



SINOTRANS LIMITED

Stock Code:598

Interim Report **2012**



Growing with **Strength**

Expanding with **Network**





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Corporate Information

LEGAL NAME OF THE COMPANY:

SINOTRANS LIMITED

DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:

20 November 2002

REGISTERED ADDRESS AND HEADQUARTERS OF THE COMPANY:

Sinotrans Plaza A
A43, Xizhimen Beidajie
Haidian District
Beijing 100044
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:

21/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Zhao Huxiang

COMPANY SECRETARY:

Mr. Gao Wei

INVESTOR AND MEDIA RELATIONS:

Securities and Legal Affairs Department
Tel: (86) 10 5229-6667
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HONG KONG SHARE REGISTRAR:

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

H SHARE LISTING:

The Stock Exchange of Hong Kong Limited

ABBREVIATION OF THE COMPANY'S SHARES:

中國外運(SINOTRANS)

STOCK CODE:

598

PRINCIPAL BANKERS:

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

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

AUDITORS:

International auditors:

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

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	3	23,160,007	20,601,190
Other income		107,942	67,471
Business tax and other surcharges		(144,696)	(150,548)
Transportation and related charges		(19,317,415)	(16,901,379)
Staff costs		(1,256,644)	(1,104,492)
Depreciation and amortisation		(237,033)	(213,203)
Repairs and maintenance		(75,887)	(70,763)
Fuel		(766,799)	(702,729)
Travel and promotional expenses		(160,292)	(144,976)
Office and communication expenses		(88,095)	(87,887)
Rental expenses		(523,825)	(583,805)
Other gains/(losses), net		219	26,486
Other operating expenses		(204,383)	(186,180)
Operating profit	4	493,099	549,185
Finance income	5	79,784	43,499
Finance costs	5	(156,854)	(143,070)
		(77,070)	(99,571)
Share of profit of jointly controlled entities		224,600	238,281
Share of profit of associates		22,067	23,005
Profit before income tax		662,696	710,900
Income tax expense	6	(162,699)	(157,349)
Profit for the period		499,997	553,551
Attributable to:			
– Owners of the Company		389,885	438,136
– Non-controlling interests		110,112	115,415
		499,997	553,551
Earnings per share for profit attributable to owners of the Company,			
Basic (RMB)	8	0.09	0.10

The notes on pages 10 to 37 form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Profit for the period		499,997	553,551
Other comprehensive income			
Fair value gains/(losses) on available-for-sale financial assets	11(a)	38,924	(413,180)
Share of other comprehensive income of jointly controlled entities		246	–
Share of other comprehensive income of associates		(1,564)	–
Currency translation differences		4,493	(4,611)
Income tax relating to components of other comprehensive income		(9,731)	103,295
Other comprehensive income/(losses) for the period, net of tax		32,368	(314,496)
Total comprehensive income for the period		532,365	239,055
Total comprehensive income attributable to:			
– Owners of the Company		411,629	236,916
– Non-controlling interests		120,736	2,139
		532,365	239,055

The notes on pages 10 to 37 form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		2,186,651	2,155,885
Prepayments for acquisition of land use rights		70,086	68,849
Property, plant and equipment	9	6,057,490	5,622,457
Investments in jointly controlled entities	10	2,302,813	1,766,972
Investments in associates		1,027,569	1,015,603
Deferred income tax assets		86,557	91,130
Intangible assets		96,640	95,523
Available-for-sale financial assets	11	1,431,090	1,392,166
Other non-current assets		23,084	21,990
		13,281,980	12,230,575
Current assets			
Prepayments and other current assets		1,351,190	1,491,200
Inventories		44,778	83,182
Trade and other receivables	12	8,099,060	6,708,178
Restricted cash		561,048	349,639
Term deposits with initial terms of over three months		497,505	418,473
Cash and cash equivalents		6,173,781	5,521,045
		16,727,362	14,571,717
Total assets		30,009,342	26,802,292
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,249,002	4,249,002
Reserves		5,901,978	5,493,223
Proposed dividends	7(b)	-	42,490
		10,150,980	9,784,715
Non-controlling interests		2,210,023	2,200,154
Total equity		12,361,003	11,984,869

Unaudited Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		36,721	27,080
Provisions	16	157,747	112,922
Borrowings	15	207,936	204,458
Long-term bonds	13	2,542,743	543,489
Other non-current liabilities		157,658	62,337
		3,102,805	950,286
Current liabilities			
Trade payables	14	5,836,291	4,842,567
Other payables, accruals and other current liabilities	23(b)	2,094,617	1,283,301
Receipts in advance from customers		2,505,243	2,650,819
Current income tax liabilities		108,228	121,641
Borrowings	15	1,128,247	2,126,599
Short-term bonds	13	2,409,259	2,338,120
Salary and welfare payables		463,649	504,090
		14,545,534	13,867,137
Total liabilities		17,648,339	14,817,423
Total equity and liabilities		30,009,342	26,802,292
Net current assets		2,181,828	704,580
Total assets less current liabilities		15,463,808	12,935,155

The notes on pages 10 to 37 form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	For the six months ended 30 June 2012 (Unaudited)								
	Attributable to owners of the Company								
	Share capital	Capital reserve	Statutory surplus	Investment revaluation	Exchange	Retained	Total	Non-controlling interests	Total equity
			reserve	reserve	reserve	earnings			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2012	4,249,002	1,632,946	352,532	49,819	(39,849)	3,540,265	9,784,715	2,200,154	11,984,869
Profit for the period	-	-	-	-	-	389,885	389,885	110,112	499,997
Other comprehensive (losses)/income for the period	-	(1,318)	-	18,526	4,536	-	21,744	10,624	32,368
Total comprehensive (losses)/income for the period	-	(1,318)	-	18,526	4,536	389,885	411,629	120,736	532,365
Transactions with owners									
2011 final dividends	-	-	-	-	-	(42,490)	(42,490)	-	(42,490)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	(104,068)	(104,068)
Capital injection from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	20,996	20,996
Acquisition of additional equity interests in subsidiaries from non-controlling interests	-	627	-	-	-	(3,501)	(2,874)	(27,795)	(30,669)
Total transactions with owners	-	627	-	-	-	(45,991)	(45,364)	(110,867)	(156,231)
Transfer to statutory reserve (Note 7(a))	-	-	23,263	-	-	(23,263)	-	-	-
As at 30 June 2012	4,249,002	1,632,255	375,795	68,345	(35,313)	3,860,896	10,150,980	2,210,023	12,361,003

Unaudited Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2012

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

The notes on pages 10 to 37 form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Net cash generated from operating activities		141,542	282,616
Net cash used in investing activities	18(a)	(889,478)	(391,782)
Net cash generated from financing activities	18(b)	1,396,075	86,086
Exchange gains/(losses) on cash and cash equivalents		4,597	(21,028)
Net increase/(decrease) in cash and cash equivalents		652,736	(44,108)
Cash and cash equivalents at 1 January		5,521,045	5,202,508
Cash and cash equivalents at 30 June		6,173,781	5,158,400

The notes on pages 10 to 37 form an integral part of these unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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 Holdings Co., Ltd. (“SINOTRANS&CSC”) after it merged with China Changjiang National Shipping (Group) Corporation.

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

These unaudited condensed consolidated financial statements are presented in thousands of Renminbi (“Rmb’000”), unless otherwise stated.

These unaudited condensed consolidated financial statements were approved by the Board of Directors for issue on 17 August 2012.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, where are measured at fair values.

Except as described below, the accounting policies and methods of computation used in these unaudited condensed consolidated financial statements are the same as those followed in the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs:

- amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets; and
- amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets.

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. 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 organized. The chief operating decision-maker has been identified as the management, which is chaired by the chief executive officer and consists of senior management of the Company who make strategic decisions. Management has determined the operating segments based on these reports.

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. Segment profit is the operating profit excludes the effects of other gains/(losses), and corporate expenses.

The Group’s segment assets exclude financial assets at fair value through profit or loss, investment in jointly controlled entities and associates, available-for-sale financial assets, related dividend and investment income receivables, as well as goodwill because the Group’s entire investing activities are managed on a central basis as corporate assets. Deferred income tax assets and other corporate assets are also excluded. In addition, segment assets exclude interests receivable, of which is not considered when assessing segment results. 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 between 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 unaudited condensed consolidated income statement.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (CONTINUED)

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the six months ended								
30 June 2012 (Unaudited)								
Revenue – external	19,255,349	357,809	1,969,379	927,843	649,627	23,160,007	-	23,160,007
Revenue – inter-segment	375,333	40,349	452,654	93,918	118,588	1,080,842	(1,080,842)	-
Total revenue	19,630,682	398,158	2,422,033	1,021,761	768,215	24,240,849	(1,080,842)	23,160,007
Segment profit/(losses)	358,266	142,354	(137,089)	169,480	5,056	538,067	-	538,067
Other gains, net								219
Corporate expenses								(45,187)
Operating profit								493,099
Finance costs, net								(77,070)
Share of profit of jointly controlled entities	9,742	10,238	-	18,775	185,845	224,600	-	224,600
Share of profit of associates								22,067
Profit before income tax								662,696
Income tax expense								(162,699)
Profit for the period								499,997
As at 30 June 2012 (Unaudited)								
Segment assets	15,108,131	1,544,074	1,866,914	5,307,460	965,744	24,792,323	(1,439,981)	23,352,342

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (CONTINUED)

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the six months ended								
30 June 2011 (Unaudited)								
Revenue – external	16,805,172	343,286	1,977,494	821,414	653,824	20,601,190	–	20,601,190
Revenue – inter-segment	252,066	59,529	545,957	112,833	98,493	1,068,878	(1,068,878)	–
Total revenue	17,057,238	402,815	2,523,451	934,247	752,317	21,670,068	(1,068,878)	20,601,190
Segment profit/(losses)	338,590	147,226	(82,388)	160,742	3,034	567,204	–	567,204
Other gains, net								26,486
Corporate expenses								(44,505)
Operating profit								549,185
Finance costs, net								(99,571)
Share of profit of jointly controlled entities	9,010	7,887	–	23,570	197,814	238,281	–	238,281
Share of profit of associates								23,005
Profit before income tax								710,900
Income tax expense								(157,349)
Profit for the period								553,551
As at 31 December 2011 (Audited)								
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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

4. OPERATING PROFIT

Operating profit is arrived at after crediting and charging the following:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Crediting		
Rental income from		
– buildings	14,512	11,856
– plant and machinery	3,400	4,203
Gain on disposal of property, plant and equipment	20,598	3,923
Dividend income from available-for-sale financial assets	19,607	8,960
Income from property management	3,243	2,100
Charging		
Depreciation		
– owned property, plant and equipment	221,807	201,071
– owned property, plant and equipment leased out under operating leases	4,056	3,630
Losses on disposal of property, plant and equipment	19,566	1,581
Impairment losses of receivables	12,732	8,395
Operating lease charges		
– land use rights	27,873	25,039
– buildings	88,754	101,427
– plant and equipment	407,198	457,339
Amortisation of intangible assets	11,170	8,502
Charges on property management and facilities	48,764	43,748
Other tax expenses	30,649	27,888
Provision for onerous contract	1,438	8,141
Charges on IT support	13,475	20,220

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

5. FINANCE COSTS, NET

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Finance income		
– Interest income on bank balances	79,784	43,499
Finance cost		
– Interest expenses		
Including: Borrowings	(40,388)	(71,333)
Bonds	(117,352)	–
– Exchange gains/(losses), net	8,115	(60,687)
– Bank charges	(7,229)	(11,050)
	(156,854)	(143,070)
Finance costs, net	(77,070)	(99,571)

6. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Current income tax		
– Hong Kong profit tax	–	191
– PRC income tax expense	158,405	141,841
Deferred PRC income tax	4,294	15,317
	162,699	157,349

Hong Kong profit tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profit for the period.

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2011: 25%) of the assessable income of each of the companies comprising the Group as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 12.5% to 20% (six months ended 30 June 2011: 12.5% to 24%) based on the relevant PRC tax laws and regulations.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

7. PROFIT APPROPRIATIONS

(a) Statutory surplus reserve

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

For the six months ended 30 June 2012, approximately RMB23,263,000 (six months ended 30 June 2011: RMB23,473,000), representing 10% of profit after tax (six months ended 30 June 2011: 10%) determined under the PRC accounting standards, has been appropriated to the statutory surplus reserve.

(b) Dividends

An interim dividend of RMB0.02 per ordinary share totalling RMB84,980,000 (2012: nil) was declared to the owners of the Company on 18 August 2011.

In March 2012, a final dividend of RMB 0.01 per ordinary share totalling RMB42,490,000 in respect of the year ended 31 December 2011 (2011: RMB0.02 per ordinary share totalling RMB84,980,000 in respect of the year ended 31 December 2010) was approved by shareholders. As at 30 June 2012, such dividend was not yet paid.

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	389,885	438,136
Number of ordinary shares in issue (thousands)	4,249,002	4,249,002
Basic earnings per share (RMB)	0.09	0.10

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2012 (Unaudited)

	Buildings	Leasehold improvements	Port and rail facilities	Containers	Plant and machinery	Motor vehicles and vessels	Furniture and office equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost									
At 1 January 2012	3,418,102	5,134	844,554	56,343	1,360,546	1,497,952	480,579	865,262	8,528,472
Exchange differences	386	-	-	133	1	430	57	-	1,007
Additions	46,604	233	753	184	56,751	49,460	19,862	531,173	705,020
Disposals	(35,819)	(25)	(1,450)	(97)	(24,817)	(117,309)	(11,114)	-	(190,631)
Transfer upon completion	282,629	2,707	10,732	-	1,129	5,359	4,257	(306,813)	-
At 30 June 2012	3,711,902	8,049	854,589	56,563	1,393,610	1,435,892	493,641	1,089,622	9,043,868
Accumulated depreciation and impairment losses									
At 1 January 2012	(845,644)	(2,068)	(256,141)	(19,208)	(656,872)	(794,966)	(331,116)	-	(2,906,015)
Exchange differences	(186)	-	-	(101)	(1)	(223)	(5)	-	(516)
Depreciation charge	(59,424)	(483)	(17,822)	(1,649)	(55,783)	(67,309)	(23,393)	-	(225,863)
Disposals	24,460	3	1,292	93	20,020	90,259	9,889	-	146,016
At 30 June 2012	(880,794)	(2,548)	(272,671)	(20,865)	(692,636)	(772,239)	(344,625)	-	(2,986,378)
Net book value									
At 30 June 2012	2,831,108	5,501	581,918	35,698	700,974	663,653	149,016	1,089,622	6,057,490
At 1 January 2012	2,572,458	3,066	588,413	37,135	703,674	702,986	149,463	865,262	5,622,457

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the six months ended 30 June 2011 (Unaudited)

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

10. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

For the six months ended 30 June 2012, The Group acquired 40% equity interest of Dongguan Humen Container Terminals Co., Ltd. (“DHCT”), which is mainly engaged in port operation service and industrial investment. The total cash consideration paid in the current interim period amounted to RMB293,333,000.

Hankyu Hanshin Sinotrans International Transport Co., Ltd., a jointly controlled entity of the Group, was disposed of in the current interim period at a cash consideration of RMB22,051,000 and a gain amounted to RMB4,772,000 was recognised upon the completion of disposal.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Listed equity investments, at fair value (a)	1,042,970	1,004,046
Unlisted equity investments, at cost less impairment (b)	388,120	388,120
Available-for-sale financial assets	1,431,090	1,392,166

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
At beginning of period	1,004,046	1,900,123
Fair value gains/(losses)	38,924	(413,180)
At end of period	1,042,970	1,486,943

Listed equity investments include the ordinary shares of Air China Limited (“Air China”) and China Eastern Airlines Corporation Limited (“China Eastern”) listed on the Shanghai Stock Exchange, and BOE Technology Group Co., Ltd. (“BOE”) listed on the Shenzhen Stock Exchange. Air China and China Eastern are incorporated in the PRC whose principal activities are air transportation. BOE is incorporated in the PRC whose principal activities are electronic device manufacturing and sales.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

11. 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 financial activities. There is no open market for these instruments and the directors of the Company consider that the marketability of the Group's shareholdings 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 "Financial Instruments: Recognition and Measurement". The assessment requires the Company's directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

As at 30 June 2012 and 31 December 2011, the entire available-for-sale financial assets were denominated in RMB and none of them were impaired or pledged.

12. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables, net	7,175,678	5,812,116
Bills receivables	222,896	209,057
Other receivables, net	520,444	533,924
Due from related parties	180,042	153,081
	8,099,060	6,708,178

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	7,226,328	5,853,573
Less: Provision for impairment of trade receivables	(50,650)	(41,457)
Trade receivables, net	7,175,678	5,812,116

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 30 June 2012 and 31 December 2011, the aging analysis of trade receivables is as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 6 months	7,027,854	5,750,798
Between 6 and 12 months	142,255	58,118
Between 1 and 2 years	41,834	27,061
Between 2 and 3 years	9,186	10,286
Over 3 years	5,199	7,310
	7,226,328	5,853,573

As at 30 June 2012 and 31 December 2011, the aging analysis of amounts due from related parties, which are trading in nature, is summarised as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 6 months	98,269	70,634
Between 6 and 12 months	355	150
Between 1 and 2 years	164	96
Between 2 and 3 years	8	–
Over 3 years	6	6
	98,802	70,886

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

Bills receivables are bills of exchange with maturity dates of less than 6 months.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

13. BONDS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Medium-term notes (a)	2,494,937	497,042
Collective bonds (b)	47,806	46,447
Long-term bonds	2,542,743	543,489
Short-term bonds (c)	2,409,259	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 two tranches. The issuance of the first tranche of medium-term notes with par value of RMB100 each totalling RMB0.5 billion was completed on 19 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. 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. Such medium-term notes are of 3-year term with fixed annual coupon and effective interest rates of 4.72% and 4.94%, 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.

14. TRADE PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 6 months	5,125,053	4,429,439
Between 6 and 12 months	457,173	176,940
Between 1 and 2 years	152,847	147,284
Between 2 and 3 years	50,199	50,868
Over 3 years	51,019	38,036
	5,836,291	4,842,567

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. BORROWINGS

(a) Borrowings are analysed as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current:		
Bank borrowings	1,108,247	1,106,599
Current portion of non-current bank borrowings	20,000	20,000
Entrusted loans payable to SINOTRANS&CSC	–	1,000,000
	1,128,247	2,126,599
Non-current:		
Bank borrowings	207,936	204,458
	207,936	204,458
Total borrowings	1,336,183	2,331,057
Borrowings:		
Unsecured		
– Bank borrowings	1,144,781	1,163,078
– Entrusted loans payable to SINOTRANS&CSC	–	1,000,000
Secured and guaranteed	191,402	167,979
	1,336,183	2,331,057

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

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
At the beginning of period	2,331,057	4,254,584
New borrowings	1,044,957	780,180
Repayments of borrowings	(2,039,831)	(560,278)
At the end of period	1,336,183	4,474,486

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

15. BORROWINGS (CONTINUED)

(b) The non-current borrowings as at 30 June 2012 and 31 December 2011 were repayable as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
1-2 years	2,000	12,000
2-5 years	205,936	192,458
	207,936	204,458

(c) The weighted average effective annual interest rates of the bank borrowings as at 30 June 2012 are 4.91% (31 December 2011: 4.51%) per annum.

(d) Securities and guarantees

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Restricted cash secured	173,790	85,561
Net book value of property, plant and equipment pledged	63,359	66,166
Net book value of land use rights pledged	34,444	34,153

16. PROVISIONS

	One-off cash housing subsidies RMB'000 (a)	Guarantees RMB'000 (b)	Outstanding claims RMB'000 (c)	Onerous contracts RMB'000 (d)	Others RMB'000	Total RMB'000
As at 1 January 2012	29,820	3,133	28,586	11,174	40,209	112,922
Additional provision	-	56,148	80	1,438	-	57,666
Paid during the period	(397)	-	(1,270)	(11,174)	-	(12,841)
As at 30 June 2012 (Unaudited)	29,423	59,281	27,396	1,438	40,209	157,747
As at 1 January 2011	30,898	3,133	50,259	14,433	37,049	135,772
Additional provision	-	-	-	-	10,783	10,783
Paid during the period	(298)	(20)	(29,275)	(12,100)	(5,021)	(46,714)
As at 30 June 2011 (Unaudited)	30,600	3,113	20,984	2,333	42,811	99,841

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For the six months ended 30 June 2012

16. PROVISIONS (CONTINUED)

- (a) 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.
- (b) Sinotrans Air Transportation Development Co., Ltd. ("Sinoair"), a subsidiary of the Group, provided guarantees to bank loans obtained by its jointly controlled entity, Grandstar Cargo International Airlines Company Limited ("Grandstar Airlines") (Note 20). As at 30 June 2012, Grandstar Airlines was in financial difficulty. During the current interim period, Sinoair made a provision for the losses in respect of such guarantees amounted to RMB56,031,000 after taking into consideration the value of assets pledged by Grandstar Airlines as security of the loans.
- (c) The outstanding claims provision as at the end of each reporting periods relates to certain legal claims brought against the Group by customers.
- (d) Onerous contracts provision as at the end of each reporting periods were made for Group's vessels which were sub-let with a loss.

17. CASH-SETTLED SHARE-BASED PAYMENT

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

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

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

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For the six months ended 30 June 2012

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

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

As at 30 June 2012, the Company has granted SAR to a total of 5 (31 December 2011: 5) directors of the Company, 1 (31 December 2011: 1) supervisor of the Company and 120 (31 December 2011: 120) senior employees of the Group. As at 30 June 2012, the directors and the supervisor of the Company had received 2,740,000 SAR (31 December 2011: 2,740,000 SAR) and the senior employees of the Group had received 22,324,000 SAR (31 December 2011: 22,324,000 SAR).

Information on outstanding SAR is summarized as follows:

(a) Information on outstanding SAR:

	Date of grant	Expiry date	Exercise price in HK\$ per share	30 June 2012 Number of SAR (Thousands) (Unaudited)	31 December 2011 Number of SAR (Thousands) (Audited)
Tranche I	20 January 2003 (Note (i))	20 January 2013	2.19	21,004	21,004
Tranche II	24 June 2003 (Note (ii))	24 June 2013	2.18	4,060	4,060
				25,064	25,064

- (i) The fair value of SAR granted under Tranche I as at 30 June 2012 determined using the Black-Scholes valuation model was nil (31 December 2011: HK\$0.01). The significant inputs into the model were share price of HK\$1.26 (31 December 2011: HK\$1.38), exercise price per share shown above, expected life of SAR of 0.28 year (31 December 2011: 0.53 years), expected dividend rate of 2.39% (31 December 2011: 2.68%), risk-free interest rate of 0.07% (31 December 2011: 0.23%), and expected volatility of 29.54% (31 December 2011: 39.44%). The expected volatility is estimated based on historical daily share price of the Company.
- (ii) The fair value of SAR granted under Tranche II as at 30 June 2012 determined using the Black-Scholes valuation model was nil (31 December 2011: HK\$0.015). The significant inputs into the model were share price of HK\$1.26 (31 December 2011: HK\$1.38), exercise price per share shown above, expected life of SAR of 0.49 year (31 December 2011: 0.74 years), expected dividend rate of 2.39% (31 December 2011: 2.68%), risk-free interest rate of 0.11% (31 December 2011: 0.23%), and expected volatility of 29.15% (31 December 2011: 36.07%). 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 30 June 2012 and 31 December 2011 for both Tranche I and II is nil.

Notes to the Unaudited Condensed Consolidated Financial Statements

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

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

	For the six months ended 30 June (Unaudited)			
	2012		2011	
	Average exercise price in HK\$ per share	Number of SAR (Thousands)	Average exercise price in HK\$ per share	Number of SAR (Thousands)
At the beginning of period	2.19	25,064	2.19	25,064
Exercised	-	-	-	-
At the end of period	2.19	25,064	2.19	25,064

All of the outstanding SAR as at 30 June 2012 (31 December 2011: All) were exercisable. 616,000 (31 December 2011: 616,000) SAR have been exercised since the date of grant.

- (c) The amounts recognised in these unaudited condensed consolidated financial statements for SAR (before taxes):

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Credited to other gains, net	(219)	(3,685)

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Salary and welfare payables	-	219

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

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

(a) Major investing activities:

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
(Increase)/decrease in term deposits with initial terms of over three months	(79,032)	175,291
Interest income received	86,520	21,150
Proceeds from disposal of property, plant and equipment	45,021	9,808
Dividends received from associates	11,622	13,921
Dividends received from jointly controlled entities	14,179	467,065
Cash paid for capital injection/purchase of jointly controlled entities	(347,333)	–
Net cash received on disposal of a jointly controlled entity	22,051	–
Purchase of intangible assets	(11,297)	–
Purchase of land use rights	(60,240)	(98,872)
Prepayments for acquisition of land use rights	(11,237)	(29,630)
Settlement of investment cost paid by ultimate holding company on behalf of the Group	–	(21,682)
Purchase of other current assets	(180,000)	(100,000)
Purchase of available-for-sale financial assets	–	(93,692)
Purchase of property, plant and equipment	(706,574)	(427,665)
Capital injection to associates	–	(190,570)
Decrease/(increase) in restricted cash	9,061	(100,000)
Proceeds from disposal of other current assets	311,557	–
Proceeds from disposal of land use rights	11,674	5,943

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Major financing activities

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
New bank borrowings	1,044,957	635,180
New loan from SINOTRANS&CSC	660,000	236,870
New entrusted loan from SINOTRANS&CSC	–	145,000
Interest paid for borrowings	(78,300)	(50,240)
Repayments of entrusted loan from SINOTRANS&CSC	(1,000,000)	–
Acquisition of additional equity interests in subsidiaries from non-controlling interests	(27,795)	–
Contributions from non-controlling interests in subsidiaries	20,996	15,000
Cash received from bonds issued	2,000,000	–
Cash paid for issue costs of bonds	(3,780)	–
Increase in restricted cash	(80,469)	(27,117)
Payment of dividends	–	(3,526)
Dividends paid to non-controlling interests in subsidiaries	(99,755)	(67,934)
Repayments of bank borrowings	(1,039,831)	(560,278)

19. CONTINGENT LIABILITIES

On 4 June 2012, a warehouse in Nanjing leased by Sinotrans Logistics Development Company Limited (“SLDC”), a subsidiary of the Company, was involved in a fire incident, and the goods stored in the warehouse which belonged to a customer and other assets (such as shelves etc) of SLDC in the warehouse were damaged by the fire. Goods and other assets located in the warehouse were insured at the time of fire. As of the approval date of these unaudited condensed consolidated financial statements, the Company, SLDC, the customer, the lessor of the warehouse and the insurance company have commenced the investigation of the fire incident and the negotiation of settlement of losses suffered by the relevant parties. In the opinion of the management of the Group, the outcome and an estimation of potential losses cannot be reasonably estimated because the investigation and negotiation process was at a preliminary stage. Accordingly, no provision was made on 30 June 2012.

In addition, the Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice, provisions have been made for the probable losses which are included in Note 16. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 30 June 2012, the maximum exposure of such lawsuits of the Group amounted to approximately RMB67,299,000 (31 December 2011: RMB63,015,000).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

20. GUARANTEES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Loan guarantees provided by Group for the benefit of a jointly controlled entity	203,127	294,050
	203,127	294,050

As at 30 June 2012, Sinoair provided guarantees to bank loans obtained by its jointly controlled entity, Grandstar Airlines, totaling RMB203,127,000 (31 December 2011: RMB294,050,000), including:

- (1) Loan amounted to RMB156,626,000 (US\$24,763,000) (31 December 2011: RMB168,032,000 (US\$26,668,000)) was secured by property and equipment of Grandstar Airlines, for which Sinoair provided unconditional, on-demand, joint and several liability guarantee;
- (2) Loan amounted to RMB46,501,000 (US\$7,352,000) (31 December 2011: RMB126,018,000 (US\$20,000,000)) was obtained by Grandstar Airlines for working capital purpose, for which Sinoair placed a fixed term deposit certificate amounting RMB69,450,000 (31 December 2011: 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 RMB69,450,000 (31 December 2011: RMB134,000,000) was classified as restricted cash in the Group's unaudited condensed consolidated statement of financial position as at 30 June 2012.

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 and the third party customers to obtain the operating licenses of air freight forwarding. Such letters of guarantee contain no specific amount, among which, the longest will terminate in 2015. For the above guarantees provided to the third party customers by the Company, a counter-guarantee of the total guarantee liability was provided by the shareholders of these customers.

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21. CAPITAL COMMITMENTS

The Group has the following outstanding capital commitments not provided for in these unaudited condensed consolidated financial statements:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Authorised and contracted for but not provided for	1,740,759	2,141,831
Authorised but not contracted for	158,569	150,110
	1,899,328	2,291,941

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Acquisition of property, plant and equipment	828,573	986,336
Construction commitments	949,555	1,076,005
Investments in subsidiaries, jointly controlled entities and associates	121,200	229,600
	1,899,328	2,291,941

Notes to the Unaudited Condensed Consolidated Financial Statements

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22. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Land and buildings		
– not later than one year	140,058	147,112
– later than one year but not later than five years	278,465	315,900
– later than five years	94,248	120,758
Vessels, containers and other property, plant and equipment		
– not later than one year	487,391	421,873
– later than one year but not later than five years	392,235	385,995
– later than five years	37,754	47,166
	1,430,151	1,438,804

(b) The Group as lessor

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Land and buildings		
– not later than one year	22,122	17,712
– later than one year but not later than five years	22,330	21,797
– later than five years	10,365	12,230
Machinery		
– not later than one year	519	3,035
– later than one year but not later than five years	–	181
	55,336	54,955

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

23. 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 1 November 2011, 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 1 November 2011, 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 of the company believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in these unaudited condensed consolidated 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<i>Transactions with ultimate holding company and fellow subsidiaries</i>		
Revenue		
Revenue from provision of services	113,992	98,340
Expenses		
Service fees	147,669	95,837
Rental expenses for office buildings, warehouses and depots	14,840	13,657
Rental expenses for containers	30,936	47,808
Rental expenses for vessels	17,275	51,090
<i>Transactions with associates of the Group</i>		
Revenue		
Revenue from provision of services	49,448	50,186
Expenses		
Service fees	40,087	39,288
<i>Transactions with jointly controlled entities of the Group</i>		
Revenue		
Revenue from provision of services	65,679	54,144
Expenses		
Service fees	183,974	142,846
<i>Transactions with other government-related entities</i>		
Interest income from bank deposits	66,085	41,752

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	30 June 2012	31 December 2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Balances with ultimate holding company and fellow subsidiaries</i>		
Trade and other receivables	96,117	82,921
Prepayments and other current assets	8,047	4,276
Trade payables	66,566	94,005
Other payables, accruals and other current liabilities	1,198,279	528,820
Receipts in advance from customers	6,206	3,009
<i>Balances with jointly controlled entities of the Group</i>		
Trade and other receivables	57,014	44,637
Prepayments and other current assets	1,404	454
Trade payables	18,602	12,337
Other payables, accruals and other current liabilities	20,208	21,424
Receipts in advance from customers	6,070	2,482
<i>Balances with associates of the Group</i>		
Trade and other receivables	26,911	26,326
Prepayments and other current assets	515	193
Trade payables	8,682	7,826
Other payables, accruals and other liabilities	1,696	1,743
Receipts in advance from customers	16	2,834
<i>Balances with other government-related entities</i>		
Restricted cash	506,728	293,340
Term deposits with initial terms of over three months	376,364	351,063
Cash and cash equivalents	5,486,876	5,042,811

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<i>Entrusted loans payable to SINOTRANS&CSC</i>		
At the beginning of period	1,000,000	2,500,000
Proceeds from borrowings	–	145,000
Repayment of borrowings	(1,000,000)	–
At the end of period	–	2,645,000
Interest charged	2,617	44,668
Interest paid	(27,995)	(28,288)

As at 30 June 2012, the weighted average effective interest rate of the entrusted loans above was 2.79% (31 December 2011: 3.26%) per annum.

Except for the entrusted loans disclosed above, for the six months ended 30 June 2012, the Group obtained another loan of RMB660,000,000 from SINOTRANS&CSC (for the six months ended 30 June 2011: RMB236,870,000). As at 30 June 2012, the amount due to SINOTRANS&CSC was RMB949,027,000 (31 December 2011: RMB289,027,000), which was interest-bearing and included in "other payables, accruals and other current liabilities". As at 30 June 2012, the weighted average effective interest rate of the payables above was 3.36% (31 December 2011: 3.28%) per annum.

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<i>Borrowings from other government-related entities</i>		
At the beginning of period	1,194,314	1,624,583
Proceeds from borrowings	918,845	599,242
Repayment of borrowings	(911,181)	(546,461)
At the end of period	1,201,978	1,677,364
Interest charged	23,602	25,648
Interest paid	(33,688)	(21,124)

As at 30 June 2012, the weighted average effective interest rate of the bank borrowings above was 4.97% (31 December 2011: 4.60%) per annum.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel compensation

	For the six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	1,388	1,633
Discretionary bonuses	1,351	1,475
Contributions to pension plans	159	163

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place during the period from 30 June 2012 to the approval date of these unaudited condensed consolidated financial statements:

- (a) In July 2012, the Group acquired 9% equity interest of Dongguan Humen Container Terminals Co., Ltd. ("DHCT") with consideration of RMB66,000,000. After this acquisition, the Group holds 49% equity interest of DHCT, and DHCT remains a jointly controlled entity of the Group.
- (b) In July 2012, Keppel Telecommunications & Transportations LTD ("Keppel") injected capital of RMB140,000,000 in cash to Wuhu Sanshan Port Co., Ltd. ("WHSS"), a wholly-owned subsidiary of the Company. After the capital injection, the Company and Keppel each holds 50% equity interest of WHSS, and WHSS becomes a jointly controlled entity of the Group.
- (c) In August 2012, the Company's subsidiary, Sinotrans Logistics Development Company Limited ("SLDC"), and Shanghai Waigaoqiao Logistics Center Co., Ltd. ("Shanghai Waigaoqiao") injected cash of RMB48,000,000 and RMB12,000,000 respectively to set up Sinotrans Waigaoqiao (Shanghai) International Logistics Co., Ltd. ("Sinotrans Waigaoqiao"), which becomes a non-wholly owned subsidiary of the Group. SLDC and Shanghai Waigaoqiao each holds 80% and 20% equity interest of Sinotrans Waigaoqiao.

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF OPERATING RESULTS

In the first half of 2012, the global economic development was complicated and full of uncertainties, while domestic economic development experienced increasing difficulties. Concurrently, in the face of an arduous international environment, Chinese economy encountered enormous difficulties and challenges with the existence of negative factors affecting the stable development of domestic economy. From January to June, Chinese total import and export grew by 8% compared to the same period of last year, of which, the growth rates of export and import were 9.2% and 6.7% respectively. In the first half of the year, Chinese port foreign trade throughput and container throughput remained increasing steadily with foreign trade throughput of national ports above designated size increasing by 13.6% year-on-year, of which, the year-on-year growth rates of coastal ports and inland ports were 13.6% and 4.6% respectively. The international container throughput of national ports above designated size grew by 8.8% year-on-year, of which, the year-on-year growth rates of coastal ports and inland ports were 8.7% and 9.5% respectively.

In the first half of 2012, the Group proceeded with the two main missions raised in the beginning of the year under the guidelines of “Adjust and Optimize, Grow in a Health Manner, Invest Moderately, Safeguard Against Risks” to complete the full-year budget firstly and active integration of resources secondly. In the first half of the year, against a backdrop of complicated macroeconomic dynamics, sluggish market sentiment and intensifying market competition, the Group actively pursued for optimization of business model and streamlining of business structure to enhance the quality and richness of development. By adhering to the rationale of “Expanding domestic trade and foreign trade logistics operations, actively developing traditional businesses and new specialized logistics services”, the Group successfully maintained the excellence in traditional business through measures such as innovation of sales models. Moreover, the Company fully leveraged the core competitiveness of business networks which were more closely linked and complementary over the years for the promotion of integration of resources as well as improvement and optimization of internal resources. Through dedication and commitment, the Group maintained a stable and healthy development.

For the six months ended 30 June 2012, on a year-on-year basis, the Group recorded an increase of 5.4% for the number of containers handled by sea freight forwarding services; an increase of 8.2% for the business volume handled by air freight forwarding services; an increase of 2.6% for the number of containers handled by shipping agency business; a decrease of 0.2% for the number of containers handled in terminal throughput; a similar business volume of containers handled at container yards; an increase of 12.6% for the number of containers transported by marine transportation business; an increase of 9.2% for the number of containers handled by trucking business; and an increase of 1.2% for the business volume handled by air express services.

For the six months ended 30 June 2012, the Group achieved a revenue of approximately RMB23,160.0 million, representing an increase of 12.4% as compared to the corresponding period in 2011. Profit attributable to shareholders of the Company was RMB389.9 million, representing a decrease of 11.0% as compared to the corresponding period in 2011 and earnings per share was RMB0.09 (corresponding period in 2011: RMB0.10).

Management Discussion and Analysis of Results of Operations and Financial Position

OPERATING STATISTICS

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

	For the six months ended 30 June	
	2012	2011
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in million tonnes)	2.1	1.5
Container cargo (in ten thousand TEUs)	404.8	384.2
Air freight forwarding (in million kilograms)	201.1	185.8
Rail freight forwarding		
Bulk cargo (in million tonnes)	0.5	0.5
Container cargo (in ten thousand TEUs)	1.8	2.0
Road freight forwarding		
Bulk cargo (in million tonnes)	0.06	0.05
Container cargo (in ten thousand TEUs)	12.9	12.4
Shipping agency		
Net registered tonnes (in million tonnes)	331.5	322.1
Vessel calls (number of times per vessel)	29,993	30,406
Containers (in million TEUs)	6.39	6.23
Bulk cargo (in million tonnes)	95.7	88.2
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in million tonnes)	7.1	6.6
Containers (in million TEUs)	4.1	4.1
Terminal throughput		
Bulk cargo (in million tonnes)	1.7	0.9
Containers (in ten thousand TEUs)	146.2	146.5
Marine transportation		
TEUs (in ten thousands)	134.5	119.4
Other services		
Trucking of containers (in ten thousand TEUs)	38.1	34.9
Express operations packages (in million units)	0.84	0.83

Management Discussion and Analysis of Results of Operations and Financial Position

FINANCIAL STATISTICS

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

	For the six months ended 30 June (unaudited)	
	2012 (In RMB million except for earnings per share and number of shares)	2011 (In RMB million except for earnings per share and number of shares)
Revenue	23,160.0	20,601.2
Other income	107.9	67.5
Business tax and surcharges	(144.7)	(150.5)
Transportation and related charges	(19,317.4)	(16,901.4)
Depreciation and amortisation	(237.0)	(213.2)
Cost of operation (excluding transportation and related charges, business tax and surcharges, depreciation and amortisation, and other gains/(losses), net):		
– Staff costs	(1,256.6)	(1,104.5)
– Repairs and maintenance	(75.9)	(70.8)
– Fuel	(766.8)	(702.7)
– Travel and promotional expenses	(160.3)	(145.0)
– Office and communication expenses	(88.1)	(87.9)
– Rental expenses	(523.8)	(583.8)
– Other operating expenses	(204.4)	(186.2)
Other gains/(losses), net	0.2	26.5
Operating profit	493.1	549.2
Financial costs, net	(77.1)	(99.6)
Share of profit of jointly controlled entities	224.6	238.3
Share of profit of associates	22.1	23.0
Profit before income tax	662.7	710.9
Income tax	(162.7)	(157.3)
Profit after income tax	500.0	553.6
Profit attributable to shareholders		
– Equity holders of the Company	389.9	438.2
– Non-controlling interests	110.1	115.4
Proposed dividends	–	85.0
Earnings per share attributable to the equity owners of the Company, basic (RMB yuan)	0.09	0.10
Number of shares (in million shares)	4,249.0	4,249.0

Management Discussion and Analysis of Results of Operations and Financial Position

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

	For the six months ended 30 June (unaudited)			
	2012		2011	
Freight forwarding	19,630.7	81.0%	17,057.2	78.7%
Shipping agency	398.2	1.6%	402.8	1.9%
Storage and terminal services	1,021.8	4.2%	934.2	4.3%
Marine transportation	2,422.0	10.0%	2,523.5	11.6%
Other services	768.2	3.2%	752.3	3.5%

The table below sets forth the segment results (in RMB million) of the major business segments of the Group and comparative figures for the corresponding period in 2011. The results of each segment is defined as the operating profit/(losses) of each segment excluding other gains/(losses), net and corporate expenses.

	For the six months ended 30 June (unaudited)	
	2012	2011
Freight forwarding	358.3	338.6
Shipping agency	142.4	147.2
Storage and terminal services	169.5	160.7
Marine transportation	(137.1)	(82.4)
Other services	5.1	3.0

Management Discussion and Analysis of Results of Operations and Financial Position

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Revenue

For the six months ended 30 June 2012, the Group's revenue amounted to RMB23,160.0 million, up by 12.4% from RMB20,601.2 million for the corresponding period in 2011. The increase in revenue was mainly attributable to the significant increase in the freight rates of container shipping market, and the year-on-year increase in the business volume of the Group.

Freight Forwarding

Revenue from the Group's freight forwarding services increased by 15.1% to RMB19,630.7 million during the six months ended 30 June 2012, compared to RMB17,057.2 million for the corresponding period in 2011.

Volume of sea freight forwarding containers was 4.048 million TEUs for the first half of 2012, increasing by 5.4% from 3.842 million TEUs for the first half of 2011. Cargo tonnage of air freight forwarding services was 0.2011 million tonnes for the first half of 2012, increasing by 8.2% from 0.1858 million tonnes for the first half of 2011.

The increase in revenue from freight forwarding for the first half of 2012 was higher than the increase in business volume, which was primarily attributable to the increase in the freight rates of container shipping market.

China's consolidated export container freight rate index increased by 10.8% in the first half of 2012 compared with the corresponding period of 2011, while the export container freight rate index in Shanghai area grew by 20.3%.

Shipping Agency

For the six months ended 30 June 2012, revenue from the Group's shipping agency services was RMB398.2 million, representing a decrease of 1.2% from RMB402.8 million for the corresponding period in 2011.

Number of containers handled in shipping agency business of the Group was 6.39 million TEUs for the first half of 2012, representing a rise of 2.6% from 6.23 million TEUs for the corresponding period in 2011. Net registered tonnage of vessels handled by the shipping agency services reached 331.5 million tonnes, representing an increase of 2.9% from 322.1 million tonnes for the corresponding period in 2011. Number of vessel calls dropped by 1.4% to 29,993 times for the first half of 2012, compared with 30,406 times for the corresponding period in 2011.

The decrease in revenue of shipping agency business was mainly due to the decline in shipping agency fee driven by keen competition in shipping agency market.

Management Discussion and Analysis of Results of Operations and Financial Position

Storage and Terminal Services

For the six months ended 30 June 2012, revenue from the Group's storage and terminal services amounted to RMB1,021.8 million, representing a growth of 9.4% from RMB934.2 million for the corresponding period in 2011.

The Group's warehouses handled 7.1 million tonnes of bulk cargo in the first half of 2012, representing an increase of 7.6% from 6.6 million tonnes for the corresponding period in 2011. The number of containers handled was at similar level as 4.1 million TEUs recorded for the corresponding period in 2011. The number of containers handled through terminals dropped by 0.2% to 1.462 million TEUs from 1.465 million TEUs for the corresponding period in 2011. The volume of bulk cargo handled at terminals increased by 88.9% to 1.70 million tonnes from 0.9 million tonnes for the corresponding period in 2011.

The growth in revenue of the storage and terminal services was mainly attributable to the relatively fast growth in the Group's bulk cargo business and the increase in the storage and terminal service fees.

Marine Transportation

Revenue from marine transportation of the Group for the six months ended 30 June 2012 amounted to RMB2,422.0 million, down by 4.0% from RMB2,523.5 million for the corresponding period in 2011.

Number of containers shipped by the Group rose to 1.345 million TEUs for the first half of 2012, up by 12.6% from 1.194 million TEUs for the corresponding period in 2011.

The increment in revenue of marine transportation was lower than that in business volume, which was primarily attributable to the Group's stepped-up efforts in exploring the transportation market for domestic trade and domestic feeder line service, leading to the rise in the proportion of such business.

Other Services

The Group's revenue from other services (mainly from trucking transportation and express services) for the six months ended 30 June 2012 amounted to RMB768.2 million, representing an increase of 2.1% from RMB752.3 million for the corresponding period in 2011.

The trucking volume of containers handled by the Group for the first half of 2012 was 0.381 million TEUs, representing an increase of 9.2% from 0.349 million TEUs for the corresponding period in 2011. The number of documents and packages handled in express services was up by 1.2% from 0.83 million units in the first half of 2011 to 0.84 million units for the first half of 2012.

The growth in the revenue and business volume was mainly due to the growth in the overall cargo volume of the trucking transportation service market and the Group's endeavor to seize the opportunity for market expansion.

The Group's jointly controlled entities recorded an investment income of RMB251.0 million from the operation of express services, representing a year-on-year increase of 1.9%. The number of units handled by the jointly controlled entities in their international express services increased by 14.8% from 7.04 million units for the first half of 2011 to 8.08 million units for the first half of 2012.

Management Discussion and Analysis of Results of Operations and Financial Position

Transportation and Related Charges

Transportation and related charges were up by 14.3% to RMB19,317.4 million for the six months ended 30 June 2012, compared with RMB16,901.4 million for the corresponding period in 2011. Such increase in transportation and related charges was mainly driven by the increase of the Group's revenue.

Depreciation and Amortization

Depreciation and amortization amounted to RMB237.0 million for the six months ended 30 June 2012, representing an increase of 11.2% from RMB213.2 million for the corresponding period in 2011. Such increase was mainly due to the increase in fixed assets and land use rights during the period.

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

The Group's operating costs (excluding transportation and related charges, depreciation and amortization, business tax and surcharges and other gains/(losses), net) were RMB3,075.9 million for the six months ended 30 June 2012, representing an increase of 6.8% from RMB2,880.9 million for the corresponding period in 2011.

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

Operating Profit

The Group's operating profit was RMB493.1 million for the six months ended 30 June 2012, representing a decline of 10.2% from RMB549.2 million for the corresponding period in 2011. Operating profit as a percentage of total revenue for the six months ended 30 June 2012 decreased to 2.1% from 2.7% for the six months ended 30 June 2011, and to 12.5% from 14.6% as a percentage of net revenue (total revenue less transportation and related charges). The decrease was primarily due to the decline in the overall operating profit as a result of further loss in marine transportation segment caused by the rising actual delivery price of bunker oil for the first half of 2012 compared to the corresponding period of last year.

Income tax

For the six months ended 30 June 2012, taxation of the Group amounted to RMB162.7 million, representing an increase of 3.4% from RMB157.3 million for the corresponding period in 2011. Taxation as a percentage of profit before tax rose to 24.6% from 22.1% for the six months ended 30 June 2011, mainly attributable to the increase in loss of marine transportation segment which did not set off against the heavier income tax liabilities arising from the increased profit of other business segments.

Profit after Income Tax

For the six months ended 30 June 2012, the Group recorded profit after income tax of RMB500.0 million, representing a decrease of 9.7% when compared with RMB553.6 million for the corresponding period in 2011.

Management Discussion and Analysis of Results of Operations and Financial Position

NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

For the six months ended 30 June 2012, net profit attributable to non-controlling interests amounted to RMB110.1 million, representing a decrease of 4.6% as compared with RMB115.4 million for the corresponding period in 2011.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Group's profit attributable to shareholders of the Company for the six months ended 30 June 2012 amounted to RMB389.9 million, representing a decrease of 11.0% from RMB438.2 million for the corresponding period in 2011.

LIQUIDITY AND CAPITAL RESOURCES

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

	For the six months ended 30 June (unaudited)	
	2012 In RMB million	2011 In RMB million
Net cash generated from operating activities	141.5	282.6
Net cash used in investing activities	(889.5)	(391.8)
Net cash generated from financing activities	1,396.1	86.1
Exchange gains/(losses) on cash and cash equivalents	4.6	(21.0)
Net increase/(decrease) in cash and cash equivalents	652.7	(44.1)
Cash and cash equivalents as at the end of the period	6,173.8	5,158.4

Operating Activities

Net cash generated from the Group's operating activities for the six months ended 30 June 2012 amounted to RMB141.5 million, while net cash generated from operating activities was RMB282.6 million for the corresponding period in 2011. For the six months ended 30 June 2012, net cash generated from operating activities was primarily achieved by summing up the profit attributable to shareholders of the Company of RMB389.9 million (corresponding period in 2011: RMB438.2 million), an increase of RMB993.7 million in trade payables (corresponding period in 2011: an increase of RMB801.8 million), a decrease of RMB145.6 million in receipts in advance from customers (corresponding period in 2011: a decrease of RMB73.7 million), an increase of RMB1,363.6 million in trade receivables (corresponding period in 2011: an increase of RMB829.2 million) and a decrease of RMB140.0 million in prepayments and other current assets (corresponding period in 2011: an increase of RMB115.2 million).

For the six months ended 30 June 2012, the average age of trade receivables was 58 days, as compared to 60 days for the corresponding period in 2011.

Management Discussion and Analysis of Results of Operations and Financial Position

Investing Activities

For the six months ended 30 June 2012, net cash used in investing activities amounted to RMB889.5 million, primarily comprising RMB706.6 million for the purchase of property, plant and equipment, RMB293.0 million for the investment in jointly controlled entities, RMB82.8 million for the purchase of intangible assets and land use rights and the prepayments for the acquisition of land use rights, an increase of RMB79.0 million in term deposits with maturity of over three months, RMB180.0 million for the acquisition of financial products, and RMB300.0 million received from the disposal of financial products. For the six months ended 30 June 2011, net cash used in investing activities amounted to RMB391.8 million, primarily comprising RMB427.7 million for the purchase of property, plant and equipment, RMB190.6 million for the investment in associates, RMB128.5 million for the acquisition of land use rights and the prepayments for such acquisition, RMB100.0 million for the acquisition of financial products, an increase of RMB100.0 million in restricted cash arising from the provision of guarantee for the loans of jointly controlled entities, RMB93.7 million for the purchase of available-for-sale financial assets, RMB21.7 million for the repayment of investment cost paid by ultimate holding company on behalf of the Group, and a decrease of RMB175.3 million in term deposits with maturity of over three months, and dividends of RMB467.1 million received from jointly controlled entities.

Financing Activities

Net cash generated from the Group's financing activities for the six months ended 30 June 2012 amounted to RMB1,396.1 million, compared with net cash generated from financing activities of RMB86.1 million for the corresponding period in 2011.

Net cash generated from financing activities for the six months ended 30 June 2012 primarily comprised new bank borrowings of RMB1,045.0 million, loan from SINOTRANS&CSC of RMB660.0 million, RMB2,000.0 million received from the issuance of mid-term notes, partially offset by dividend payment of RMB99.8 million to non-controlling interests of subsidiaries, repayments of bank borrowings of RMB1,039.8 million, repayments of entrusted loan from SINOTRANS&CSC of RMB1,000.0 million, and increase in restricted cash of RMB80.5 million. Net cash generated from financing activities for the six months ended 30 June 2011 primarily comprised new bank borrowings of RMB635.2 million, entrusted loan from SINOTRANS&CSC of RMB145.0 million, partially offset by dividend payment of RMB67.9 million and repayments of bank borrowings of RMB560.3 million.

Capital Expenditure

For the six months ended 30 June 2012, the Group's capital expenditure amounted to RMB789.4 million, primarily comprising RMB706.6 million for the acquisition of property, plant and equipment, RMB71.5 million for the purchase of land use rights and RMB11.3 million for the acquisition of intangible assets, among which, RMB606.8 million was used for the renovation and construction of terminals, warehouses, logistics centers and container yards, RMB106.2 million for the purchase of vehicles, vessels, plant and equipment and RMB30.9 million for IT investment and refurbishment and purchase of office equipment.

Management Discussion and Analysis of Results of Operations and Financial Position

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2012, the Group's contingent liabilities mainly comprised outstanding lawsuits of RMB67.299 million (31 December 2011: RMB63.015 million).

On 4 June 2012, a warehouse in Nanjing leased by Sinotrans Logistics Development Company Limited ("SLDC"), a subsidiary of the Company, was involved in a fire incident, and the goods stored in the warehouse which belonged to a customer and other assets (such as shelves etc) of SLDC in the warehouse were damaged by the fire. Goods and other assets located in the warehouse were insured at the time of fire. As of the approval date of these unaudited condensed consolidated financial statements, the Company, SLDC, the customer, the lessor of the warehouse and the insurance company have commenced the investigation of the fire incident and the negotiation of settlement of losses suffered by the relevant parties. In the opinion of the management of the Group, the outcome and an estimation of potential losses cannot be reasonably estimated because the investigation and negotiation process was at a preliminary stage. Accordingly, no provision was made on 30 June 2012.

As at 30 June 2012, the amount of guarantees provided by the Group in favor of its jointly controlled entities was RMB203.1 million (31 December 2011: RMB294.1 million).

In addition, in the common business practice, certain subsidiaries of the Company issued related letters of guarantee to the Civil Aviation Administration of China to ensure some jointly controlled entities and the third party customers to obtain the operating licenses of air freight forwarding. Such letters of guarantee contain no specific amount, among which, the longest will terminate in 2015. For the above guarantees provided to the third party customers by the Company, a counter-guarantee of the total guarantee liability was provided by the shareholders of these customers.

BORROWINGS

As at 30 June 2012, the Group's total borrowings amounted to RMB1,336.2 million (31 December 2011: RMB2,331.1 million), which comprised bank borrowings of RMB1,336.2 million denominated as to RMB266.6 million in Renminbi, RMB1,053.3 million in US dollars, and RMB16.3 million in Hong Kong dollars. The weighted average interest rate for the above bank borrowings was 4.91% per annum.

SECURED AND GUARANTEED BORROWINGS

As at 30 June 2012, the Group pledged restricted cash amounting to approximately RMB173.8 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB63.4 million) and land use rights (with net book value of approximately RMB34.4 million) for borrowings.



Management Discussion and Analysis of Results of Operations and Financial Position

DEBT-TO-ASSET RATIO

As at 30 June 2012, the debt-to-asset ratio of the Group was 58.8% (31 December 2011: 55.3%), which was arrived at dividing the total liabilities by the total assets of the Group as at 30 June 2012.

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

EMPLOYEES

As at 30 June 2012, the Group had 26,148 (31 December 2011: 26,352) employees. Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2011 Annual Report with no significant changes.

ACQUISITION AND DISPOSAL

For the six months ended 30 June 2012, The Group acquired 40% equity interest in Dongguan Humen Container Terminals Co., Ltd. ("DHCT"), which is mainly engaged in port operation services and industrial investment. The total cash consideration paid in the current period amounted to RMB293,333,000.

Hankyu Hanshin Sinotrans International Transport Co., Ltd., a jointly controlled entity of the Group, was disposed of in the current interim period at a cash consideration of RMB22,051,000 and a gain amounted to RMB4,772,000 was recognised upon the completion of disposal.

Management Discussion and Analysis of Results of Operations and Financial Position

OUTLOOK OF BUSINESS DEVELOPMENT

In July, International Monetary Fund (IMF) cut its forecast for global economic growth for 2012 to 3.5%. From a global economic perspective, the economic outlook of the U.S. remains uncertain, facing multiple downside risks, the European sovereign debt crisis remains unresolved, and the spur to the Japan's economic recovery remains in question. As a result of the current global economic conditions, weak domestic demand and strong risk aversion sentiment of investors, economic growth in emerging markets is likely to slow down. From a domestic economic perspective, Chinese economic growth registered its sixth straight quarterly slowdown, and the rate even fell below 8% in the second quarter of the year. Given the feeble economic growth, inflation curbing measures may give way to deflation fighting measures with the target of "maintaining sustainable growth" once again becoming the major concern. In anticipation of the economic stimulus policies ahead, the local economy is expected to stabilize with further cuts in interest rates and reserve requirement ratio. From an industry perspective, overcapacity remains a major concern to the marine transportation market. However, it is expected that seasonal demand, change in trading conditions for import and export business and the related stimulus policies will provide impetus to periodical recovery of the market. The upward pricing pressure of the shipping companies will also contribute to the increase in revenue of freight forwarding industry.

Given the complicated situation at home and abroad, in the second half of the year, the Group will further capitalize on the favorable timing and push forward the works as planned. The Group will boost its profitability and achieve the operational goal for the year through: (i) consolidating the traditional business and facilitating the enhancement in space booking platform for further market expansion; (ii) adhering to the advancement of resources consolidation; (iii) stepping up efforts in adjusting the business structure to facilitate the healthy development of domestic trade logistic business and the rapid development of specialized logistic business.

Finally, we would like to take this opportunity to extend our sincere thanks to our investors for their concern and support to the Group. Looking ahead, we are dedicated, with our relentless effort, to realize the healthy and stable development of the Group.

Zhao Huxiang

Chairman

Beijing, 17 August 2012



Interim Dividends

During the period, the Board determined not to declare any interim dividend (six months ended 30 June 2011: RMB0.020 per share).

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

As at 30 June 2012, so far as the directors of the Company were aware, none of the directors, supervisors or their associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

SHARE CAPITAL

Share capital of the Company as at 30 June 2012 was as follows:

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, so far as the directors of the Company were aware, the interests or short positions of the following persons (other than directors or supervisors) in the shares of the Company which were required to be disclosed to the Company pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC Holdings Co., Ltd. (Note 1)	2,461,596,200(L)	Domestic Shares	57.93%	–
Deutsche Post AG (Note 2)	88,000,000(L)	H Shares	2.07%	4.92%
The Bank of New York Mellon Corporation (Note 3)	237,468,000(L)	H Shares	5.59%	13.30%
Brandes Investment Partners, L.P.	194,730,232(L)	H Shares	4.58%	10.89%
JPMorgan Chase & Co. (Note 4)	106,456,032(P)	H Shares	2.51%	5.96%
The Boston Company Asset Management LLC	178,766,364(L)	H Shares	4.21%	10.00%
	177,901,556(L)	H Shares	4.19%	9.95%
	177,751,556(P)	H Shares	4.18%	9.94%
	107,412,300(L)	H Shares	2.53%	6.01%

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



Other Information

Note 1: Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang and Liu Jinghua are directors or employees of SINOTRANS & CSC which is the controlling shareholder of the Company. The 88,000,000 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 Beteiligungen GmbH and 35,616,000 shares held by DHL Supply Chain (Hong Kong) Limited. Deutsche Post Beteiligungen GmbH and DHL Supply Chain (Hong Kong) Limited are both 100% held by Deutsche Post AG.

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

Note 4: This includes 177,751,556 Shares held by JPMorgan Chase Bank, N.A., and 150,000 Shares held by J.P. Morgan Whitefriars Inc.. JPMorgan Chase Bank, N.A. and J.P. Morgan Whitefriars Inc. are all 100% held by JP Morgan Chase & Co..

Save as disclosed above, based on the register maintained by the Company as required under section 336 of the Securities and Futures Ordinance, as at 30 June 2012, so far as was known to the directors of the Company, there were no other person (other than a director or supervisor) who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2012.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2012 are set out in Note 23 to the unaudited condensed consolidated interim financial statements.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited as the code on corporate governance of the Company. The Company has complied with all the code provisions in effect as set out in the CG Code throughout the six months period ended 30 June 2012.

Board of Directors

As at 30 June 2012, the Board of Directors of the Company comprised of 11 directors. The members were as follows:

Chairman: Mr. Zhao Huxiang

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

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

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

The Company has published the latest list of the Board members with their roles and positions on the websites of the Stock Exchange and the Company, in which it was specified who are independent non-executive directors. Every director of the Company acknowledges his responsibilities as a director and the Company's operation procedure, business activities and development. Each of the directors has the ability to expend sufficient time and energy to deal with the Company's matters.

Audit Committee

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

Deloitte Touche Tohmatsu, the Company's auditors, and the audit committee of the Company have reviewed the condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2012.

Remuneration Committee

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

Nomination Committee

The principal functions of the nomination committee include selecting and recommending individuals to become members of the board of directors, making recommendations to the Board on the appointment or re-appointment of directors and succession of directors and assessing the independence of independent non-executive directors, etc. The nomination committee shall be comprised of the chairman of the Board, all independent non-executive directors and the President of the Company. The current committee members are Mr. Zhao Huxiang, Mr. Sunshuyi, Mr. Lu Zhengfei, Mr. Liu Kegou and Mr. Zhang Jianwei, with Mr. Zhao Huxiang acting as the chairman of the nomination committee.



Other Information

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 of the Company, supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. By convening meetings of the supervisory committee and attending Board meetings, meetings of the audit committee, meetings of the remuneration committee, and taking the on-site investigation and research in subsidiaries, 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.

Corporate Governance Committee

The principal functions of the corporate governance committee include: a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; b) to review and monitor the training and continuous professional development of directors and senior management; c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, etc. The corporate governance committee shall be comprised of the chairman of the Board, all independent non-executive directors and the President of the Company. The current committee members are Mr. Zhao Huxiang, Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Liu Kegou and Mr. Zhang Jianwei, with Mr. Zhao Huxiang acting as the chairman of the corporate governance committee.

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 for conducting securities transactions by the Company's directors.

The directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the period from 1 January to 30 June 2012.