container leasing fees		(115,061)
Property leasing expenses		(40,766)
Transactions with Connected Non-Wholly-Owned Subsidiaries	2	
Provision of transportation and logistics services		95,245
Receipt of transportation and logistics services		(6,756)

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

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

In order to comply with the relevant requirements of the Listing Rules, these connected transactions together with the respective annual caps of connected transactions for each of 2009, 2010 and 2011 (to the extent any of the percentage ratios (other than the profits ratio) of the annual caps in respect of such connected transactions on an annual basis exceeds 2.5%) have been approved by the independent Shareholders at the Extraordinary General Meetings held on 30 April 2009, 11 June 2009 and 2 September 2009.

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

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

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

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

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

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

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

ACQUISITIONS AND DISPOSALS

Details of the acquisitions and disposals of the Group for the year ended 31 December 2011 are set out in page 26 of the management discussion and analysis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 18 to the financial statements.

TAXATION

Details of taxation of the Group as at 31 December 2011 are set out in Note 12 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the financial statements on page 140 of this Annual Report and Note 41 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2011 amounted to approximately RMB763,949,000.

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2011, there was no change to the share capital structure of the Company, which, as at 31 December 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 31 December 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 Securities and Futures Ordinance (the "SFO") or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC Holdings	2,461,596,200(L)	Domestic Shares	57.93%	—
Co., Ltd., *(Note 1)*	85,493,000(L)	H Shares	2.01%	4.78%
Deutsche Post AG *(Note 2)*	237,468,000(L)	H Shares	5.59%	13.30%
JPMorgan Chase & Co. *(Note 3)*	231,074,374(L)	H Shares	5.44%	12.93%
The Bank of New York Mellon	187,512,232(L)	H Shares	4.41%	10.49%
Corporation *(Note 4)*	112,993,032(P)	H Shares	2.66%	6.32%
Brandes Investment Partners, L.P.	165,901,364(L)	H Shares	3.90%	9.28%
Franklin Templeton Investments Corp.	140,958,016(L)	H Shares	3.32%	7.89%
The Boston Company Asset Management LLC	107,412,300(L)	H Shares	2.53%	6.01%

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

Note 1: *Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang, Yang Yuntao and Liu Jinghua are directors or employees of SINOTRANS & CSC which is the controlling shareholder of the Company. The 85,493,000 H Shares are held by Sinotrans (Hong Kong) Holdings Ltd., a wholly-owned subsidiary of SINOTRANS & CSC.*

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

Note 3: *This includes 230,711,374 Shares held by JPMorgan Chase Bank, N.A., and 363,000 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.*

Note 4: *These Shares are directly held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation.*

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

So far as was known to the directors of the Company, there was no purchase, sale or redemption of H Shares by any member of the Group during the year ended 31 December 2011.

DIRECTORS AND SUPERVISORS

As at 31 December 2011, the directors and supervisors of the Company were as follows:

Name	**Date of Appointment**
Executive directors:	
Zhao Huxiang	3 March 2006
Zhang Jianwei	19 November 2002
Tao Suyun	19 November 2002
Li Jianzhang	18 June 2003
Non-executive directors:	
Yang Yuntao	14 January 2003
Liu Jinghua	18 June 2003
Jerry Hsu	18 June 2003
Mok, Chi Ming Victor	29 July 2009
Independent non-executive directors:	
Sun Shuyi	19 November 2002
Lu Zhengfei	27 September 2004
Liu Kegu	30 December 2011 (for a term of three years with effect from 19 November 2011).
Supervisors:	
Jiang Jian	30 April 2009
Shen Xiaobin	12 June 2008
Independent Supervisor:	
Zhou Fangsheng	30 December 2011 (for a term of three years with effect from 19 November 2011)

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

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Shen Xiaobin was re-elected as a supervisor of the Company on 19 November 2011, Mr. Shen's appointment will be for a term of three years with effect from 19 November 2011.

Mr. Miao Yuexin's term of office as an independent non-executive director of the Company expired on 30 December 2011 without re-election.

Mr. Zhang Junkuo's term of office as an independent supervisor of the Company expired on 30 December 2011 without re-election.

Mr. Liu Kegu was appointed as an independent non-executive director of the Company on 30 December 2011, Mr. Liu's appointment will be for a term of three years with effect from 19 November 2011.

Mr. Zhou Fangsheng was appointed as an independent supervisor of the Company on 30 December 2011, Mr. Zhou's appointment will be for a term of three years with effect from 19 November 2011.

Mr. Zhang Jianwei was re-elected as an executive director of the Company on 30 December 2011, Mr. Zhang's appointment will be for a term of three years with effect from 19 November 2011.

Ms. Tao Suyun was re-elected as an executive director of the Company on 30 December 2011, Ms. Tao's appointment will be for a term of three years with effect from 19 November 2011.

Mr. Yang Yuntao was re-elected as a non-executive director of the Company on 30 December 2011, Mr. Yang's appointment will be for a term of three years with effect from 19 November 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 40 to 44.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

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

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

Details of the remuneration of the directors and the senior managements of the Company are set out in Note 7 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2011, none of the directors, supervisors or their associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the twelve months ended 31 December 2011, none of the directors or supervisors had any material interests in any contract of significance the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the twelve months ended 31 December 2011 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangement which would enable the Company's directors or supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MATERIAL CONTRACTS WITH SINOTRANS & CSC

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

Reorganisation Agreement

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

Master Business Services Agreement

On 4 February 2009, the Company entered into a Master Business Services Agreement with Sinotrans Group Company in order to regulate the terms for the provision of transportation and logistics services and ancillary services by members of the Group to the Sinotrans Group and vice versa, for a term of 3 years, commencing on 1 January 2009 and ending on 31 December 2011. Contracts for specific services and for the leasing of certain assets were also entered into between members of the Group and those of Sinotrans Group Company to govern the terms of services of each individual transaction. The transactions contemplated under the Master Business Services Agreement were approved by independent Shareholders at the Extraordinary General Meeting held on 30 April 2009.

In order to comply with the relevant requirements of the Listing Rules, the Company entered into another Business Services Agreement with SINOTRANS & CSC (including its subsidiaries and associates) on 1 November 2011 on substantially the same terms as the previous one save for the extension of its contract period to 31 December 2014. The Business Services Agreement was approved by the Extraordinary General Meeting of the Company on 30 December 2011.

Master Lease Agreement

On 4 February 2009, the Company entered into a Master Lease Agreement with Sinotrans Group Company to lease from members of the Sinotrans Group Company certain office premises and other properties required for the day-to-day business operations of the Group. The term of the Master Lease Agreement is for a term of three years commencing on 1 January 2009.

On 1 November 2011, the Company entered into a further Master Lease Agreement with SINOTRANS & CSC for a term of three years commencing on 1 January 2012 and ending on 31 December 2014.

Trademark Licence Agreement and Registered User Agreement

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

Computer Software Licence Agreement and IT Services Agreement

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

Shipbuilding contracts

As disclosed by the Company on 20 June 2011, Sinoline Container Lines Co., Ltd. (as buyer), a wholly-owned subsidiaries of the Company entered into two shipbuilding contracts (each dated 20 June 2011) with The Foreign Economic & Technical Cooperation Co. of China Changjiang National Shipping Group and Qingshan Shipyard of China Changjiang National Shipping Group (both wholly-owned subsidiaries of Sinotrans & CSC) for the building of two 1100-TEU container vessels for a consideration of US$18,000,000 for each vessel.

As disclosed by the Company on 2 August 2011, Sinoline Sunny Express., Ltd. (as buyer), a wholly-owned subsidiaries of the Company entered into two shipbuilding contracts (each dated 2 August 2011) with The Foreign Economic & Technical Cooperation Co. of China Changjiang National Shipping Group and Qingshan Shipyard of China Changjiang National Shipping Group (both wholly-owned subsidiaries of Sinotrans & CSC) for the building of two 1800-TEU container vessels for a consideration of RMB159,000,000 for each vessel. The transactions contemplated under such shipbuilding contracts were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 30 September 2011.

MANAGEMENT CONTRACTS

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

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2011 are set out in Note 45 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2011 are set out in Notes 3 and Note 8 to the financial statements.

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company has reviewed the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules and adopted it as the general rules to the Company's corporate governance, details of which are set out on page 30 to 39, Report on Corporate Governance in the Annual Report.

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

As of 31 December 2011, Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Liu Kegu were the independent non-executive directors of the Company. The Company has received the annual confirmation from each of the independent non-executive directors in respect of their independence and considered that the above independent non-executive directors are independent.

SIGNIFICANT POST BALANCE SHEET EVENTS

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

AUDIT COMMITTEE

The principal functions of the audit committee include the appointment of external auditors, the review and supervision of the Group's financial reporting process and internal controls as well as the offer of advice and recommendations to the Board. As at 31 December 2011, the audit committee comprised of one non-executive director and three independent non-executive directors, namely Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Liu Kegu and Ms. Liu Jinghua with Mr. Sun Shuyi as the chairman of the committee.

The Group's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

AUDITORS

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd. were the international and the PRC auditors of the Company respectively for the year ended 31 December 2011.

PROCEDURES FOR THE DEMAND OF VOTING BY SHAREHOLDERS

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

By Order of the Board

Zhao Huxiang
Chairman

Beijing, the PRC
21 March 2012

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2011, the Supervisory Committee (the "Committee") performed its duties, undertook various tasks in a proactive and diligent manner in the principle of due care and good faith and supervised the legal compliance of the operations of the Company in a legal and effective manner, so as to ensure that the Company complied with the Company Law of the People's Republic of China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2011, the major duties of the Committee are to convene Supervisory Committee meeting, to attend Board meetings, Audit Committee meetings, Remuneration Committee meeting and Shareholder's General Meetings, to conduct on-site supervision and inspection towards the operating results of subsidiaries and to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the State, the Listing Rules and the Articles of Association of the Company and are in the interest of the shareholders.

The Committee is of the opinion that the Company had a normal and disciplined operation and the directors and the senior management had observed the laws and regulations as well as the Articles of Association of the Company in performing their duties, and that the report of the directors for the year ended 31 December 2011 reflected the true position of the Company. Charged by their accountability to shareholders, the Board and the senior management of the Company have discharged their respective duties in a diligent manner in diligence and with dedication, and have accomplished the mission entrusted by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development, though the pace of the recovery of the global economic has slowed down and the business performance of transportation logistics industry remains downturn, The Committee is satisfied with the performance and economic efficiency achieved by the Company for 2011 and is fully confident about the Company's future prospects and development.

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

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

By Order of the Supervisory Committee

Jiang Jian
Chairman of the Supervisory Committee

Beijing, the PRC
16 March 2012

Deloitte.
德勤

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

We have audited the consolidated financial statements of Sinotrans Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 152, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2012

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	For the year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	6	43,747,457	42,546,773
Other income		195,666	249,290
Business tax and other surcharges		(313,779)	(272,875)
Transportation and related charges		(36,100,333)	(35,482,292)
Staff costs	8	(2,450,675)	(2,138,415)
Depreciation and amortisation		(440,874)	(414,286)
Repairs and maintenance		(175,600)	(156,832)
Fuel		(1,495,316)	(1,159,289)
Travel and promotional expenses		(342,260)	(292,780)
Office and communication expenses		(194,555)	(179,437)
Rental expenses		(1,191,531)	(1,419,261)
Other gains/(losses), net	9	70,285	(75,191)
Other operating expenses		(442,335)	(428,707)
Operating profit	10	866,150	776,698
Finance income	11	116,111	56,736
Finance costs	11	(370,308)	(280,057)
		611,953	553,377
Share of profit of jointly controlled entities	21	510,001	432,920
Share of profit of associates	22	58,167	69,767
Profit before income tax		1,180,121	1,056,064
Income tax expense	12	(308,184)	(224,006)
Profit for the year		871,937	832,058
Profit attributable to:			
Owners of the Company		642,513	616,424
Non-controlling interests		229,424	215,634
		871,937	832,058
Earnings per share for profit attributable to owners of the Company, basic (RMB)	15	0.15	0.15

The notes on pages 69 to 152 are an integral part of these financial statements.

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2011

	For the year ended 31 December 2011 RMB'000	2010 RMB'000
Profit for the year	**871,937**	832,058
Other comprehensive income:		
Fair value (losses)/gains on available-for-sale financial assets, net of tax		
— (Losses)/gains arising during the year	**(672,058)**	273,213
— Less: reclassification adjustments for gains included in profit for the year	**—**	(33,340)
Share of other comprehensive income of jointly controlled entities	**266**	—
Share of other comprehensive income of associates	**1,383**	2,544
Currency translation differences	**(22,096)**	2,502
Other comprehensive (losses)/income for the year, net of tax	**(692,505)**	244,919
Total comprehensive income for the year	**179,432**	1,076,977
Total comprehensive income attributable to:		
— Owners of the Company	**195,817**	773,697
— Non-controlling interests	**(16,385)**	303,280
	179,432	1,076,977

The notes on pages 69 to 152 are an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	16	2,155,885	1,989,411
Prepayments for acquisition of land use rights	17	68,849	127,217
Property, plant and equipment	18	5,622,457	4,752,252
Intangible assets	19	95,523	97,299
Investments in jointly controlled entities	21	1,766,972	1,895,443
Investments in associates	22	1,015,603	848,119
Deferred income tax assets	12	91,130	88,607
Available-for-sale financial assets	25	1,392,166	2,155,079
Other non-current assets		21,990	59,208
		12,230,575	12,012,635
Current assets			
Prepayments and other current assets	27	1,491,200	903,165
Inventories		83,182	36,068
Trade and other receivables	28	6,708,178	6,421,248
Financial assets at fair value through profit or loss	30	—	5,276
Restricted cash	31	349,639	199,755
Term deposits with initial terms of over three months	32	418,473	313,968
Cash and cash equivalents	33	5,521,045	5,202,508
		14,571,717	13,081,988
Total assets		26,802,292	25,094,623
EQUITY			
Equity attributable to owners of the Company			
Share capital	40	4,249,002	4,249,002
Reserves	41	5,493,223	5,424,876
Proposed final dividends	14	42,490	84,980
		9,784,715	9,758,858
Non-controlling interests		2,200,154	2,281,131
Total equity		11,984,869	12,039,989

AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	27,080	251,329
Provisions	36	112,922	135,772
Borrowings	34	204,458	1,144,442
Long-term bonds	35	543,489	—
Other non-current liabilities		62,337	39,394
		950,286	1,570,937
Current liabilities			
Trade payables	37	4,842,567	4,420,758
Other payables, accruals and other current liabilities	38	1,283,301	1,068,722
Receipts in advance from customers	39	2,650,819	2,155,994
Current income tax liabilities		121,641	174,013
Borrowings	34	2,126,599	3,110,142
Short-term bonds	35	2,338,120	—
Derivative financial instruments	29	—	106,647
Salary and welfare payables		504,090	447,421
		13,867,137	11,483,697
Total liabilities		14,817,423	13,054,634
Total equity and liabilities		26,802,292	25,094,623
Net current assets		704,580	1,598,291
Total assets less current liabilities		12,935,155	13,610,926

The notes on pages 69 to 152 are an integral part of these financial statements.

The financial statements on pages 59 to 152 were approved by the Board of Directors on 21 March 2012 and were signed on its behalf.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Zhang Kui
Financial controller

Yao Jiawu
Financial Manager

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	63,194	39,144
Intangible assets	19	30,641	37,017
Investments in subsidiaries	20	6,811,689	5,828,315
Investments in jointly controlled entities	21	11,973	11,973
Investments in associates	22	106,139	117,123
Available-for-sale financial assets	25	143,692	50,000
Loans to subsidiaries	26	1,628,882	—
		8,796,210	6,083,572
Current assets			
Prepayments and other current assets	27	63,838	11,303
Inventories		3,170	3,347
Trade and other receivables	28	3,840,233	5,705,338
Financial assets at fair value through profit or loss	30	—	5,276
Restricted cash	31	800	800
Cash and cash equivalents	33	886,810	411,091
		4,794,851	6,137,155
Total assets		13,591,061	12,220,727
EQUITY			
Equity attributable to owners of the Company			
Share capital	40	4,249,002	4,249,002
Reserves	41	2,861,565	2,641,797
Proposed final dividends	14	42,490	84,980
Total equity		7,153,057	6,975,779

AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Provisions	36	6,419	7,565
Borrowings	34	—	1,000,000
Long-term bonds	35	497,042	—
		503,461	1,007,565
Current liabilities			
Trade payables	37	198,911	147,714
Other payables, accruals and other current liabilities	38	2,029,999	1,888,213
Receipts in advance from customers		22,070	—
Borrowings	34	1,223,956	2,096,400
Short-term bonds	35	2,338,120	—
Salary and welfare payables		121,487	105,056
		5,934,543	4,237,383
Total liabilities		6,438,004	5,244,948
Total equity and liabilities		13,591,061	12,220,727
Net current assets		(1,139,692)	1,899,772
Total assets less current liabilities		7,656,518	7,983,344

The notes on pages 69 to 152 are an integral part of this financial statement.

The financial statements on pages 59 to 152 were approved by the Board of Directors on 21 March 2012 and were signed on its behalf.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Zhang Kui
Chief Financial Officer

Yao Jiawu
Financial manager

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 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 year	–	–	–	–	–	642,513	642,513	229,424	871,937
Other comprehensive income									
– Fair value losses on available-for-sale financial assets, net of income tax	–	–	–	(426,499)	–	–	(426,499)	(245,559)	(672,058)
– Share of other comprehensive income of jointly controlled entities	–	266	–	–	–	–	266	–	266
– Share of other comprehensive income of associates	–	1,383	–	–	–	–	1,383	–	1,383
– Currency translation differences	–	–	–	–	(21,846)	–	(21,846)	(250)	(22,096)
Total other comprehensive income/(losses) for the year	–	1,649	–	(426,499)	(21,846)	–	(446,696)	(245,809)	(692,505)
Total comprehensive income/(losses) for the year	–	1,649	–	(426,499)	(21,846)	642,513	195,817	(16,385)	179,432
Transactions with owners									
– 2010 final dividends	–	–	–	–	–	(169,960)	(169,960)	–	(169,960)
– Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(81,214)	(81,214)
– Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	16,622	16,622
Total transactions with owners	–	–	–	–	–	(169,960)	(169,960)	(64,592)	(234,552)
Transfer to statutory reserve (Note 41)	–	–	34,993	–	–	(34,993)	–	–	–
As at 31 December 2011	4,249,002	1,632,946	352,532	49,819	(39,849)	3,540,265	9,784,715	2,200,154	11,984,869
Representing:									
Share capital and reserves	4,249,002	1,632,946	352,532	49,819	(39,849)	3,497,775	9,742,225	2,200,154	11,942,379
2011 proposed final dividends (Note 14)	–	–	–	–	–	42,490	42,490	–	42,490
As at 31 December 2011	4,249,002	1,632,946	352,532	49,819	(39,849)	3,540,265	9,784,715	2,200,154	11,984,869

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2010	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 year	–	–	–	–	–	616,424	616,424	215,634	832,058
Other comprehensive income									
– Fair value gains on available-for-sale financial assets, net of income tax	–	–	–	152,227	–	–	152,227	87,646	239,873
– Share of other comprehensive income of associates	–	2,544	–	–	–	–	2,544	–	2,544
– Currency translation differences	–	–	–	–	2,502	–	2,502	–	2,502
Total other comprehensive income for the year	–	2,544	–	152,227	2,502	–	157,273	87,646	244,919
Total comprehensive income for the year	–	2,544	–	152,227	2,502	616,424	773,697	303,280	1,076,977
Transactions with owners									
– 2009 final dividends	–	–	–	–	–	(169,960)	(169,960)	–	(169,960)
– Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(74,856)	(74,856)
– Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	4,615	4,615
– Disposal of subsidiaries	–	–	–	–	–	–	–	(5,546)	(5,546)
– Acquisition of additional equity interests in subsidiaries from non-controlling interests	–	(8,558)	–	–	–	–	(8,558)	(4,052)	(12,610)
Total transactions with owners	–	(8,558)	–	–	–	(169,960)	(178,518)	(79,839)	(258,357)
Transfer to statutory reserve (Note 41)	–	–	50,019	–	–	(50,019)	–	–	–
As at 31 December 2010	4,249,002	1,631,297	317,539	476,318	(18,003)	3,102,705	9,758,858	2,281,131	12,039,989
Representing:									
Share capital and reserves	4,249,002	1,631,297	317,539	476,318	(18,003)	3,017,725	9,673,878	2,281,131	11,955,009
2010 proposed final dividends (Note 14)	–	–	–	–	–	84,980	84,980	–	84,980
As at 31 December 2010	4,249,002	1,631,297	317,539	476,318	(18,003)	3,102,705	9,758,858	2,281,131	12,039,989

The notes on pages 69 to 152 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	For the year ended 31 December 2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	43	1,480,577	1,189,946
Income tax paid		(362,511)	(232,024)
NET CASH FROM OPERATING ACTIVITIES		1,118,066	957,922
INVESTING ACTIVITIES			
Net cash outflow in acquisition of a subsidiary	44	(17,000)	(22,751)
Cash paid for capital injection/purchase of jointly controlled entities		(109,056)	(15,086)
Cash paid for capital injection/purchase of associates		(190,570)	(5,946)
Cash prepaid for acquisition of subsidiaries		—	(11,140)
Net cash outflow on disposal of a subsidiary		—	(27,495)
Proceeds from government for termination of operating lease of land use rights		—	116,460
Proceeds from disposal of associates		4,078	4,434
Net cash received from liquidation of a jointly controlled entity		1,530	15,856
Purchase of property, plant and equipment		(1,341,140)	(992,357)
Proceeds from disposal of property, plant and equipment		32,966	101,837
Purchase of intangible assets		(17,640)	(16,800)
Purchase of land use rights		(114,449)	(180,600)
Proceeds from disposal of land use rights		5,954	—
Cash prepaid for acquisition of land use rights		(39,632)	(55,820)
Purchase of other non-current assets		(22,209)	(29,717)
(Increase)/decrease in term deposits with initial terms of over three months		(104,505)	196,688
Interest income received		63,342	34,085
Dividends received from associates		46,124	49,328
Dividends received from jointly controlled entities		757,571	417,628
Proceeds from disposal of available-for-sale financial assets		—	56,214
Proceeds from disposal of financial assets at fair value through profit or loss		4,986	141
Purchase of available-for-sale financial assets		(133,164)	(408,898)
Investment cost paid back to ultimate holding company		(28,653)	(99,604)
Dividend income on available-for-sale financial assets		14,101	3,039
Acquisition of additional equity interests in subsidiaries from non-controlling interests		—	(16,970)
Purchase of other current assets		(234,000)	—
Proceeds from disposal of other current assets		35,479	—
Increase in restricted cash		(134,000)	—
NET CASH USED IN INVESTING ACTIVITIES		(1,519,887)	(887,474)

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	For the year ended 31 December 2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES			
New bank borrowings		**2,087,690**	2,227,740
Repayments of bank borrowings		**(2,458,538)**	(960,921)
Cash received from short-term bonds issued		**2,300,000**	—
Cash paid for charges of short-term bonds issued		**(6,440)**	—
Cash received from long-term bonds issued		**550,000**	—
Cash paid for charges of long-term bonds issued		**(6,913)**	—
Advance from ultimate holding company and fellow subsidiaries		**584,027**	—
Repayments to ultimate holding company and fellow subsidiaries		**(1,795,000)**	—
Repayments of interest of borrowings		**(129,074)**	(95,974)
Dividends paid to the Company's shareholders		**(293,039)**	(169,960)
Contributions from non-controlling interests in subsidiaries		**16,622**	3,143
Dividends paid to non-controlling interests in subsidiaries		**(72,473)**	(75,930)
(Increase)/decrease in restricted cash		**(15,884)**	39,528
NET CASH FROM FINANCING ACTIVITIES		**760,978**	967,626
Exchange losses on cash and cash equivalents		**(40,620)**	(32,553)
Net increase in cash and cash equivalents		**318,537**	1,005,521
Cash and cash equivalents as at 1 January		**5,202,508**	4,196,987
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	33	**5,521,045**	5,202,508

The notes on pages 69 to 152 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

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

The Directors regard SINOTRANS & CSC, an unlisted state-owned company established in the PRC, as the immediate and ultimate holding company of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New or revised standards, interpretations and amendments adopted by the Group

In the current year, the Group has applied, for the first time, the following new or revised standards, interpretations and amendments issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly called the International Financial Reporting Interpretations Committee, abbreviated as "IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2011:

- International Financial Reporting Standards ("IFRSs") (Amendments) — Improvements to IFRSs issued in 2010, except for the amendments to IFRS 1 as part of annual improvements project for deemed cost exemption
- IAS 24 (as revised in 2009) — Related Party Disclosures, except for the partial exemption in paragraphs 25 to 27 for government-related entities
- IAS 32 (Amendments) — Classification of Rights Issues
- IFRIC 14 (Amendments) — Prepayments of a Minimum Funding Requirement
- IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments

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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New or revised standards, interpretations and amendments adopted by the Group (continued)

(b) (continued)

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 year, 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, interpretations and amendments in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

Standards, interpretations 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 the following new and revised IFRSs that have been issued but not yet effective:

- IFRS 1 (Amendments) — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
- IFRS 1 (Amendments) — Government Loans[2]
- IFRS 7 (Amendments) — Disclosures — Transfers of Financial Assets[1]
- IFRS 7 (Amendments) — Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
- IFRS 9 — Financial instruments[3]
- IFRS 9 (Amendments) and IFRS 7 (Amendments) — Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
- IFRS 10 — Consolidated Financial Statements[2]
- IFRS 11 — Joint Arrangements[2]
- IFRS 12 — Disclosure of Interests in Other Entities[2]
- IFRS 13 — Fair Value Measurement[2]
- IAS 1 (Amendments) — Presentation of Items of Other Comprehensive Income[5]
- IAS 12 (Amendments) — Deferred Tax: Recovery of Underlying Assets[4]
- IAS 19 (Revised in 2011) — Employee Benefits[2]
- IAS 27 (Revised in 2011) — Separate Financial Statements[2]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

- IAS 28 (Revised in 2011) — Investments in Associates and Joint Ventures[2]
- IAS 32 (Amendments) — Offsetting Financial Assets and Financial Liabilities[6]
- IFRIC 20 — Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

- IFRS 7 (Amendments) — Disclosures — Offsetting Financial Assets and Financial Liabilities and IAS 32 (Amendments) — Offsetting Financial Assets and Financial Liabilities

  The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

  The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The directors anticipate that the amendments to IFRS 7 and the amendments to IAS 32 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and 1 January 2014 respectively. The relevant disclosure will be retrospectively modified accordingly when the amendments are applied in the future accounting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

- IFRS 9 — Financial Instruments

  IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

  IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  The directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's investments in unlisted equity securities that are currently classified as available-for-sale investments measured at cost). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised in 2011) and IAS 28 (Revised in 2011).

  Key requirements of these five standards are described below.

  IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC12 Consolidation — Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

- In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised in 2011) and IAS 28 (Revised in 2011). (continued)

  In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

  IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

  These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

  The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. The directors are in the process of assessing the potential impact of the adoption of the package of the five standards.

The directors of the Company anticipate that the application of the other new and revised standards, interpretations and amendments will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with IFRSs. The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value.

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

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

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations, except for common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRSs.

The Company accounts for investments in subsidiaries at cost less impairment. Cost includes direct attributable costs of investment.

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

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

The Group treats transactions with non-controlling interests that do not result in the Group losing control over the subsidiaries as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities

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

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

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

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

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

Associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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

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

Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues are recognised on the following bases:

Freight forwarding

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

Shipping agency

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

Marine transportation

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

Storage and terminal services

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

Trucking

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

Rental income

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

Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income

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

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

Land use rights

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

Property, plant and equipment

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

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

Buildings	20–50 years
Leasehold improvements	Over the shorter of the remaining term of the leases and the estimated useful lives
Port and rail facilities	20–40 years
Containers	8–15 years
Plant and machinery	5–10 years
Motor vehicles and vessels	5–18 years
Furniture and office equipment	3–6 years

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

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Intangible assets

Goodwill

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

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

Computer software

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Computer software (continued)

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

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

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

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

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “other gains/(losses), net”.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Group's financial liabilities are financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities are initially measured at fair value.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. The criteria for a financial liability to be classified as held for trading is the same as those for a financial asset to be classified as held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  — adverse changes in the payment status of borrowers in the portfolio;

  — national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale equity instruments are not reversed through the consolidated income statement.

For available-for-sale assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

A group company is the lessee

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

A group company is the lessor

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Inventories

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

Cash and cash equivalents

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

Share capital

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

Borrowing costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, jointly controlled entities and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension obligations

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

Termination and early retirement benefits

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

Housing benefits

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

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

Pursuant to the Reorganisation, the ultimate holding company agreed to bear any further one-off cash housing subsidies in excess of the amount provided for in the consolidated financial statements of the Group of RMB74,560,000 at the time of the Reorganisation. Employees joining the Group after the incorporation of the Company are not entitled to any one-off cash housing subsidies (Note 36).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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

Employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability incurred and are expensed when consumed. The liability is remeasured at the end of each reporting period to its fair value, with all changes recognised immediately in the consolidated income statement (Note 42).

Provisions

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

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

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Group companies

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

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

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

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

Contingent liabilities and contingent assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend distribution

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

Profit distributions and dividends proposed or declared after the end of each reporting period are disclosed as a subsequent event and are not recognised as a liability at the end of each reporting period.

Segment reporting

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

Related party transactions

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

The Group is part of a larger group of companies under SINOTRANS & CSC and has extensive transactions and relationships with members of SINOTRANS & CSC and its subsidiaries.

Financial guarantee contracts

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

Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is reported in the consolidated income statement.

Government grants

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

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

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Foreign exchange risk

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

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly US$. Analyses of these assets and liabilities by currency are disclosed in Note 28, Note 33, Note 34 and Note 37 respectively. As at 31 December 2011, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit before income tax, attributable to equity holders of the Group for the year would have decreased/increased by approximately RMB17,848,000 (2010: RMB36,180,000).

Price risk

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

The Group has monitored the performance of the equity securities and reported regularly to the Board of Directors. As at 31 December 2011, with all other variables held constant, if the average market price of equity securities goes by 10% higher/lower, the reserve attributable to equity holders of the Group will would have increased/decreased by RMB75,303,000 (2010: RMB90,436,000). A decrease in market price of equity securities may also lead to indicator of impairment losses.

Interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, net finance costs would have decreased/increased by RMB15,275,000 (2010: 8,552,000).

4. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

The aggregate carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and term deposits with initial terms of over three months and financial guarantee disclosed in Note 46 represent the Group's maximum exposure to credit risk in relation to financial assets and other commitments.

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

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

Liquidity risk

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

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

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

The Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2011				
Borrowings	**2,153,660**	**22,225**	**217,150**	**—**
Short-term bonds	**2,436,620**	**—**	**—**	**—**
Long-term bonds	**26,677**	**33,000**	**583,000**	**—**
Salary and welfare payables	**504,090**	**—**	**—**	**—**
Trade and other payables*	**6,132,953**	**—**	**—**	**—**
Financial guarantee contracts**	**294,050**	**—**	**—**	**—**
As at 31 December 2010				
Borrowings	3,217,329	1,030,620	133,867	—
Derivative financial instruments gross settled				
— Outflow	529,702	—	—	—
— Inflow	(426,348)	—	—	—
Salary and welfare payables	447,421	—	—	—
Trade and other payables*	5,489,480	—	—	—
Financial guarantee contracts**	206,844	—	—	—

The Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2011				
Borrowings	**1,232,855**	**—**	**—**	**—**
Short-term bonds	**2,436,620**	**—**	**—**	**—**
Long-term bonds	**24,126**	**29,950**	**529,950**	**—**
Salary and welfare payables	**121,487**	**—**	**—**	**—**
Trade and other payables*	**2,228,910**	**—**	**—**	**—**
As at 31 December 2010				
Borrowings	2,161,543	1,006,192	—	—
Salary and welfare payables	105,056	—	—	—
Trade and other payables*	2,035,927	—	—	—

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

** The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

4. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2011 and 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2011				
Assets				
Available-for-sale financial assets				
— Equity securities	**1,004,046**	**—**	**—**	**1,004,046**
— Other current assets (Note 27)	**—**	**—**	**200,000**	**200,000**
	1,004,046	**—**	**200,000**	**1,204,046**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2010				
Assets				
Financial assets at fair value through profit or loss				
— Trading securities	5,276	—	—	5,276
Available-for-sale financial assets				
— Equity securities	1,900,123	—	—	1,900,123
	1,905,399	—	—	1,905,399
Liabilities				
Financial Liabilities at fair value through profit or loss				
— Trading dervatives	—	106,647	—	106,647
	—	106,647	—	106,647

4. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

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

Specific valuation techniques used to value financial instruments include:

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

Capital risk management

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

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

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Cash and cash equivalent	**5,521,045**	5,202,508
Less: total borrowings	**(2,331,057)**	(4,254,584)
bonds	**(2,881,609)**	—
Net cash position	**308,379**	947,924

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Useful lives and residual value of property, plant and equipment

The directors of the Company determine the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. The Group will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

Recognition of revenue and cost of marine transportation

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

Estimated impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. The movements of the impairment recognised during the year are set out in Note 28.

Provisions

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

Estimated impairment of property, plant and equipment

An impairment loss is recognized when the carrying amount of property, plant and equipment exceeds their recoverable amount which has been determined based on value in use calculations. These calculations require the use of estimates such as revenue growth rate and gross margin. Changes of assumptions in revenue growth rate and gross margin could affect the result of property, plant and equipment impairment assessment.

6. SEGMENT INFORMATION

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

The Group's revenue is from rendering of services. 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/(loss). Segment profit/(loss) is the operating profit excludes the effects of other net gains/(losses), and corporate expenses.

The Group's segment assets exclude financial assets at fair value through profit or loss, investments in jointly controlled entities and associates, available-for-sale financial assets, related dividend and investment income receivables, as well as goodwill because the Group's entire investing activities are managed on a central basis as corporate assets. Deferred income tax assets and other corporate assets are also excluded. In addition, segment assets exclude interests receivable, of which is not considered when assessing segment results. These are part of the reconciliation to total assets to the consolidated statement of financial position. The assets of each reportable segment are before the inter-segment elimination adjustments related to receivables and payables. No information on segment liabilities is provided to the management, and, accordingly, information on segment liabilities is not presented.

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

6. SEGMENT INFORMATION (continued)

Segment revenues and results

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the year ended 31 December 2011								
Revenue — external	36,210,940	669,326	3,752,548	1,699,113	1,415,530	43,747,457	–	43,747,457
Revenue — inter-segment	406,226	146,567	1,329,104	235,223	167,429	2,284,549	(2,284,549)	–
Total revenue	36,617,166	815,893	5,081,652	1,934,336	1,582,959	46,032,006	(2,284,549)	43,747,457
Segment results	674,672	297,145	(313,742)	317,587	6,142	981,804	–	981,804
Other gains, net								70,285
Corporate expenses								(185,939)
Operating profit								866,150
Finance costs, net								(254,197)
Share of profit of jointly controlled entities	20,213	16,158	–	39,518	434,112*	510,001	–	510,001
Share of profit of associates								58,167
Profit before income tax								1,180,121
Income tax expense								(308,184)
Profit for the year								871,937

* "Share of profit of jointly controlled entities — others" mainly includes share of profit of DHL-Sinotrans International Air Courier Company Limited, offset by share of loss of Grandstar Cargo International Airlines Company Limited.

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the year ended 31 December 2010								
Revenue — external	35,587,948	632,100	3,530,567	1,463,959	1,332,199	42,546,773	–	42,546,773
Revenue — inter-segment	308,621	143,167	800,273	233,037	172,179	1,657,277	(1,657,277)	–
Total revenue	35,896,569	775,267	4,330,840	1,696,996	1,504,378	44,204,050	(1,657,277)	42,546,773
Segment results	499,770	270,870	(104,149)	299,547	16,435	982,473	–	982,473
Other losses, net								(75,191)
Corporate expenses								(130,584)
Operating profit								776,698
Finance costs, net								(223,321)
Share of profit of jointly controlled entities	25,625	19,857	–	29,824	357,614**	432,920	–	432,920
Share of profit of associates								69,767
Profit before income tax								1,056,064
Income tax expense								(224,006)
Profit for the year								832,058

** "Share of profit of jointly controlled entities — others" mainly includes share of profit of DHL-Sinotrans International Air Courier Company Limited.

6. SEGMENT INFORMATION (continued)

Segment assets

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
As at 31 December 2011								
Segment assets	13,636,281	1,489,520	1,767,441	5,136,673	899,043	22,928,958	(1,483,762)	21,445,196
Investments in jointly controlled entities	262,310	36,581	–	572,941	895,140	1,766,972	–	1,766,972
Investments in associates								1,015,603
Available-for-sale financial assets								1,392,166
Deferred income tax assets								91,130
Interests and dividends receivable								57,558
Corporate assets								1,033,667
Total assets								26,802,292
As at 31 December 2010								
Segment assets	12,075,669	1,476,619	1,365,925	4,835,193	941,288	20,694,694	(1,127,230)	19,567,464
Financial assets at fair value through profit or loss								5,276
Investments in jointly controlled entities	234,841	36,849	–	556,416	1,067,337	1,895,443	–	1,895,443
Investments in associates								848,119
Available-for-sale financial assets								2,155,079
Deferred income tax assets								88,607
Interests and dividends receivable								33,216
Corporate assets								501,419
Total assets								25,094,623

6. SEGMENT INFORMATION (continued)

Other segment information

	Freight forwarding	Shipping agency	Marine transportation	Storage and terminal services	Others	Corporate	Group
	For the year ended 31 December 2011						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure***	446,883	14,344	294,740	621,566	48,212	109,325	1,535,070
Depreciation	149,052	8,672	50,642	143,835	50,355	19,435	421,991
Amortisation	3,996	433	404	928	678	12,444	18,883
Operating lease charges on land use rights	15,062	401	65	34,793	1,511	571	52,403
(Reversal of)/provision for impairment loss of receivables	(3,195)	350	(266)	1,588	(265)	–	(1,788)

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

*** The capital expenditure stands for the total cash paid for purchase of non-current segment assets for the year ended 31 December 2011 and 2010.

The Company is domiciled in the PRC. The result of the Group's revenue from external customers in China (excluding Hong Kong, Macao and Taiwan) for the year ended 31 December 2011 is RMB42,059,880,000 (2010: RMB40,531,272,000), and the result of the Group's revenue from external customers from other regions is RMB1,687,577,000 (2010: RMB2,015,501,000).

As at 31 December 2011, the total non-current assets other than financial instruments and deferred tax assets located in China (excluding Hong Kong, Macao and Taiwan) is RMB10,425,896,000 (As at 31 December 2010: RMB9,690,791,000), and the total of these non-current assets located in other regions is RMB321,383,000 (As at 31 December 2010: RMB78,158,000).

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Emoluments of directors and supervisors

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

	2011 RMB'000	2010 RMB'000
Directors:		
Fees	498	411
Other emoluments		
— Basic salaries, housing allowances, other allowances and benefits in kind	547	509
— Discretionary bonuses	932	847
— Contributions to pension plans	60	58
Supervisors:		
Fees	107	63
Other emoluments		
— Basic salaries, housing allowances, other allowances and benefits in kind	168	147
— Discretionary bonuses	111	101
— Contributions to pension plans	30	29

Directors' fees disclosed above include RMB498,000 (2010: RMB411,000) paid to independent non-executive directors.

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

Emoluments of directors and supervisors (continued)

The emoluments of directors and supervisors for the year ended 31 December 2011 are as follows:

	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
As at 31 December 2011					
Current directors					
Zhang Jianwei	—	308	932	30	1,270
Tao Suyun	—	239	*	30	269
Sun Shuyi	166	—	—	—	166
Lu Zhengfei	166	—	—	—	166
Liu Kegu	—	—	—	—	—
Retired director					
Miao Yuexin	166	—	—	—	166
As at 31 December 2011					
Current supervisors					
Zhou Fangsheng	—	—	—	—	—
Shen Xiaobin	—	168	111	30	309
Retired supervisor					
Zhang Junkuo	107	—	—	—	107

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

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

Emoluments of directors and supervisors (continued)

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

	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
As at 31 December 2010					
Current directors					
Zhang Jianwei	—	270	847	29	1,146
Tao Suyun	—	239	351**	29	619
Sun Shuyi	137	—	—	—	137
Lu Zhengfei	137	—	—	—	137
Miao Yuexin	137	—	—	—	137
As at 31 December 2010					
Current supervisors					
Zhang Junkuo	63	—	—	—	63
Shen Xiaobin	—	147	101	29	277

** In 2011, Tao Suyun's discretionary bonus of RMB351,000 for the year ended 31 December 2010 was determined and approved by SINOTRANS & CSC.

No directors and supervisors of the Company waived any remuneration in 2011 (2010: Nil).

Compensation of senior management personnel other than directors and supervisors is as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other employee benefits	**5,733**	4,861

The number of senior management personnel other than directors and supervisors whose compensation fell within the following bands is as follows:

	2011	2010
RMB850,000–1,000,000	**3**	1
RMB700,000–850,000	**3**	3
RMB550,000–700,000	**1**	1
RMB400,000–550,000	**—**	2

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

Five highest paid individuals

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

	Number of individuals	
	2011	2010
Directors	**1**	1
Senior management	**4**	4

The five individuals whose emoluments were the highest in the Group during the year include one (2010: one) director whose emoluments are reflected in the analysis presented above. Details of remuneration of members of senior management amongst the five highest paid individuals are as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	**970**	839
Discretionary bonuses	**2,484**	2,242
Contributions to pension plans	**120**	114

8. STAFF COSTS

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

	2011 RMB'000	2010 RMB'000
Wages and salaries	**1,542,674**	1,413,126
Housing benefits (a)	**115,781**	104,212
Contributions to pension plans (b)	**176,958**	151,657
Termination benefits (c)	**10,786**	14,098
Welfare and other expenses	**604,476**	455,322
	2,450,675	2,138,415

(a) These include the Group's defined contributions to government sponsored housing funds at rates ranging from 5% to 25% (2010: 5% to 25%) of the employees' basic salaries and cash housing subsidies paid and payable to its employees.

(b) The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 22% (2010: 5% to 29%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2011, contributions totalling RMB4,066,000 (2010: RMB4,217,000) were payable to these plans.

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

9. OTHER GAINS/(LOSSES), NET

	2011 RMB'000	2010 RMB'000
Financial assets at fair value through profit or loss:		
— fair value (losses)/gains	**(290)**	60
Gain on disposal of available-for-sale financial assets	**—**	44,454
Derivative financial instruments (Note 29):		
— fair value gains on foreign exchange forward contracts	**106,647**	15,959
Provision for claims from customers and losses on accident after taking into consideration of estimated insurance claims	**(41,025)**	(140,783)
Change in fair values of SAR (Note 42(c))	**4,953**	5,119
	70,285	(75,191)

10. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2011 RMB'000	2010 RMB'000
Crediting		
Rental income from		
— Buildings	27,828	24,880
— Plant and machinery	56,039	95,512
Gains on disposal of property, plant and equipment	12,591	18,238
Dividend income on available-for-sale financial assets	14,101	3,039
Reversal of impairment losses of receivables	1,788	9,038
Income from property management	6,242	10,654
Charging		
Depreciation		
— Owned property, plant and equipment	414,357	387,637
— Owned property, plant and equipment leased out under operating leases	7,634	7,333
Losses on disposal of property, plant and equipment	9,313	23,777
Auditor's remuneration		
— Audit fee	4,200	4,800
— Audit-related and other services fee	2,600	3,000
Impairment losses of property, plant and equipment	54,946	—
Impairment losses of receivables	—	23,567
Operating lease charges on		
— Land use rights	52,403	50,065
— Buildings	247,501	215,672
— Plant and equipment	891,627	1,153,524
Amortisation of intangible assets	18,883	19,316
Charges on property management and facilities	97,187	89,771
Other tax expenses	58,004	51,921
Provision for onerous contract	11,172	46,474
Charges on IT support	44,530	35,236
Cost on material sales	—	2,073
Provision for outstanding claims	15,270	7,265

11. FINANCE COSTS, NET

	2011 RMB'000	2010 RMB'000
Finance income		
— Interest income on bank balances	116,111	56,736
Finance cost		
— Interest expenses wholly repayable within five years		
Including: Borrowings	(164,834)	(122,617)
Bonds	(50,041)	—
— Exchange losses, net	(136,920)	(139,900)
— Bank charges	(18,513)	(17,540)
	(370,308)	(280,057)
Finance costs, net	(254,197)	(223,321)

12. TAXATION

Income tax expense in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current income tax:		
— Hong Kong	634	585
— PRC enterprise income tax	310,303	318,004
Deferred PRC income tax	(2,753)	(94,583)
	308,184	224,006

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

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

PRC income tax expense has been provided on the estimated assessable profit for the year according to the tax laws and regulations applicable to the PRC enterprises. The provision for PRC current income tax is based on the statutory rate of 25% (2010: 25%) of the assessable income of each of the companies comprising the Group in the Mainland, China 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% (2010: 12.5% to 22%) based on the relevant PRC tax laws and regulations.

12. TAXATION (continued)

(a) The reconciliation between the Group's actual income tax expense and the amount which is calculated based on the statutory tax rate 25% (2010: 25%) in the PRC is as follows:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**1,180,121**	1,056,064
Less: Share of profit of associates	**(58,167)**	(69,767)
Share of profit of joint controlled entities	**(510,001)**	(432,920)
	611,953	553,377
Tax calculated at the statutory tax rate of 25%	**152,988**	138,344
Tax effects of:		
Utilisation of prior year unrecognised tax losses	**(2,275)**	(7,621)
Prior year disposal loss of a subsidiary deductible in current year for which deferred tax was not previously recognised	**–**	(45,998)
Deferred income tax benefits arising from tax losses in certain entities not recognised	**143,575**	127,891
Non-taxable income	**(4,448)**	(8,142)
Expenses not deductible for tax purposes	**27,172**	43,812
Preferential tax rates on the income of certain subsidiaries	**(8,828)**	(24,280)
Income tax expense	**308,184**	224,006

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

	2011			2010		
	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000
Fair value (losses)/gains on available-for-sale financial assets	(896,077)	224,019	(672,058)	319,830	(79,957)	239,873
Share of other comprehensive income of associates and jointly controlled entities	1,649	–	1,649	2,544	–	2,544
Currency translation differences	(22,096)	–	(22,096)	2,502	–	2,502
Deferred tax		224,019			(79,957)	

12. TAXATION (continued)

(b) As at 31 December 2011 and 2010, none of the Group's deferred income taxes assets and deferred income taxes liabilities could be offset and their movements are as follows:

Deferred income tax assets

	The Group	
	2011 RMB'000	2010 RMB'000
At beginning of year	**88,607**	66,754
Credited to consolidated income statement	**2,523**	21,853
At end of year	**91,130**	88,607
Provided for in respect of:		
Provision for impairment of receivables	**9,525**	14,389
Provision for one-off cash housing subsidies	**7,455**	7,725
Salary payable which is not deductible for income tax purposes	**50,374**	38,000
Provision for claims	**7,191**	4,479
Depreciation on property, plant and equipment	**3,183**	4,117
Tax losses	**262**	1,491
Other temporary differences	**13,140**	18,406
	91,130	88,607

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Temporary differences for which deferred income tax assets were not recognised:				
Amortisation on intangible assets and non-current assets	**—**	7,217	**—**	7,217
Depreciation on property, plant and equipment	**—**	224	**—**	224
Tax losses (Note (i))	**2,043,576**	1,760,484	**—**	—
	2,043,576	1,767,925	**—**	7,441

12. TAXATION (continued)

(b) As at 31 December 2011 and 2010, none of the Group's deferred income taxes assets and deferred income taxes liabilities could be offset and their movements are as follows: (continued)

Deferred income tax assets (continued)

(i) Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, the Group did not recognise deferred income tax assets of RMB510,894,000 in respect of the above stated tax losses amounting to RMB2,043,576,000 which can be carried forward against future taxable income, and tax losses amounting to RMB194,732,000, RMB592,444,000, RMB170,540,000, RMB511,560,000 and RMB574,300,000, would expire in 2012, 2013, 2014, 2015 and 2016 respectively.

Deferred income tax liabilities

	The Group	
	2011 RMB'000	2010 RMB'000
At beginning of year	251,329	244,102
Credited to consolidated income statement	(230)	(72,730)
(Credited)/charged to other comprehensive income	(224,019)	79,957
At end of year	27,080	251,329
Provided for in respect of:		
Change in fair values of available-for-sale financial assets	23,451	247,470
Operating lease charges on land use rights	2,703	2,967
Other temporary differences	926	892
	27,080	251,329

The temporary differences associated with the Group's underlying investments in subsidiaries for which deferred income tax liabilities have not been recognised, amounted to RMB543,944,000 as at 31 December 2011 (2010: RMB543,944,000), which was a gain arising from deemed disposal of the Company's share of net assets of Sinotrans Air Transportation Development Co., Ltd. ("Sinoair") after the issuance of shares by the latter in connection with its initial public offering on the Shanghai Stock Exchange in 2000.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB347,238,000 (2010: RMB486,977,000).

14. DIVIDENDS

	The Company	
	2011	2010
	RMB'000	RMB'000
Interim, paid, of RMB0.02 (2010: RMB0.02) per ordinary share	**84,980**	84,980
Final, proposed, of RMB0.01 (2010: RMB0.02) per ordinary share	**42,490**	84,980
	127,470	169,960

At the Board of Directors' meeting held on 21 March 2012 the directors proposed a final dividend of RMB0.01 per ordinary share totalling RMB42,490,000. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2012.

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the year.

	The Group	
	2011	2010
Profit attributable to owners of the Company (RMB'000)	**642,513**	616,424
Number of ordinary shares in issue (thousands)	**4,249,002**	4,249,002
Basic earnings per share (RMB per share)	**0.15**	0.15

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

16. LAND USE RIGHTS

	The Group	
	2011	2010
	RMB'000	RMB'000
At beginning of year	**1,989,411**	1,632,756
Additions	**114,449**	168,008
Transfer from prepayments for acquisition of land use rights	**98,000**	291,366
Acquisition of a subsidiary (Note 44)	**23,204**	—
Disposal	**(16,776)**	(52,654)
Charged to profit or loss	**(52,403)**	(50,065)
At end of year	**2,155,885**	1,989,411

All of the Group's land use rights are located in the Mainland, China and are held under operating leases between 10 to 50 years (2010: 10 to 50 years).

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

17. PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	The Group	
	2011	2010
	RMB'000	RMB'000
At beginning of year	**127,217**	362,763
Additions	**39,632**	55,820
Transfer to land use rights	**(98,000)**	(291,366)
At end of year	**68,849**	127,217

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2011									
Cost	3,106,382	3,064	782,977	55,066	1,239,632	1,331,864	449,665	349,113	7,317,763
At 1 January 2011									
Exchange differences	(1,903)	–	–	(1,598)	(219)	(6,655)	(217)	–	(10,592)
Additions	67,657	2,135	8,128	3,134	142,464	131,480	65,464	931,252	1,351,714
Acquisition of a subsidiary (Note 44)	28,795	–	–	–	–	–	–	–	28,795
Disposals	(2,841)	(65)	–	(259)	(47,032)	(66,430)	(42,581)	–	(159,208)
Transfer upon completion	220,012	–	53,449	–	25,701	107,693	8,248	(415,103)	–
At 31 December 2011	3,418,102	5,134	844,554	56,343	1,360,546	1,497,952	480,579	865,262	8,528,472
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)
Impairment losses recognised in profit and loss	–	–	–	–	–	(54,946)	–	–	(54,946)
Exchange differences	573	–	–	260	9	5,869	202	–	6,913
Depreciation charge	(100,765)	(682)	(32,647)	(3,448)	(107,024)	(133,673)	(43,752)	–	(421,991)
Disposals	2,026	64	–	62	32,322	56,662	38,384	–	129,520
At 31 December 2011	(845,644)	(2,068)	(256,141)	(19,208)	(656,872)	(794,966)	(331,116)	–	(2,906,015)
Net book value									
At 31 December 2011	2,572,458	3,066	588,413	37,135	703,674	702,986	149,463	865,262	5,622,457
At 1 January 2011	2,358,904	1,614	559,483	38,984	657,453	662,986	123,715	349,113	4,752,252
2010									
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	(1,121)	–	–	(999)	(160)	(4,390)	(129)	–	(6,799)
Additions	20,371	835	9,514	21,880	162,435	264,522	42,467	375,871	897,895
Acquisition of a subsidiary	–	–	–	–	62	24,607	–	–	24,669
Disposals	(18,340)	(1,004)	(28)	(19)	(47,531)	(122,212)	(26,014)	(29,017)	(244,165)
Transfer upon completion	135,016	–	60,523	–	7,538	4,150	1,207	(208,434)	–
At 31 December 2010	3,106,382	3,064	782,977	55,066	1,239,632	1,331,864	449,665	349,113	7,317,763
Accumulated depreciation and impairment losses									
At 1 January 2010	(651,782)	(1,422)	(192,880)	(13,418)	(516,850)	(603,487)	(302,002)	–	(2,281,841)
Exchange differences	184	–	–	236	95	2,909	105	–	3,529
Depreciation charge	(101,785)	(554)	(30,614)	(2,907)	(102,918)	(111,845)	(44,347)	–	(394,970)
Disposals	5,905	526	–	7	37,494	43,545	20,294	–	107,771
At 31 December 2010	(747,478)	(1,450)	(223,494)	(16,082)	(582,179)	(668,878)	(325,950)	–	(2,565,511)
Net book value									
At 31 December 2010	2,358,904	1,614	559,483	38,984	657,453	662,986	123,715	349,113	4,752,252
At 1 January 2010	2,318,674	1,811	520,088	20,786	600,438	561,700	130,132	210,693	4,364,322

During this year, as the result of unexpected poor performance of marine transportation segment, the Group carried out a review of the recoverable amount of ship and related equipments. The review led to the recognition of an impairment loss of RMB54,946,000 (2010: Nil), which has been recognised in profit and loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 8%. No impairment assessment was performed in 2010 as there was no indication of impairment.

The impairment losses have been included "other operating expenses" in the consolidated income statement.

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2011						
Cost						
At 1 January 2011	3,750	6,988	10,091	109,471	8,104	138,404
Additions	—	8,413	4,503	14,509	13,493	40,918
Disposals	—	(5,786)	(682)	(2,413)	—	(8,881)
Transfer upon completion	1,868	—	—	233	(2,101)	—
At 31 December 2011	5,618	9,615	13,912	121,800	19,496	170,441
Accumulated depreciation						
At 1 January 2011	(2,915)	(3,404)	(4,553)	(88,388)	—	(99,260)
Depreciation	(206)	(1,819)	(1,825)	(7,188)	—	(11,038)
Disposals	—	1,761	—	1,290	—	3,051
At 31 December 2011	(3,121)	(3,462)	(6,378)	(94,286)	—	(107,247)
Net book value						
At 31 December 2011	2,497	6,153	7,534	27,514	19,496	63,194
At 1 January 2011	835	3,584	5,538	21,083	8,104	39,144
2010						
Cost						
At 1 January 2010	3,750	3,486	7,487	106,051	6,452	127,226
Additions	—	3,502	4,388	3,077	1,995	12,962
Disposals	—	—	(1,784)	—	—	(1,784)
Transfer upon completion	—	—	—	343	(343)	—
At 31 December 2010	3,750	6,988	10,091	109,471	8,104	138,404
Accumulated depreciation						
At 1 January 2010	(2,436)	(1,998)	(5,099)	(77,966)	—	(87,499)
Depreciation	(479)	(1,406)	(1,066)	(10,422)	—	(13,373)
Disposals	—	—	1,612	—	—	1,612
At 31 December 2010	(2,915)	(3,404)	(4,553)	(88,388)	—	(99,260)
Net book value						
At 31 December 2010	835	3,584	5,538	21,083	8,104	39,144
At 1 January 2010	1,314	1,488	2,388	28,085	6,452	39,727

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

Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 34(c).

19. INTANGIBLE ASSETS

	The Group			
	Software	**Goodwill**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2011				
Cost				
At beginning of year	**194,532**	**39,387**	**6,000**	**239,919**
Additions	**17,107**	**—**	**—**	**17,107**
At end of year	**211,639**	**39,387**	**6,000**	**257,026**
Accumulated amortisation				
At beginning of year	**(141,420)**	**—**	**(1,200)**	**(142,620)**
Amortisation	**(18,283)**	**—**	**(600)**	**(18,883)**
At end of year	**(159,703)**	**—**	**(1,800)**	**(161,503)**
Net book value				
At end of year	**51,936**	**39,387**	**4,200**	**95,523**
At beginning of year	**53,112**	**39,387**	**4,800**	**97,299**

	The Group			
	Software	Goodwill	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2010				
Cost				
At beginning of year	177,732	39,387	6,000	223,119
Additions	16,800	—	—	16,800
At end of year	194,532	39,387	6,000	239,919
Accumulated amortisation				
At beginning of year	(122,704)	—	(600)	(123,304)
Amortisation	(18,716)	—	(600)	(19,316)
At end of year	(141,420)	—	(1,200)	(142,620)
Net book value				
At end of year	53,112	39,387	4,800	97,299
At beginning of year	55,028	39,387	5,400	99,815

For the purposes of impairment testing, goodwill has been allocated to seven CGUs, representing seven subsidiaries mainly in the freight forwarding and shipping agency segment.

19. INTANGIBLE ASSETS (continued)

The recoverable amount was determined based on value-in-use calculations. The recoverable amount of each CGU is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period, and a discount rate of 8%. Cash flow projections during the forecast period for the CGUs are based on the expected gross margins during the forecast period. Forecast gross margins have been determined based on past performance and management's expectations for the market development. Cash flows beyond the 5-year period are extrapolated using a 3% growth rate.

As at 31 December 2011, management of the Group was of the view that there was no impairment of goodwill.

	The Company	
	2011 Software RMB'000	2010 Software RMB'000
Cost		
At beginning of year	**122,685**	112,048
Additions	**10,542**	10,637
At end of year	**133,227**	122,685
Accumulated amortisation		
At beginning of year	**(85,668)**	(71,235)
Amortisation	**(16,918)**	(14,433)
At end of year	**(102,586)**	(85,668)
Net book value		
At end of year	**30,641**	37,017
At beginning of year	**37,017**	40,813

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011 RMB'000	2010 RMB'000
Investments at cost:		
Unlisted equity interests	**5,823,667**	4,840,293
Shares in a company listed in the PRC	**988,022**	988,022
	6,811,689	5,828,315
Market value of the listed shares	**3,384,593**	5,091,291

20. INVESTMENTS IN SUBSIDIARIES (continued)

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

The following is a list of the principal subsidiaries as at 31 December 2011:

Name	Country/place of operation & incorporation/legal status	Issued share/paid up capital	Equity interest held by the 2011 Company	2011 Group	2010 Company	2010 Group	Principal activities
China Marine Shipping Agency Company Limited	Beijing, the PRC Limited liability company	RMB30,000,000	80%	100%	80%	100%	Shipping agency
Sinotrans Logistics Development Company Limited	Beijing, the PRC Limited liability company	RMB120,000,000	99.18%	100%	99.18%	100%	Freight forwarding
Sinoair	Beijing, the PRC Joint stock company with limited liability	RMB905,481,720	63.46%	63.46%	63.46%	63.46%	Air freight forwarding and express services
Sinotrans Eastern Company Limited	Shanghai, the PRC Limited liability company	RMB1,120,503,439	96.33%	100%	96.33%	100%	Freight forwarding, shipping agency and express services
Sinotrans Changjiang Company Limited (Formerly known as: "Sinotrans Jiangsu Company Limited")	Nanjing, the PRC Limited liability company	RMB550,000,000	100%	100%	100%	100%	Freight forwarding, shipping agency and express services
Sinotrans Zhejiang Company Limited	Ningbo, the PRC Limited liability company	RMB100,000,000	10%	100%	10%	100%	Freight forwarding, shipping agency and express services
Sinotrans Hubei Company Limited	Wuhan, the PRC Limited liability company	RMB70,000,000	100%	100%	100%	100%	Freight forwarding
Sinotrans Container Lines Company Limited	Shanghai, the PRC Limited liability company	RMB400,000,000	100%	100%	100%	100%	Marine transportation
Sinotrans Fujian Company Limited	Xiamen, the PRC Limited liability company	RMB223,257,966	90%	100%	90%	100%	Freight forwarding, shipping agency, express services and non-vessel operating common carrier
Trade Sky International Limited	Hong Kong, the PRC Limited liability company	HK Dollar ("HK$") 161,100,000	100%	100%	100%	100%	Investment activities
Sinotrans Guangdong Company Limited	Guangzhou, the PRC Limited liability company	RMB1,249,668,932	93.8%	100%	93.8%	100%	Freight forwarding, shipping agency and express services
Sinotrans Shandong Company Limited	Qingdao, the PRC Limited liability company	RMB645,339,942	97.5%	100%	97.5%	100%	Freight forwarding, shipping agency and express services
Sinotrans Tianjin Company Limited	Tianjin, the PRC Limited liability company	RMB57,363,906	90%	100%	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Liaoning Company Limited	Dalian, the PRC Limited liability company	RMB48,966,940	90%	100%	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Landbridge Transportation Company Limited	Lianyungang, the PRC Limited liability company	RMB59,382,238	90%	100%	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Heavy-lift Logistics Company Limited	Jinan, the PRC Limited liability company	RMB57,600,000	80%	80%	80%	80%	Hoisting and transporting
Sinotrans Anhui Company Limited	Hefei, the PRC Limited liability company	RMB30,802,332	100%	100%	100%	100%	Freight forwarding
Sinotrans Chongqing Company Limited	Chongqing, the PRC Limited liability company	RMB15,869,000	100%	100%	100%	100%	Freight forwarding
Sinotrans (Hong Kong) Logistics Company Limited	Hong Kong, the PRC Limited liability company	HK$500,000	100%	100%	100%	100%	Freight forwarding, shipping agency
Sinotrans Sunny Express Company Limited	Shanghai,the PRC Limited liability company	RMB380,000,000	100%	100%	100%	100%	Marine transportation

20. INVESTMENTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. The names of certain subsidiaries referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
At beginning of year	**1,895,443**	1,799,121	**11,973**	10,150
Acquisition of jointly controlled entities	**21,429**	7,443	**—**	1,823
Capital injection	**96,773**	8,512	**—**	—
Share of profit of jointly controlled entities				
— profit before income tax	**709,079**	711,840	**—**	—
— income tax expense	**(199,078)**	(278,920)	**—**	—
	510,001	432,920	**—**	—
Share of other comprehensive income	**266**	—	**—**	—
Disposals	**(1,530)**	(10,272)	**—**	—
Dividends received	**(755,410)**	(342,281)	**—**	—
At end of year	**1,766,972**	1,895,443	**11,973**	11,973

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The following is a list of the principal jointly controlled entities as at 31 December 2011, which are held by the Company directly and indirectly through its subsidiaries.

Name	Country/place of operation & incorporation/legal status	Issued share/paid up capital	Equity interest held by the 2011 Company	2011 Group	2010 Company	2010 Group	Principal activities
New Land Bridge (Lianyungang) Terminal Company limited	Lianyungang, the PRC Sino-foreign equity joint venture	RMB375,000,000	1%	42%	1%	42%	Terminal development and management, freight forwarding
Shanghai Express International Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$4,000,000	20%	51%	20%	51%	Freight forwarding, warehousing and trucking
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Shanghai, the PRC Sino-foreign equity joint venture	US$12,000,000	–	60%	–	60%	Container freight transportation
DHL-Sinotrans International Air Courier Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	–	31.73%*	–	31.73%*	Express services
Sinotrans Hi-Tech Logistics Suzhou Co., Ltd.	Suzhou, the PRC joint venture	US$19,570,000	–	60%	–	60%	Freight transportation, storage and package
Ningbo Dagang Container Co., Ltd.	Ningbo, the PRC Sino-foreign equity joint venture	RMB72,000,000	–	50%	–	50%	Freight transportation, storage and package
Shanghai Jiaoyun Container Dev Co., Ltd.	Shanghai, the PRC joint venture	RMB50,000,000	–	50%	–	50%	Container transportation
Rex International Forwarding Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,200,000	–	31.73%*	–	31.73%*	Air freight forwarding
Chengdu Bonded Logistics Investment Co., Ltd.	Chengdu, the PRC limited liability company	RMB175,000,000	–	34.45%*	–	34.45%*	Industrial facilities construction, export & import, freight forwarding
Grandstar Cargo International Airlines Company Limited ("Grandstar Airlines")	Tianjin, the PRC Sino-foreign equity joint venture	US$95,000,000	–	32.36%*	–	32.36%*	Air freight forwarding
Wuhan Sinoport Logistics Company Limited	Wuhan, the PRC Sino-foreign equity joint venture	RMB68,000,000	–	45%	–	45%	Freight forwarding, transportation, storage and loading&unloading
Maxx Logistics FZCO	Dubai, the United Arab Emirates Sino-foreign equity joint venture	AED10,000,000	–	40%	–	–	Freight forwarding, warehousing

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length. The names of certain jointly controlled entities referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

* These companies are jointly controlled entities of which 50%–54.29% equity interest held by Sinoair, a company whose 63.46% equity interest was held by the Group.

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Non-current assets	**1,202,055**	1,476,394
Current assets	**1,918,367**	1,692,217
Non-current liabilities	**(175,718)**	(179,645)
Current liabilities	**(1,183,456)**	(1,099,247)
Net assets	**1,761,248**	1,889,719
Revenues	**5,569,299**	5,672,899
Expenses	**(4,868,586)**	(4,909,684)
Profit for the year	**510,001**	432,920
Other comprehensive income	**266**	—

Investments in jointly controlled entities as at 31 December 2011 include goodwill of RMB5,724,000 (2010: RMB5,724,000).

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

	2011	2010
	RMB'000	RMB'000
Capital commitments		
Authorised and contracted for but not provided for	**—**	667
An analysis of the above capital commitments by nature is as follows:		
Construction commitments	**—**	667

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

Operating lease commitments — as lessee

	2011 RMB'000	2010 RMB'000
Land and buildings		
— Not later than one year	49,827	48,014
— Later than one year but not later than five years	46,899	40,802
— Later than five years	3,282	51,937
Vessels, containers and other equipment		
— Not later than one year	225	965
— Later than one year but not later than five years	—	966
	100,233	142,684

Operating lease commitments — as lessor

	2011 RMB'000	2010 RMB'000
Land and buildings		
— Not later than one year	757	724
— Later than one year but not later than five years	56	550
	813	1,274

22. INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Investment in associates				
— Listed in Hong Kong	—	—	—	—
— Listed outside Hong Kong	184,811	—	—	—
— Unlisted	830,792	848,119	106,139	117,123
	1,015,603	848,119	106,139	117,123
Fair value of listed investments	108,163	—	—	—

22. INVESTMENTS IN ASSOCIATES (continued)

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At beginning of year	**848,119**	825,602	**117,123**	129,600
Addition	**190,570**	5,946	**—**	—
Share of profit of associates				
— profit before income tax	**79,068**	100,922	**—**	—
— income tax expense	**(20,901)**	(31,155)	**—**	—
	58,167	69,767	**—**	—
Share of other comprehensive income	**1,383**	2,544	**—**	—
Disposals	**(4,300)**	(2,277)	**—**	(2,477)
Transfer to subsidiary	**—**	—	**(10,984)**	(10,000)
Currency translation differences of an associate	**(27,726)**	(4,135)	**—**	—
Dividends received	**(50,610)**	(49,328)	**—**	—
At end of year	**1,015,603**	848,119	**106,139**	117,123

Investments in associates as at 31 December 2011 include goodwill of RMB352,717,000 (2010: RMB38,011,000).

The Group's share of the revenue and results of the principal associates, and their aggregate assets and liabilities are as below:

	The Group	
	2011 RMB'000	2010 RMB'000
Assets	**1,678,288**	1,133,365
Liabilities	**1,015,402**	323,257
Revenue	**1,184,991**	681,962
Profit for the year	**58,167**	69,767
Other comprehensive income	**1,383**	2,544

22. INVESTMENTS IN ASSOCIATES (continued)

The following is a list of the principal associates as at 31 December 2011:

Name	Country/place of operation & incorporation/legal status	Issued share/paid up capital	Equity interest held by the 2011 Company	2011 Group	2010 Company	2010 Group	Principal activities
Shanghai Haihui International Container Repair Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$1,420,000	–	35%	–	35%	International container piling and storage, container repair
AMS Global Transportation Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$1,980,000	–	12.69%	–	12.69%	Air freight forwarding
Changshu Nissin Sinotrans Transportation Company Limited	Jiangsu, the PRC Sino-foreign equity joint venture	US$1,200,000	–	30%	–	30%	Freight forwarding
Ma'anshan Tianshun Port Company Limited	Ma'anshan, the PRC Limited liability company	RMB70,000,000	21%	21%	30%	30%	Storage and terminal services
Jiangsu Jiangyin Port Company Limited	Jiangyin, the PRC Limited liability company	RMB87,750,000	20%	20%	20%	20%	Storage and terminal services
Weihai Weidong Ferry Company Limited	Shandong, the PRC Sino-foreign equity joint venture	US$15,000,000	–	30%	–	30%	International marine transportation
Shenzhen Haixing Harbour Development Company Limited	Guangdong, the PRC Sino-foreign equity joint venture	US$15,151,500	–	33%	–	33%	Storage and terminal services
Wuhan Port Container Company Limited	Wuhan, the PRC Limited liability company	RMB400,000,000	–	30%	–	30%	Container loading and freight forwarding
InterBulk Group plc*	London, the U.K. Public limited company	£46,789,000	–	35.26%	–	–	Intermodal logistics services

* The financial year end date for Interbulk Group plc is 30 September. For the purpose of applying the equity method of accounting, the consolidated financial statements of Interbulk Group plc for the year ended 30 September 2011 have been used as the Group considers that it is impracticable for Interbulk Group plc to prepare a separate set of financial statements as of 31 December. After taking into account the effect of transactions between 30 September 2011 and 31 December 2011, in the directors' opinion, it's appropriate that no adjustment has been made.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length. The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

23. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group	Loans and receivables	At fair value through profit or loss	Available-for-sale at fair value	Available-for-sale at cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets as per consolidated statement of financial position					
As at 31 December 2011					
Available-for-sale financial assets (Note 25, 27)	—	—	1,204,046	388,120	1,592,166
Trade and other receivables (Note 28)	6,708,178	—	—	—	6,708,178
Restricted cash (Note 31)	349,639	—	—	—	349,639
Term deposits with initial terms of over three months (Note 32)	418,473	—	—	—	418,473
Cash and cash equivalents (Note 33)	5,521,045	—	—	—	5,521,045
Total	12,997,335	—	1,204,046	388,120	14,589,501
As at 31 December 2010					
Available-for-sale financial assets (Note 25)	—	—	1,900,123	254,956	2,155,079
Trade and other receivables (Note 28)	6,421,248	—	—	—	6,421,248
Financial assets at fair value through profit or loss (Note 30)	—	5,276	—	—	5,276
Restricted cash (Note 31)	199,755	—	—	—	199,755
Term deposits with initial terms of over three months (Note 32)	313,968	—	—	—	313,968
Cash and cash equivalents (Note 33)	5,202,508	—	—	—	5,202,508
Total	12,137,479	5,276	1,900,123	254,956	14,297,834

The Company	Loans and receivables	At fair value through profit or loss	Available-for sale at fair value	Available-for sale at cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets as per statement of financial position					
As at 31 December 2011					
Available-for-sale financial assets (Note 25)	—	—	—	143,692	143,692
Loans to subsidiaries (Note 26)	1,628,882	—	—	—	1,628,882
Trade and other receivables (Note 28)	3,840,233	—	—	—	3,840,233
Restricted cash (Note 31)	800	—	—	—	800
Cash and cash equivalents (Note 33)	886,810	—	—	—	886,810
Total	6,356,725	—	—	143,692	6,500,417
As at 31 December 2010					
Available-for-sale financial asset (Note 25)	—	—	—	50,000	50,000
Trade and other receivables (Note 28)	5,705,338	—	—	—	5,705,338
Financial assets at fair value through profit or loss (Note 30)	—	5,276	—	—	5,276
Restricted cash (Note 31)	800	—	—	—	800
Cash and cash equivalents (Note 33)	411,091	—	—	—	411,091
Total	6,117,229	5,276	—	50,000	6,172,505

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per consolidated statement of financial position		
As at 31 December 2011		
Trade payables (Note 37)	—	4,842,567
Other payables, accruals and other current liabilities (Note 38)	—	1,283,301
Salary and welfare payables	—	504,090
Borrowings (Note 34)	—	2,331,057
Short-term bonds (Note 35)	—	2,338,120
Long-term bonds (Note 35)	—	543,489
Total	—	11,842,624
As at 31 December 2010		
Trade payables (Note 37)	—	4,420,758
Other payables, accruals and other current liabilities (Note 38)	—	1,068,722
Salary and welfare payables	—	447,421
Borrowings (Note 34)	—	4,254,584
Derivative financial instruments (Note 29)	106,647	—
Total	106,647	10,191,485

The Company	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per statement of financial position		
As at 31 December 2011		
Trade payables (Note 37)	—	198,911
Other payables, accruals and other current liabilities (Note 38)	—	2,029,999
Salary and welfare payables	—	121,487
Borrowings (Note 34)	—	1,223,956
Short-term bonds (Note 35)	—	2,338,120
Long-term bonds (Note 35)	—	497,042
Total	—	6,409,515
As at 31 December 2010		
Trade payables (Note 37)	—	147,714
Other payables, accruals and other current liabilities (Note 38)	—	1,888,213
Salary and welfare payables	—	105,056
Borrowings (Note 34)	—	3,096,400
Total	—	5,237,383

At the end of each reporting period, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

24. CREDIT QUALITY OF FINANCIAL ASSETS

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

(a) Trade and other receivables

As at 31 December 2011, the Group's trade and other receivables of 6,528,511,000 (2010: RMB6,090,366,000) and the Company's trade and other receivables of 3,801,715,000 (2010: RMB5,570,577,000) were due from customers with good credit history and low default rate. Trade and other receivables that were either past due or impaired were disclosed in Note 28.

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

As at 31 December 2011 and 2010, substantially all of the Group's and the Company's cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months were held in major banks located in the PRC, which are of high credit quality with good credit history without any default records.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Listed equity securities (a)	**1,004,046**	1,900,123	**—**	—
Unlisted equity investments, at cost less impairment (b)	**388,120**	254,956	**143,692**	50,000
Available-for-sale financial assets	**1,392,166**	2,155,079	**143,692**	50,000

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

	The Group	
	2011 RMB'000	2010 RMB'000
At beginning of year	**1,900,123**	1,289,053
Addition	**—**	303,000
Disposal	**—**	(11,760)
Fair value (losses)/gains	**(896,077)**	319,830
At end of year	**1,004,046**	1,900,123
Market value of listed securities	**1,004,046**	1,900,123

Listed equity investment includes the ordinary shares of Air China Limited ("Air China") and China Eastern Airlines Corporation Limited ("China Eastern") listed on the Shanghai Stock Exchange and BOE Technology Group Co., Ltd. ("BOE") listed on the Shenzhen Stock Exchange. Air China and China Eastern were incorporated in the PRC whose principal activities were air transportation. BOE was incorporated in the PRC whose principal activities were electronic device manufacturing and sales.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

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

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

26. LOANS TO SUBSIDIARIES

The loans to subsidiaries are of 2 to 19 years term, unsecured, interest-bearing and denominated in RMB.

27. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Prepayments on behalf of customers	**1,222,996**	856,457	**59,180**	8,895
Prepaid expenses	**63,195**	28,392	**1,209**	1,269
Due from related parties	**4,923**	15,290	**3,441**	1,071
Available-for-sale financial assets*	**200,000**	—	**—**	—
Others	**86**	3,026	**8**	68
	1,491,200	903,165	**63,838**	11,303

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

* Available-for-sale financial assets represents two short-term investments held by Sinoair:

— Ding Xin No. 17 trust product which costs RMB100,000,000, with 12-month term starting from March 2011, and expected annual yield rate of 9%.

— Financial product of China Construction Bank which costs RMB100,000,000, with 3-month term starting from December 2011, and expected annual yield rate of 5.5%.

28. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade receivables (a)	5,812,116	5,527,044	366,964	313,331
Bills receivables (b)	209,057	218,623	3,000	—
Other receivables (c)	533,924	499,493	24,572	14,620
Due from related parties (d)	153,081	176,088	3,445,697	5,377,387
	6,708,178	6,421,248	3,840,233	5,705,338

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
RMB	5,017,838	4,617,703	3,573,274	5,472,192
US$	1,429,659	1,652,662	266,959	229,727
HK$	250,206	135,485	—	—
Others	10,475	15,398	—	3,419
	6,708,178	6,421,248	3,840,233	5,705,338

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

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

28. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2011 and 2010, the following trade and other receivables were impaired. The factors considered by management in determining the impairment are described in Note 3. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 6 months	**5,059**	1,171	**3,996**	—
Between 6 and 12 months	**58,618**	59,655	**23,369**	33,340
Between 1 and 2 years	**27,843**	22,808	**15,538**	10,165
Between 2 and 3 years	**10,938**	20,115	**7,272**	2,702
Over 3 years	**14,878**	28,498	**—**	345
	117,336	132,247	**50,175**	46,552
Less: Provision for impairment of receivables	**(50,815)**	(75,446)	**(16,190)**	(14,466)
	66,521	56,801	**33,985**	32,086

As at 31 December 2011 and 2010, the following trade and other receivables were past due but not impaired. The aging analysis of these receivables is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 6 months	**118,752**	273,754	**1,838**	102,675
Between 6 and 12 months	**8,329**	324	**—**	—
Between 1 and 2 years	**7,086**	—	**4,687**	—
Between 2 and 3 years	**—**	—	**—**	—
Over 3 years	**—**	3	**—**	—
	134,167	274,081	**6,525**	102,675

28. TRADE AND OTHER RECEIVABLES (continued)

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At beginning of year	**(75,446)**	(71,554)	**(14,466)**	(6,866)
Provision for impairment	**(12,853)**	(23,567)	**(9,573)**	(7,635)
Receivables written off as uncollectible	**22,843**	10,637	**688**	—
Impairment losses reversed	**14,641**	9,038	**7,161**	35
At end of year	**(50,815)**	(75,446)	**(16,190)**	(14,466)

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

(a) Trade receivables

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade receivables	**5,853,573**	5,577,429	**383,154**	327,797
Less: Allowance for impairment of receivables	**(41,457)**	(50,385)	**(16,190)**	(14,466)
Trade receivables, net	**5,812,116**	5,527,044	**366,964**	313,331

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 6 months	**5,750,798**	5,471,334	**336,975**	281,631
Between 6 and 12 months	**58,118**	59,531	**23,369**	32,954
Between 1 and 2 years	**27,061**	22,552	**15,538**	10,165
Between 2 and 3 years	**10,286**	18,007	**7,272**	2,702
Over 3 years	**7,310**	6,005	**—**	345
	5,853,573	5,577,429	**383,154**	327,797

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

28. TRADE AND OTHER RECEIVABLES (continued)

(c) Other receivables

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deposits receivables	192,190	167,106	7,451	2,560
Receivables from payments on behalf of customers	196,647	123,128	16,690	1,481
Compensation receivables	7,703	86,708	—	—
Interest receivable	51,294	27,557	—	—
Others	94,645	120,029	431	10,579
	542,479	524,528	24,572	14,620
Less: Allowance for impairment of receivables	(8,555)	(25,035)	—	—
	533,924	499,493	24,572	14,620

28. TRADE AND OTHER RECEIVABLES (continued)

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	The Group 2011 RMB'000	The Group 2010 RMB'000	The Company 2011 RMB'000	The Company 2010 RMB'000
Trade receivables:				
Ultimate holding company and fellow subsidiaries	**28,560**	25,882	**751**	628
Subsidiaries	**—**	—	**1,201**	766
Jointly controlled entities	**20,487**	25,772	**—**	—
Associates	**21,839**	20,544	**—**	—
	70,886	72,198	**1,952**	1,394
Less: Allowance for impairment of receivables	**—**	(6)	**—**	—
	70,886	72,192	**1,952**	1,394
Other receivables:				
Ultimate holding company and fellow subsidiaries	**54,361**	69,072	**5,798**	5,819
Subsidiaries	**—**	—	**3,437,947**	5,370,151
Jointly controlled entities	**24,150**	34,814	**—**	—
Associates	**4,487**	30	**—**	23
	82,998	103,916	**3,443,745**	5,375,993
Less: Allowance for impairment of receivables	**(803)**	(20)	**—**	—
	82,195	103,896	**3,443,745**	5,375,993
	153,081	176,088	**3,445,697**	5,377,387

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

28. TRADE AND OTHER RECEIVABLES (continued)

(d) Due from related parties (continued)

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 6 months	**70,634**	71,865	**1,952**	1,008
Between 6 and 12 months	**150**	324	**—**	386
Between 1 and 2 years	**96**	—	**—**	—
Between 2 and 3 years	**—**	—	**—**	—
Over 3 years	**6**	9	**—**	—
	70,886	72,198	**1,952**	1,394

Other receivables due from related parties are generally unsecured and repayable on demand.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2011 RMB'000	2010 RMB'000
Foreign exchange forward contracts — held for trading	**—**	106,647

The foreign exchange forward contracts were expired at 31 December 2011.

During the year ended 31 December 2011, the realised net losses on the above foreign exchange forward contracts amounting to RMB111,588,000 (2010: RMB97,272,000) were charged in the consolidated income statement under "Finance costs".

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Listed equity securities in the PRC, at market value	–	5,276	–	5,276

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

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

31. RESTRICTED CASH

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deposits denominated in RMB in banks restricted for				
— bank borrowings	85,561	104,132	–	—
— other business purposes	264,078	95,623	800	800
	349,639	199,755	800	800

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

The weighted average effective interest rates of the Group and the Company on restricted cash per annum were 2.03% (2010: 1.42%) and 0.36% (2010: 0.36%) respectively as at 31 December 2011.

32. TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

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

	The Group	
	2011 RMB'000	2010 RMB'000
Term deposits with initial terms of over three months	**418,473**	313,968

As at 31 December 2011, the weighted average effective interest rates per annum on term deposits with initial terms of over three months of the Group was 2.35% (2010: 2.01%).

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

33. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash at bank and in hand	**4,579,965**	3,768,683	**836,810**	411,091
Short-term bank deposits	**941,080**	1,433,825	**50,000**	—
	5,521,045	5,202,508	**886,810**	411,091

(a) As at 31 December 2011 and 2010, the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
RMB	**4,464,153**	3,962,745	**780,475**	343,452
US$	**792,615**	1,107,424	**90,785**	52,593
HK$	**76,557**	97,730	**53**	56
Japanese Yen ("JPY")	**39,999**	918	**10**	10
Others	**147,721**	33,691	**15,487**	14,980
	5,521,045	5,202,508	**886,810**	411,091

(b) The weighted average effective interest rates of the Group and the Company on short term bank deposits per annum were 2.12% (2010: 1.46%) and 1.49% (2010: Nil) respectively as at 31 December 2011.

34. BORROWINGS

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Current				
Bank borrowings denominated in				
— RMB	176,700	326,842	10,000	149,166
— US$	793,016	981,847	124,743	235,958
— HK$	47,670	50,035	—	—
— JPY	89,213	211,276	89,213	211,276
— Australian Dollar ("AUD")	—	20,142	—	—
Current portion of non-current bank borrowings				
— denominated in RMB	20,000	20,000	—	—
Loans payable to SINOTRANS & CSC				
— denominated in RMB	1,000,000	1,500,000	1,000,000	1,500,000
	2,126,599	3,110,142	1,223,956	2,096,400
Non-current				
Bank borrowings repayable between 1 to 2 years				
— denominated in RMB	12,000	20,000	—	—
Bank borrowings repayable between 2 to 5 years				
— denominated in RMB	85,480	12,000	—	—
— denominated in USD	106,978	112,442	—	—
Loans payable to SINOTRANS & CSC between 1 to 2 years				
— denominated in RMB	—	1,000,000	—	1,000,000
	204,458	1,144,442	—	1,000,000
Total borrowings	2,331,057	4,254,584	1,223,956	3,096,400
Borrowings				
Unsecured				
— Bank borrowings	1,163,078	1,553,852	223,956	596,400
— loans payable to SINOTRANS & CSC	1,000,000	2,500,000	1,000,000	2,500,000
Secured or guaranteed	167,979	200,732	—	—
	2,331,057	4,254,584	1,223,956	3,096,400

34. BORROWINGS (continued)

(b) The weighted average effective interest rates per annum of the borrowings for the Group were 5.65% (2010: 5.06%) for bank borrowings denominated in RMB, 3.07% (2010: 2.36%) for bank borrowings denominated in US$, 1.24% (2010: 1.32%) for bank borrowings denominated in HK$, 2.84% (2010: 1.71%) for bank borrowings denominated in JPY, 7.25% (2010: 7.25%) for bank borrowings denominated in AUD, and 3.26% (2010: 3.28%) for loans payable to SINOTRANS & CSC as at 31 December 2011.

The weighted average effective interest rates per annum of the borrowings for the Company were 5.62% (2010: 5.23%) for bank borrowings denominated in RMB, 3.45% (2010: 1.95 %) for bank borrowings denominated in US$, 2.84% (2010: 1.71%) for bank borrowings denominated in JPY, and 3.26% (2010: 3.28%) for loans payable to SINOTRANS & CSC as at 31 December 2011.

(c) Securities and guarantees

	The Group	
	2011 RMB'000	2010 RMB'000
Restricted cash pledged	**85,561**	104,132
Net book value of property, plant and equipment pledged	**66,166**	93,924
Net book value of land use rights pledged	**34,153**	35,014

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
6 months or less	**2,006,121**	1,380,109	**1,160,947**	446,400
6–12 months	**324,936**	1,842,475	**63,009**	1,650,000
1–5 years	**—**	1,032,000	**—**	1,000,000
	2,331,057	4,254,584	**1,223,956**	3,096,400

35. BONDS

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Medium-term notes (a)	497,042	—	497,042	—
Collective bonds (b)	46,447	—	—	—
Long-term bonds	543,489	—	497,042	—
Short-term bonds (c)	2,338,120	—	2,338,120	—

(a) On 5 September 2011, the Company received the approval from the National Association of Financial Market Institutional Investors of issuing the unsecured medium-term notes amounting to RMB2.5 billion by tranche. The issuance of the first tranche of medium-term notes with par value of RMB100 each totalling RMB0.5 billion was completed on 21 October 2011. Such medium-term notes are of 3-year term with fixed annual coupon and effective interest rates of 5.99% and 6.23%, respectively.

(b) In November 2011, a subsidiary of the Company issued collective bonds with par value of RMB100 each totalling RMB50 million. The bonds are secured by China Bond Insurance Co., Ltd. and are of 3-year term with fixed annual coupon and effective interest rates of 6.20% and 9.18%, respectively.

(c) Short-term bonds represented unsecured bonds issued by the Company on 8 September 2011 with par value of RMB100 each totalling RMB2.3 billion. Such bonds are of 366-days term with fixed annual coupon and effective interest rates of 5.94% and 6.24%, respectively.

36. PROVISIONS

	The Group					
	One-off cash housing subsidies RMB'000	Guarantees RMB'000	Outstanding claims RMB'000	Onerous contracts RMB'000	Others RMB'000	Total RMB'000
2011						
As at 1 January 2011	30,898	3,133	50,259	14,433	37,049	135,772
Additional provision	–	–	15,270	11,172	21,475	47,917
Paid during the year	(1,078)	–	(36,943)	(14,431)	(18,315)	(70,767)
As at 31 December 2011	29,820	3,133	28,586	11,174	40,209	112,922
2010						
As at 1 January 2010	31,682	3,133	52,541	55,244	6,730	149,330
Additional provision	–	–	7,265	40,634	37,049	84,948
Paid during the year	(784)	–	(9,547)	(81,445)	(6,730)	(98,506)
As at 31 December 2010	30,898	3,133	50,259	14,433	37,049	135,772

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

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

36. PROVISIONS (continued)

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

	The Company	
	2011 RMB'000	2010 RMB'000
As at 1 January	7,565	1,800
Additional provision	513	9,512
Utilised during the year	(1,659)	(3,747)
As at 31 December	6,419	7,565

The carrying amounts of the Group's and the Company's provisions at the end of each reporting period approximate their fair values as the impact of discounting is not significant.

37. TRADE PAYABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade payables (a)	4,728,399	4,277,764	127,343	111,613
Due to related parties (b)	114,168	142,994	71,568	36,101
	4,842,567	4,420,758	198,911	147,714

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
RMB	3,769,690	3,328,963	83,557	36,947
US$	965,315	942,195	115,004	108,633
HK$	94,969	113,839	66	—
Others	12,593	35,761	284	2,134
	4,842,567	4,420,758	198,911	147,714

37. TRADE PAYABLES (continued)

(a) Trade payables

The normal credit period for trade payables generally ranges from 1 to 3 months. Aging analysis of trade payables at the end of each reporting period is as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 6 months	**4,332,467**	3,858,375	**96,490**	82,321
Between 6 and 12 months	**174,421**	205,585	**19,438**	7,799
Between 1 and 2 years	**143,564**	129,412	**6,432**	19,173
Between 2 and 3 years	**50,655**	68,929	**2,927**	1,373
Over 3 years	**27,292**	15,463	**2,056**	947
	4,728,399	4,277,764	**127,343**	111,613

(b) Due to related parties

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Ultimate holding company and fellow subsidiaries	**94,005**	114,730	**5,169**	5,680
Subsidiaries	**—**	—	**66,398**	30,361
Jointly controlled entities	**12,337**	19,372	**1**	60
Associates	**7,826**	8,892	**—**	—
	114,168	142,994	**71,568**	36,101

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within 6 months	**96,972**	128,978	**64,028**	32,708
Between 6 and 12 months	**2,519**	2,530	**3,874**	1,782
Between 1 and 2 years	**3,720**	610	**2,888**	1,611
Between 2 and 3 years	**213**	157	**778**	—
Over 3 years	**10,744**	10,719	**—**	—
	114,168	142,994	**71,568**	36,101

38. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Other payables and accruals (a)	**731,314**	656,768	**75,564**	56,097
Due to related parties (b)	**551,987**	411,954	**1,954,435**	1,832,116
	1,283,301	1,068,722	**2,029,999**	1,888,213

(a) Other payables and accruals

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Payables for property, plant and equipment	**102,743**	107,923	**—**	—
Customers' deposits	**346,610**	311,433	**9,843**	18,981
Accrued expenses	**52,453**	54,793	**12,118**	19,656
Dividends payable to non-controlling shareholders of subsidiaries	**14,181**	5,440	**—**	—
Temporary receipts	**47,449**	68,977	**5,121**	9,262
Other tax liabilities	**54,639**	62,505	**8,369**	7,095
Others	**113,239**	45,697	**40,113**	1,103
	731,314	656,768	**75,564**	56,097

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Ultimate holding company and fellow subsidiaries*	**528,820**	393,924	**3,274**	142,961
Subsidiaries	**—**	—	**1,951,161**	1,689,155
Jointly controlled entities	**21,424**	16,475	**—**	—
Associates	**1,743**	1,555	**—**	—
	551,987	411,954	**1,954,435**	1,832,116

* Among the amounts due to ultimate holding company and fellow subsidiaries, RMB289,027,000 (2010: Nil) are unsecured and repayable within 6–12 months with weighted average effective interest rates per annum of 3.28%.

Other amounts due to related parties are generally unsecured, non-interest bearing, and without fixed repayment terms.

39. RECEIPTS IN ADVANCE FROM CUSTOMERS

	The Group	
	2011 RMB'000	2010 RMB'000
Receipts in advance from customers	**1,401,085**	1,004,972
Collection and payment on behalf of others	**1,249,734**	1,151,022
	2,650,819	2,155,994

40. SHARE CAPITAL

	The Group and The Company	
	2011 RMB'000	2010 RMB'000
Registered, issued and fully paid		
— Domestic shares of RMB1.00 each	**2,461,596**	2,461,596
— H shares of RMB1.00 each	**1,787,406**	1,787,406
	4,249,002	4,249,002

As at 31 December 2011 and 2010, the registered and issued share capital comprises 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital, respectively.

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

41. RESERVES

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

For the year ended 31 December 2011, the Company transferred of 10% of the Company's profit after tax determined under the PRC accounting standards, after reduction of accumulated losses, of RMB34,993,000 (2010: RMB50,019,000) to the statutory surplus reserve fund.

As at 31 December 2011, the Company's retained earnings available for distribution was approximately RMB763,949,000 (2010: RMB618,972,000), being the amount determined in accordance with the PRC accounting standards.

42. 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.

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

As at 31 December 2011, the Company has granted SAR to a total of 5 (2010: 5) directors of the Company, 1 (2010: 1) supervisor of the Company and 120 (2010: 120) senior employees of the Group. As at 31 December 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 summarised as follows:

(a) Information on outstanding SAR

				The Group	
	Date of grant	**Expiry date**	**Exercise price in HK$ per share**	**2011 (Thousands)**	2010 (Thousands)
Tranche I	20 January 2003 (i)	20 January 2013	2.19	**21,004**	21,004
Tranche II	24 June 2003 (ii)	24 June 2013	2.18	**4,060**	4,060
				25,064	25,064

42. CASH-SETTLED SHARE-BASED PAYMENT (continued)

(a) Information on outstanding SAR (continued)

(i) The fair value of SAR granted under Tranche I as at 31 December 2011 determined using the Black-Scholes valuation model was HK$ 0.01 (31 December 2010: HK$0.24). The significant inputs into the model were share price of HK$1.38 (31 December 2010: HK$2.13), exercise price per share shown above, expected life of SAR of 0.53 year (31 December 2010: 1.03 years), expected dividend rate of 2.68% (31 December 2010: 2.44%), risk-free interest rate of 0.23% (31 December 2010: 0.35%), and expected volatility of 39.44% (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 31 December 2011 determined using the Black-Scholes valuation model was HK$ 0.015 (31 December 2010: HK$0.269). The significant inputs into the model were share price of HK$1.38 (31 December 2010: HK$2.13), exercise price per share shown above, expected life of SAR of 0.74 year (31 December 2010: 1.24 years), expected dividend rate of 2.68% (31 December 2010: 2.44%), risk-free interest rate of 0.23% (31 December 2010: 0.42%), and expected volatility of 36.07% (31 December 2010: 33.65%). The expected volatility is estimated based on historical daily share price of the Company.

(iii) The variables and assumptions used in computing the fair value of the SAR are based on director's best estimate. The value of SAR varies with different variables of certain subjective assumptions.

(iv) The intrinsic value of SAR vested at 31 December 2011 for both Tranche I and II is Nil (31 December 2010: Nil).

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

	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 beginning of year	**2.19**	**25,064**	2.19	25,064
Forfeited	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
At end of year	**2.19**	**25,064**	2.19	25,064

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

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

	The Group	
	2011 RMB'000	2010 RMB'000
At beginning of year	**5,172**	10,291
Credited to other gains/(losses),net	**(4,953)**	(5,119)
At end of year	**219**	5,172

43. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	The Group	
	2011 RMB'000	2010 RMB'000
Profit for the year	871,937	832,058
Interest income	(87,079)	(56,736)
Interest expenses	214,875	122,617
Net (gains)/loss on disposal of property, plant and equipment	(3,278)	5,539
(Reversal of)/allowance for loss of receivables	(1,788)	14,529
Loss/(gain) on financial assets at fair value through profit and loss	290	(60)
Depreciation of property, plant and equipment	421,991	394,970
Amortisation of intangible assets	18,883	19,316
Operating lease charges on other non-current assets	18,336	35,277
Operating lease charges on land use rights	52,403	50,065
Share of profit of associates, net of taxation	(58,167)	(69,767)
Share of profit of jointly controlled entities, net of taxation	(510,001)	(432,920)
Dividend income on available-for-sale financial assets	(14,101)	(3,039)
Gain on liquidation of a jointly controlled entity	—	(5,583)
Loss/(gain) on disposal of an associate	222	(2,157)
Gain on disposal of available-for-sale financial assets	—	(44,454)
Fair value gains on derivative financial instruments	(106,647)	(15,959)
Impairment on property, plant and equipment	54,946	—
Gain on disposal of other current assets	(1,479)	—
Fair value gains on SAR	(4,953)	(5,119)
Exchange losses	774	32,553
Operating profit before working capital changes	867,164	871,130
Increase in deferred income tax assets	(2,523)	(21,853)
Increase in prepayments and other current assets	(373,104)	(307,005)
Increase in inventories	(47,114)	(4,394)
Increase in trade and other receivables	(243,065)	(1,004,093)
Decrease in deferred income tax liabilities	(230)	(72,730)
Decrease in other non-current liabilities	—	(65)
Decrease in provisions	(22,850)	(13,558)
Increase in trade payables	421,809	513,044
Increase in other payables, accruals and other current liabilities	13,905	138,777
Increase in receipts in advance from customers	494,825	658,040
Increase in income tax liabilities	310,138	315,385
Increase in salary and welfare payable	61,622	117,268
Cash generated from operations	1,480,577	1,189,946

44. BUSINESS COMBINATION

On 1 November 2011, one of the Company's subsidiaries, Sinoair, acquired 100% equity interests of Tianjin Tianhua Hongyun Logistics Co., Ltd., which is mainly engaged in providing logistics services in the PRC. The total cash consideration after agreed adjustments is RMB32,091,000.

The acquired business contributed revenues of Nil and loss of RMB352,000 to the Group for the year from acquisition date to 31 December 2011. If the acquisition had occurred on 1 January 2011, the acquired business's revenue and loss for the year ended 31 December 2011 would have been Nil and RMB4,224,000 respectively.

At 1 November 2011	RMB'000
Consideration-cash:	32,091
Acquisition-related costs (included in other operating expenses in the consolidated income statement for the year ended 31 December 2011)	100

Recognised amounts of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	28,795
Land use rights	23,204
Other payables	(19,908)
Total identifiable net assets	32,091
Goodwill	—

Net cash outflow on acquisition of subsidiaries

	RMB'000
Consideration paid in cash	32,091
Less: cash and cash equivalent balances acquired	—
consideration paid in prior year	(10,091)
consideration not yet paid	(5,000)
Consideration paid during the current year	17,000

45. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account the legal advice, provisions have been made for the probable losses which are included in Note 36. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 31 December 2011, the maximum exposure of such lawsuits to the Group amounted to approximately RMB63,015,000 (2010: RMB71,553,000).

46. GUARANTEES

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

	The Group	
	2011 RMB'000	2010 RMB'000
Loan guarantees provided by Group for the benefit of a jointly controlled entity	294,050	201,844
Performance guarantees provided by Group for the benefit of a jointly controlled entity	–	3,000
Tariff guarantees provided by Group for the benefit of third parties	–	2,000

As at 31 December 2011, Sinoair provided guarantees to bank loans obtained by its jointly controlled entity, Grandstar Airlines, totaling RMB294,050,000 (31 December 2010: RMB201,844,000), including: (1) RMB168,032,000 (US$26,668,000) (31 December 2010: RMB201,844,000) loans pledged by property and equipment of Grandstar Airlines, for which Sinoair provided unconditional, on-demand, joint and several liability guarantee; and (2) RMB126,018,000 (US$20,000,000) (31 December 2010: Nil) loans obtained by Grandstar Airlines for working capital purpose, for which Sinoair placed a fixed term deposit certificate amounting RMB134,000,000 as collateral security. For this loan guarantee, a counter-guarantee at 49% of the total guarantee liability (not exceeding US$20,000,000) was provided to Sinoair by Korean Air, the other shareholder of Grandstar Airlines. This deposit of RMB134,000,000 was classified as restricted cash in the Group's consolidated statement of financial position as at 31 December 2011.

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 2013.

47. CAPITAL COMMITMENTS

At the end of the reporting period, the Group and the Company have the following outstanding capital commitments not provided for in the consolidated financial statements:

	The Group	
	2011 RMB'000	2010 RMB'000
Authorised and contracted for but not provided for	**2,141,831**	69,111
Authorised but not contracted for	**150,110**	922,207
	2,291,941	991,318
An analysis of the above capital commitments by nature is as follows:		
Acquisition of property, plant and equipment	**986,336**	290,533
Construction commitments	**1,076,005**	552,273
Investments in subsidiaries/jointly controlled entities/associates	**229,600**	148,512
	2,291,941	991,318

	The Company	
	2011 RMB'000	2010 RMB'000
Authorised and contracted for but not provided for	**121,600**	—
	121,600	—
An analysis of the above capital commitments by nature is as follows:		
Investments in subsidiaries/jointly controlled entities/associates	**121,600**	—
	121,600	—

48. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Land and buildings				
— Not later than one year	**147,112**	150,182	**8,184**	6,945
— Later than one year but not later than five years	**315,900**	355,115	**28,400**	27,780
— Later than five years	**120,758**	164,480	**41,670**	48,615
Vessels, containers and other equipment				
— Not later than one year	**421,873**	532,577	**36,864**	39,574
— Later than one year but not later than five years	**385,995**	433,083	**—**	3,277
— Later than five years	**47,166**	49,037	**—**	—
	1,438,804	1,684,474	**115,118**	126,191

(b) The Group as lessor

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

	The Group	
	2011 RMB'000	2010 RMB'000
Land and buildings		
— Not later than one year	**17,712**	18,448
— Later than one year but not later than five years	**21,797**	23,061
— Later than five years	**12,230**	7,274
Machinery		
— Not later than one year	**3,035**	48,911
— Later than one year but not later than five years	**181**	—
	54,955	97,694

49. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under SINOTRANS & CSC, which is controlled by the PRC government.

Related parties include SINOTRANS & CSC (including its subsidiaries and associates), 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.

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.

For the purpose of the related party transaction disclosures, the directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of 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.

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties

	The Group	
	2011 RMB'000	2010 RMB'000
Transactions with ultimate holding company and fellow subsidiaries		
Revenue from provision of transportation and logistics services	217,712	217,352
Expenses — Service fees	(252,222)	(179,521)
Expense — Rental expenses for office buildings, warehouses and depots	(40,766)	(39,250)
Expense — Rental expenses for containers	(115,061)	(57,698)
Expense — Rental expenses for vessels	(52,037)	(95,310)
Purchase of non-controlling interests	—	(12,610)
Transactions with associates of the Group		
Revenue from provision of services	116,853	104,816
Expenses — Service fees	(80,026)	(98,337)
Transactions with jointly controlled entities of the Group		
Revenue from provision of services	154,609	124,358
Expenses — Service fees	(307,088)	(374,577)
Gains from disposal of a subsidiary	—	2,157
Transactions with other government-related entities		
Interest income from bank deposits	102,348	46,986

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	The Group	
	2011 RMB'000	2010 RMB'000
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	82,921	94,928
Prepayments and other current assets	4,276	14,410
Trade payables	94,005	114,730
Other payables, accruals and other current liabilities	528,820	393,924
Receipts in advance from customers	3,009	1,650
Balances with jointly controlled entities of the Group		
Trade and other receivables	44,637	60,586
Prepayments and other current assets	454	695
Trade payables	12,337	19,372
Other payables, accruals and other current liabilities	21,424	16,475
Receipts in advance from customers	2,482	874
Balances with associates of the Group		
Trade and other receivables	26,326	20,574
Prepayments and other current assets	193	185
Trade payables	7,826	8,892
Other payables, accruals and other current liabilities	1,743	1,555
Receipts in advance from customers	2,834	267
Balances with other government-related entities		
Restricted cash	293,340	143,755
Terms deposits with initial terms of over three months	351,063	304,634
Cash and cash equivalents	5,042,811	4,972,700

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Borrowings

	The Group	
	2011 RMB'000	2010 RMB'000
Loans payable to SINOTRANS & CSC and fellow subsidiaries		
At beginning of year	**2,500,000**	2,500,000
Proceeds from borrowings	**295,000**	—
Repayment of borrowings	**(1,795,000)**	—
At end of year	**1,000,000**	2,500,000
Interest charged	**89,925**	86,038
Interest paid	**(82,039)**	(84,883)

As at 31 December 2011, the weighted average effective interest rate of the loans above was 3.26% (2010: 3.28%) per annum.

	The Group	
	2011 RMB'000	2010 RMB'000
Borrowing from the PRC state-owned banks		
At beginning of year	**1,624,583**	487,765
Proceeds from borrowings	**1,797,241**	2,095,357
Repayment of borrowings	**(2,227,510)**	(958,539)
At end of year	**1,194,314**	1,624,583
Interest charged	**57,388**	36,402
Interest paid	**(43,379)**	(11,091)

As at 31 December 2011, the weighted average effective interest rate of the bank borrowings above was 4.60% (2010: 2.82%) per annum.

Except for the borrowings disclosed above, for the year ended 31 December 2011, the Group obtained another RMB289,027,000 from SINOTRANS & CSC and fellow subsidiaries which was interest-bearing with no repayment during the year (Note 38 (b)).

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

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

	The Group	
	2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	**2,411**	2,103
Discretionary bonuses	**4,870**	4,162
Contributions to pension plans	**300**	284

50. SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2011:

(a) In relation to the fulfillment of the share reform undertaking of Sinoair, the Company sent out "the Preliminary Plan of fulfillment of the share reform undertaking" (the "Preliminary Plan") to Sinoair. According to the proposed Preliminary Plan, the Company intends to transfer 100% equity of Foshan Sinotrans Express Management Services Co., Limited as well as the air freight forwarding business held by the four branches of Sinotrans Changjiang Corporation Limited which are located in Suzhou, Wuxi, Changzhou, Zhang Jiagang to Sinoair. The Preliminary Plan needs to be negotiated with Sinoair and further refined, which will be subject to approval by the board of directors and shareholders of Sinoair. According to the Preliminary Plan, this transfer is not expected to have a significant impact on the assets, revenue and profits of the Company and Sinoair.

(b) On 5 September 2011, the Company received the approval from the National Association of Financial Market Institutional Investors of issuing the unsecured medium-term notes amounting to RMB2.5 billion by tranche. The issuance of the second tranche of medium-term notes with par value of RMB100 each totalling RMB2 billion was completed on 19 March 2012.

(c) At the Board of Directors' meeting held on 21 March 2012, the Directors proposed a final dividend of RMB0.01 per ordinary share totaling RMB0.03 for the year ended 31 December 2011.

MISSION continues...

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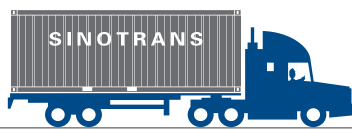

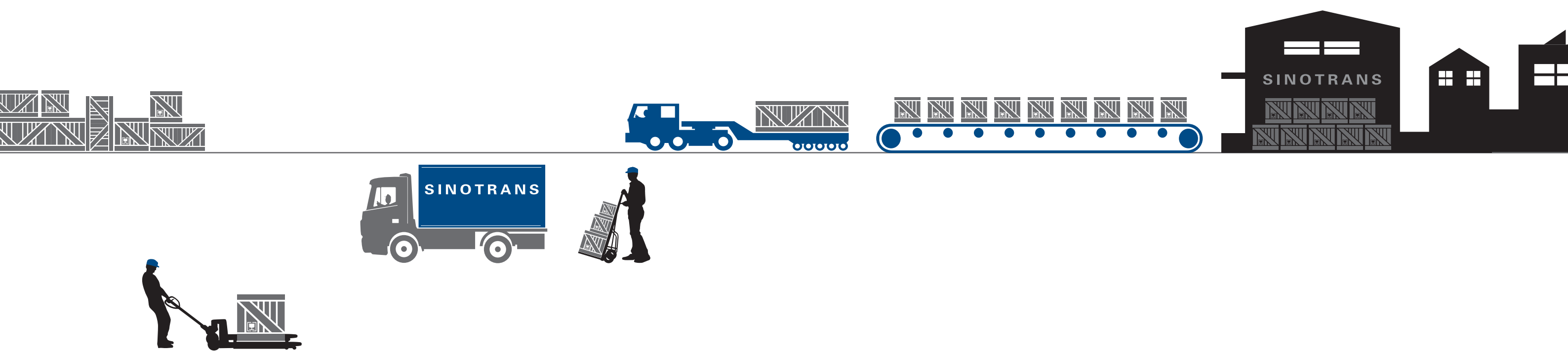
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