中國外運股份有限公司
SINOTRANS LIMITED

Stock Code: 598

Annual Report 2012

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

go GLOBAL

CONTENTS

Freight forwarding
Shipping Ageney
Storage and Terminal Services
Marine Transportation
S I N O T R A N S
Other Services

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:
Room F & G, 20/F., MG Tower
133 Hoi Bun Road, Kwun Tong
Kowloon
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
Fax: (86) 10 5229-6600
Email: ir@sinotrans.com
Website: www.sinotrans.com

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

H SHARE LISTING:
The Stock Exchange of Hong Kong Limited

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

STOCK CODE:
598

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

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

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

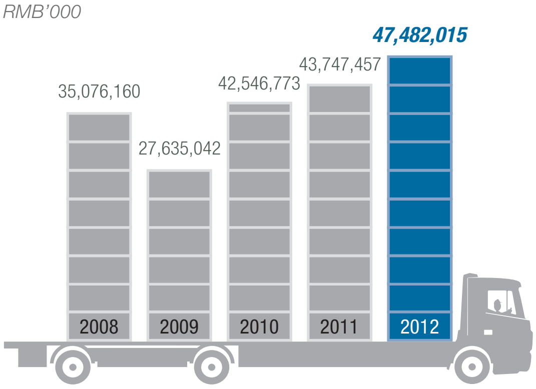
PRC auditors:
Deloitte Touche Tohmatsu CPA LLP
30/F, Bund Center
222 Yan An Road East
Shanghai 200002
People's Republic of China

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

Financial Highlights

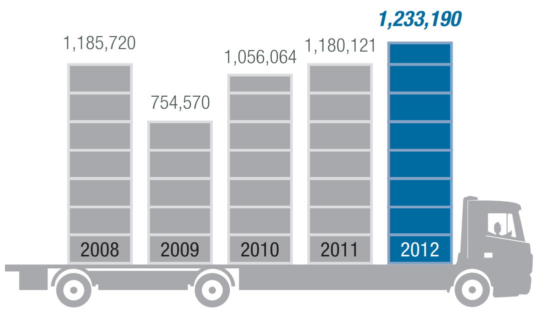
Turnover

RMB'000



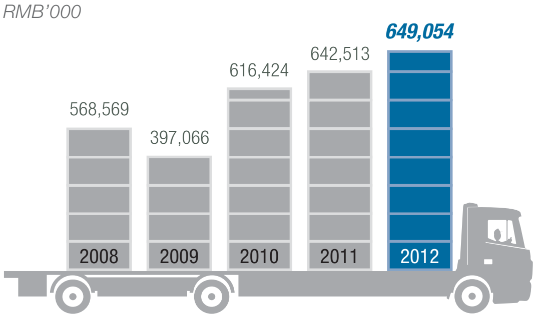
Profit Before Income Tax

RMB'000



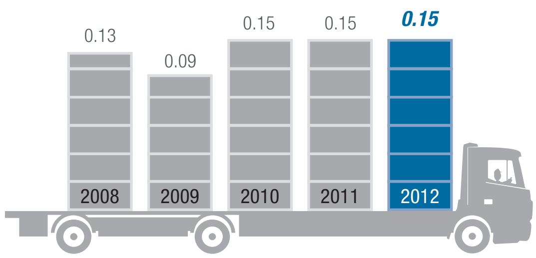
Profit For The Year (Attributable To Equity Holders)

RMB'000



Basic Earnings Per Share

RMB



As at 31 December	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Total assets	29,288,347	26,802,292	25,094,623	21,718,532	19,660,184
Total liabilities	16,560,635	14,817,423	13,054,634	10,497,163	9,232,046
Non-controlling interests	2,365,492	2,200,154	2,281,131	2,057,690	1,847,436
Equity holders' equity	10,362,220	9,784,715	9,758,858	9,163,679	8,580,702

Note 1: Basic earnings per share for the five years ended 31 December 2008, 2009, 2010, 2011 and 2012 have been computed by dividing the profit for the year by, respectively, 4,249,002,200 shares, being the weighted average number of shares in issue during the year ended 31 December 2008, 2009, 2010, 2011 and 2012. As there are no potentially dilutive securities, diluted earnings per share is not presented.

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

Breakthrough Growth

The GDP of China grew by 7.8% in 2012 compared with the corresponding period of 2011, and the total foreign trade value increased by 6.2%, among which, the export value increased by 7.9% and import value increased by 4.3%

Chairman's
Statement

Zhao Huxiang
Executive Director and Chairman

To: the shareholders

I am pleased to present the annual report of Sinotrans Limited (the "Group") for the financial year ended 31 December 2012 for your review.

REVIEW OF OPERATING RESULTS

2012 might be the most difficult year for world economy and international financial market since the beginning of the new century. In respect of international economy, US economy was sluggish; European Debt Crisis remained unsolved and Europe encountered double recession, which became the biggest barrier to the recovery of world economy; and Japan fell into another recession. Emerging countries and regions also faced economic problems with some countries stuck in the dilemma between stimulating economy and curbing inflation. In China, the growth of external demand slowed down, resulting in a hard time for export-oriented enterprises, and the contribution of net export to the growth of national economy had been negative for three consecutive years. The GDP of China grew by 7.8% in 2012 compared with the corresponding period of 2011, and the total foreign trade value increased by 6.2%, and the growth rate dropped by 16.3 percents which was also lower than the annual growth target, being 10%, among which, the export value increased by 7.9% and import value increased by 4.3%.

Chairman's Statement

Against a backdrop of complicated and changeable economic dynamics and fierce market competition, the Group adopted integrated sales and marketing strategy after carefully studying the trends of macro-economy and industry to enhance profitability by optimizing and adjusting business structure, and innovate and optimize products structure as well as improve service quality, and hence achieved positive results. In 2012, the Group maintained steady momentum of development and overfulfilled the full-year budget in joint efforts of members of the Group.

In 2012, the Group achieved a revenue of approximately RMB47.482 billion, representing an increase of 8.5% as compared with the corresponding period in 2011; operating profit generated from its business operation decreased by 21.2%. Profit distributable to equity holders increased by 1.0% as compared with the corresponding period in 2011. Earnings per share was RMB0.15 (corresponding period in 2011: RMB0.15).

With ten years' development after the listing, we achieved the goal of quadrupled revenue, and our business scale stayed the top in domestic logistics market with our integrated logistics competitiveness enhanced significantly. The Group always adheres to the core principle of "development" to ensure its healthy and steady development. In the future, the Group will continue to keep "development" as our core task to facilitate the ongoing expansion of our business.

DIVIDENDS

The Board has proposed to recommend the payment of a final dividend of RMB0.03 per share at the forthcoming Annual General Meeting to reward shareholders for their continuous support to the Group.

SOCIAL RESPONSIBILITY

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

Since the establishment of the ISO9001:2008, ISO14001:2004 and OHSAS18001:2007 quality and EHS management systems in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment has been conducted and controllable environmental factors in the operating activities and relevant services of the Group that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention be given to significant environmental factors and effective control be exercised to minimise adverse impact on the environment.

INVESTOR RELATIONS

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

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

PROSPECTS

The overall world economy will remain sluggish in 2013. The United Nation continuously downgraded its economic growth forecast for 2013. In addition to the stalling of US economic recovery, more and more European countries encountered problems, and emerging economies such as Brazil and India are facing the severe test of imported inflation, resulting in a complicated international environment full of uncertainties. In China, the original competitive advantages and drivers of economic growth gradually weakened, and the investment growth could be under certain downward pressure while the consumption growth is expected to remain stable. It is expected that the growth of China's GDP will be around 7.5% in 2013.

In general, the Group still faces a tough external macroeconomic and industry dynamics in 2013. We must be fully aware of the overall situation and make detailed plans to have the initiative in such an adverse environment. Meanwhile, as China's economic development is still in an important period of strategic opportunities (especially the new urbanization will become the economic engine for China's future development), it will provide medium to long term driving force for China's economic growth. Economic structure adjustment and change of development pattern will boost the development of new energy, new technology and new biotechnology industries. The national economic transformation and upgrading strategy will further promote the integration of manufacturing and service industries, which will directly boost the development of logistics industry. The support to the logistics industry from the state policies will facilitate the further expansion of logistics market. It is estimated that total social logistics value and added value of logistics industry in China will increase by about 10% in 2013.

In 2013, the Group will endeavor to develop integrated logistics business to enhance profitability through business structure adjustment and optimization; promote the development of domestic trade logistics business; make cargo-space booking platform bring into full play the economy of scale so as to boost the development of air freight business; push forward the consolidation of integrated logistics resources while optimizing the allocation of internal resources; facilitate the development of specialized logistics, keep up with the development trends of e-commerce logistics, and enhance competitiveness through innovation; promote the integrated sales and marketing strategy to increase the proportion of major customers and direct customers as well as innovate marketing strategy and enhance quality of service; continue to strengthen the establishment of internal control system with full coverage of the entire process; carry out safe production and ensure the completion of the full-year budget of the Group for 2013.

Chairman's Statement

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

APPRECIATION

Last but not least, I would like to express sincere gratitude to the directors, supervisors, management and staff, whose dedicated and ceaseless effort has been the unfailing driving force behind the Group's continuous development. I am also deeply grateful to all our business partners and shareholders, whose trust and support will drive us ever forward for greater success in future.

Zhao Huxiang
Chairman

Beijing, the PRC
19 March 2013

Management Discussion

and Analysis of Results of Operations and Financial Position

Zhang Jianwei
Executive Director
and President

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

BUSINESS OVERVIEW

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

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

Management Discussion and Analysis of Results of Operations and Financial Position

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

REVIEW OF OPERATION

In 2012, against a backdrop of complicated domestic and international economic dynamics, the Group carried forward the work style of "truth-seeking, pragmatic, pioneering and innovative" to start up a new phase of flourishing development through hard work. The Group proactively acted upon the adversity of external market environment, maintained steady growth of operations and ensured the completion of full-year budget in joint efforts of the staff members of the Group. In 2012, the Group achieved the following results:

- We overfulfilled the overall budget for 2012 while making steady progress in the quality of its development;
- We steadily promoted resources consolidation while continuously optimizing resources allocation;
- We promoted the implementation of integrated sales and marketing strategy with further improvement on customer structure;
- We pushed ahead business innovation and optimization and the rapid development of specialized logistic business;
- We enhanced synergies among business segments and within networks.

The year 2012 marks the tenth year of listing for the Group. In the past decade, the revenue of the Group quadrupled ahead of schedule, and the business scale stayed at the top in China's logistics market, occupying a leading position among the world-famous logistics enterprises. The core business of the Group gradually developed the core competitiveness of specialization, informationalization and integration. The operating pattern of integrated logistics was a combination of regional and central business segments within integrated network developing in harmony. In terms of regional structure, we gradually broke the confines of administrative division and implemented strategic reorganization according to economic regions so as to establish an operating pattern of regional subsidiaries. We adjusted asset structure from the asset-light strategy when we went public to a balanced asset structure with sufficient resources base. In terms of IT construction, we built our logistics IT system from scratch, hence effectively facilitated the networking and integration of our core businesses. The advancement and implementation of IT system enhanced our refined management capability. With respect of network coverage, we gradually increased the density of national networks and enhanced the capabilities of business synergies and network interaction. We emphasized both self-built network and agent network for overseas networks so as to gradually enhance our overseas presence and influences. With ten years' development, the comprehensive logistics competitiveness of the Group enhanced significantly. In respect of market segment, we have a group of domestic and international famous enterprises as our customer base with a significant increase of the percentage of strategic major customers and direct customers. The Group will uphold the core principle of "development" in its future operation so as to facilitate the ongoing development of the Group.

OPERATING STATISTICS

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

	For the year ended 31 December	
	2012	2011
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in million tonnes)	**3.5**	2.9
Container cargo (in ten thousand TEUs)	**823.7**	797.9
Air freight forwarding (in million kilograms)	**417.2**	397.2
Rail freight forwarding		
Bulk cargo (in million tonnes)	**0.9**	0.9
Container cargo (in ten thousand TEUs)	**3.4**	3.6
Road freight forwarding		
Bulk cargo (in million tonnes)	**0.15**	0.09
Container cargo (in ten thousand TEUs)	**30.2**	29.2
Shipping agency		
Net registered tonnes (in million tonnes)	**656.4**	657.3
Vessel calls (number of times per vessel)	**60,798**	60,658
Containers (in million TEUs)	**13.42**	12.81
Bulk cargo (in million tonnes)	**182.9**	179.6
Storage and terminal services		
Warehouse operating volume		
Bulk cargo (in million tonnes)	**14.6**	13.3
Containers (in million TEUs)	**8.5**	8.6
Terminal throughput		
Bulk cargo (in million tonnes)	**2.9**	2.1
Containers (in ten thousand TEUs)	**298.3**	304.7
Marine transportation		
TEUs (in ten thousands)	**282.6**	257.3
Other services		
Trucking		
Containers (in ten thousand TEUs)	**74.0**	70.2
Express Service		
Documents and packages (in million units)	**1.78**	1.83

Management Discussion and Analysis of Results of Operations and Financial Position

OPERATING RESULTS

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

	For the year ended 31 December	
	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	**47,482.0**	43,747.5
Other income	**148.2**	195.6
Business tax and other surcharges	**(267.2)**	(313.8)
Transportation and related charges	**(39,625.1)**	(36,100.3)
Depreciation and amortisation	**(474.7)**	(440.9)
Operating cost (excluding transportation and related charges, business tax and surcharges, depreciation and amortisation and other (losses)/gains, net):		
– Staff costs	**(2,724.7)**	(2,450.7)
– Repairs and maintenance	**(193.0)**	(175.6)
– Fuel	**(1,503.1)**	(1,495.3)
– Travel and promotional expenses	**(371.9)**	(342.3)
– Office and communication expenses	**(202.1)**	(194.6)
– Rental expenses	**(989.1)**	(1,191.5)
– Other operating expenses	**(577.8)**	(442.3)
Other (losses)/gains, net	**(18.6)**	70.3
Operating profit	**682.9**	866.1
Financial costs, net	**(196.1)**	(254.2)
Share of profit of jointly controlled entities	**704.1**	510.0
Share of profit of associates	**42.3**	58.2
Profit before income tax	**1,233.2**	1,180.1
Income tax	**(322.4)**	(308.2)
Profit after income tax	**910.8**	871.9
Profit attributable to shareholders		
– Equity holders of the Company	**649.0**	642.5
– Non-controlling interests	**261.8**	229.4
Earnings per share attributable to the equity holders of the Company, basic (RMB)	**0.15**	0.15
Weighted average number of shares during the year (in millions of shares)	**4,249.00**	4,249.00
Number of shares at the end of year (in millions of shares)	**4,249.00**	4,249.00

Management Discussion and Analysis of Results of Operations and Financial Position

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

	Revenue by business segment (in RMB million) For the year ended 31 December			
	2012		2011	
Freight forwarding	**39,820.8**	**80.3%**	36,617.2	79.6%
Shipping agency	**1,126.5**	**2.3%**	815.9	1.8%
Storage and terminal services	**2,104.7**	**4.3%**	1,934.3	4.2%
Marine transportation	**4,919.4**	**9.9%**	5,081.7	11.0%
Other services	**1,599.8**	**3.2%**	1,583.0	3.4%

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

	For the year ended 31 December	
	2012	2011
Freight forwarding	**568.2**	674.7
Shipping agency	**278.8**	297.1
Storage and terminal services	**339.2**	317.6
Marine transportation	**(257.5)**	(313.7)
Other services	**(3.6)**	6.1

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2012

Revenue

In 2012, the Group's revenue amounted to RMB47,482.0 million, up by 8.5% from RMB43,747.5 million in 2011.

Freight Forwarding

Revenue from the Group's freight forwarding services increased by 8.7% to RMB39,820.8 million in 2012, compared to RMB36,617.2 million in 2011.

Volume of sea freight forwarding containers was 8.237 million TEUs in 2012, increasing by 3.2% from 7.979 million TEUs in 2011. Cargo tonnage of air freight forwarding services was 0.4172 million tonnes in 2012, increasing by 5.0% from 0.3972 million tonnes in 2011.

The increase in revenue from freight forwarding services in 2012 was higher than the increase in business volume, mainly attributable to the increase in the freight rates of container shipping market and rapid growth of specialized logistics business.

Management Discussion and Analysis of Results of Operations and Financial Position

Shipping Agency

In 2012, revenue from our shipping agency services was RMB1,126.5 million, representing an increase of 38.1% from RMB815.9 million in 2011.

Number of containers handled in shipping agency business of the Group was 13.42 million TEUs in 2012, representing a rise of 4.8% from 12.81 million TEUs in 2011. Volume of bulk cargo handled was 182.9 million tonnes in 2012, representing a rise of 1.8% when compared with 179.6 million tonnes in 2011. Net registered tonnage handled by the shipping agency services was 656.4 million tonnes in 2012, representing a decrease of 0.1% from 657.3 million tonnes in 2011. Number of vessel calls increased by 0.2% to 60,798 times in 2012, compared with 60,658 times in 2011.

Increases in revenue of shipping agency business and business volume were mainly due to the Group's proactive market expansion and integrated sales and marketing, strengthening of strategic cooperation with key shipping companies, and change of the mode of settlement.

Storage and Terminal Services

In 2012, revenue from storage and terminal services amounted to RMB2,104.7 million, representing an 8.8% growth from RMB1,934.3 million in 2011.

The Group's warehouses handled 14.60 million tonnes of bulk cargo in 2012, representing a 9.8% increase from 13.30 million tonnes in 2011. Containers handled decreased 1.2% to 8.50 million TEUs from 8.60 million TEUs in 2011. The volume of bulk cargo handled at terminals increased 38.1% to 2.90 million tonnes from 2.10 million tonnes in 2011. Containers handled through terminals decreased 2.1% to 2.983 million TEUs from 3.047 million TEUs in 2011.

The growth in the revenue of storage and terminal services was attributable to the growth in the business volume of bulk cargo handled and the increase in the service fees. The reconstruction of part of water front of terminals resulted in the decrease of business volume of containers handled.

Marine Transportation

Revenue from marine transportation of the Group in 2012 amounted to RMB4,919.4 million, down by 3.2% from RMB5,081.7 million in 2011.

The number of containers shipped by the Group rose to 2.826 million TEUs in 2012, up by 9.8% from 2.573 million TEUs in 2011.

The increase rate in revenue of marine transportation was lower than that in business volume, which was mainly attributable to the Group's stepped-up efforts in exploring the domestic freight market, leading to the decrease in the proportion of international freight business.

Other Services

Revenue from other services (mainly trucking transportation and express services) in 2012 amounted to RMB1,599.8 million, representing an increase of 1.1% from RMB1,583.0 million in 2011.

Volume of containers handled by the Group's trucking services in 2012 was 0.740 million TEUs, representing a rise of 5.4% from 0.702 million TEUs in 2011. The number of documents and packages handled in express services decreased 2.7% from 1.83 million units in 2011 to 1.78 million units in 2012.

Growth in the business volume of containers handled by the Group's trucking services was mainly due to the increase in the capacity. The decrease in volume of express business was mainly attributable to the Group's stepped-up efforts in the expansion of self-owned international express brand, leading to the decrease in the volume of express agency business.

The Group's jointly controlled entities recorded an investment gain of RMB651.2 million from the operations of express services, representing an increase of 6.3% compared with the corresponding period of the previous year. The number of documents and packages handled in international express services of the jointly controlled entities was up by 15.4% from 14.60 million units in 2011 to 16.85 million units in 2012.

Transportation and Related Charges

Transportation and related charges were up by 9.8% to RMB39,625.1 million in 2012, compared with RMB36,100.3 million in 2011. Such increase in transportation and related charges was mainly attributable to the rise of freight rates.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB474.7 million in 2012, representing an increase of 7.7% from RMB440.9 million in 2011, mainly as a result of the increase of assets during the period.

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

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges and other (losses)/gains, net) were RMB6,561.8 million in 2012, representing a 4.3% increase from RMB6,292.3 million in 2011.

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

The increase in staff costs was mainly due to the increase in headcount due to expansion of business, optimization of remuneration regime and the increase in social security expenses.

The decrease in rental expenses was mainly attributable to the decrease in the price of leasing vessels, compared with the corresponding period of the previous year.

Other (Losses)/Gains, Net

"Other (losses)/gains, net" changed to loss of RMB18.6 million in 2012 from gain of RMB70.3 million in 2011, primarily due to the expiry of all foreign exchange forward contracts at the end of 2011 and the decrease of RMB107 million in the gain from changes in fair value compared with the corresponding period of the previous year.

Operating Profit

The Group's operating profit was RMB682.9 million in 2012, representing a decrease of 21.2% from RMB866.1 million in 2011. Operating profit as a percentage of total revenue for 2012 decreased to 1.44% in 2012 from 1.98% in 2011, or to 8.69% from 11.33% as a percentage of net revenue (total revenue less transportation and related charges), was primarily due to the expiry of foreign exchange forward contracts that attributes to the decrease of income in fair value and the provision made for losses on guarantees provided for Grandstar Airlines.

Management Discussion and Analysis of Results of Operations and Financial Position

Income Tax Expense

In 2012, income tax expense of the Group amounted to RMB322.4 million, representing an increase of 4.6% from RMB308.2 million in 2011. This was primarily attributable to the increase in profit before income tax compared with the corresponding period of the previous year. Income tax expense as a percentage of profit before income tax expense in 2012 was at the same level as 26.1% in 2011.

PROFIT AFTER INCOME TAX EXPENSE

For the year ended 31 December 2012, the Group recorded profit after income tax expense of RMB910.8 million, representing an increase of 4.5% when compared to RMB871.9 million in 2011.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

In 2012, profit attributable to non-controlling interests amounted to RMB261.8 million, representing an increase of 14.1% as compared with RMB229.4 million in 2011, which was mainly because of the increase in profit of subsidiaries resulting in the same level increase in profit attributable to their minority shareholders.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Group's profit attributable to shareholders of the Company for the year ended 31 December 2012 amounted to RMB649.0 million, representing an increase of 1.0% from RMB642.5 million in 2011.

LIQUIDITY AND CAPITAL RESOURCES

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

The following table summarises the Group's cash flows for each of the two years ended 31 December 2012 and 2011:

	For the year ended 31 December	
	2012 in RMB million	2011 in RMB million
Net cash generated from operating activities	**381.4**	1,118.1
Net cash used in investing activities	**(1,190.4)**	(1,519.9)
Net cash generated from financing activities	**890.0**	761.0
Exchange losses on cash and cash equivalents	**(7.5)**	(40.6)
Net increase in cash and cash equivalents	**73.5**	318.6
Cash and cash equivalents as at year end	**5,594.6**	5,521.1

Operating Activities

Net cash generated from operating activities for 2012 amounted to RMB381.4 million, down by 65.9% compared with RMB1,118.1 million in 2011. The decrease in net cash flow from operating activities primarily attributable to an increase in trade and other receivables of RMB1,388.3 million (2011: increase of RMB243.1 million), a decrease in receipts in advance from customers of RMB471.5 million (2011: increase of RMB494.8 million), partly offset by the Company's profit attributable to equity holders of RMB649.1 million (2011: RMB642.5 million), an increase in trade payables of RMB844.6 million (2011: increase of RMB421.8 million), a decrease in prepayments and other current assets of RMB263.7 million (2011: increase of RMB373.1 million). Average age of trade and other receivables for 2012 and 2011 were 56 days and 54 days respectively.

Investing Activities

For the year ended 31 December 2012, net cash used in investing activities amounted to RMB1,190.4 million, primarily comprised RMB1,316.3 million for the purchase of property, plant and equipment, RMB181.4 million for the acquisition of land use rights and intangible assets, RMB189.3 million for the investment cost paid to ultimate holding company, RMB526.5 million paid for additional investments in jointly controlled entities, RMB180.0 million for acquisition of available-for-sale financial assets, and an increase of RMB160.9 million in term deposits with initial terms of over three months, which were partially offset by RMB569.8 million dividends received from the associates and jointly controlled entities, RMB128.4 million interest income received, a decrease of RMB134.0 million in restricted cash, and proceeds of RMB311.6 million from the disposal of available-for-sale financial assets and RMB117.8 million for proceeds from disposal of property, plant and equipment. For the year ended 31 December 2011, net cash used in investing activities amounted to RMB1,519.9 million, primarily comprised RMB1,341.1 million for the purchase of property, plant and equipment, RMB171.7 million for the acquisition of land use rights and intangible assets, RMB316.6 million paid for additional investments in subsidiaries, associates and jointly controlled entities and advanced payment for the acquisition of subsidiaries, RMB133.2 million for acquisition of available-for-sale financial assets, RMB234.0 million for the acquisition of other current asset, and an increase of RMB238.5 million in restricted cash and term deposits with initial terms of over three months, which were partially offset by RMB803.7 million dividends received from the associates and jointly controlled entities, RMB63.3 million interest income received.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB890.0 million for 2012, compared with that of RMB761.0 million for 2011.

New bank borrowings in 2012 amounted to RMB2,976.2 million (2011: new bank borrowings amounted to RMB2,087.7 million) and the issue of long-term bonds and short-term bonds contributed to the receipt of cash in the amount of RMB4,000 million (2011: RMB2,850 million), and cash received from ultimate holding company and fellow subsidiaries amounted to RMB1,300 million (2011: RMB584.0 million), which were partially offset by repayments of bank borrowings of RMB3,197.2 million (2011: RMB2,458.5 million), cash paid for repayment of short-term bonds of RMB2,300.0 million (2011: Nil), repayment to ultimate holding company and fellow subsidiaries of RMB1,440.0 million (2011: RMB1,795.0 million), dividend payment of RMB152.3 million (2011: RMB365.5 million), interest paid for borrowings of RMB124.4 million (2011: RMB129.1 million), and interest paid for short-term bonds and long-term bonds of RMB194.7 million (2011: Nil) in 2012.

Management Discussion and Analysis of Results of Operations and Financial Position

Capital Expenditure

For 2012, the Group's capital expenditure amounted to RMB1,510.0 million, consisting primarily of RMB1,316.3 million for purchase of property, plant and equipment, RMB13.4 million for the purchase of intangible assets, RMB168.0 million for the purchase of land use rights, among which, RMB1,037.6 million were used for the construction of terminals, warehouses, logistics centres and container yards, RMB271.6 million for the purchase of vehicles and equipment and RMB61.8 million for IT investment and refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2012, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business amounting to RMB176.738 million (2011: RMB63.015 million).

As at 31 December 2012, the amount of guarantees provided by the Group in favour of its jointly controlled entities was RMB143.7 million (2011: the amount of guarantees provided by the Group for its jointly controlled entities was 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 31 December 2012, the Group's total borrowings amounted to RMB1,110.1 million (31 December 2011: RMB2,331.1 million), which all came from bank borrowings denominated as to RMB202.1 million in Renminbi, RMB879.6 million in US dollars and RMB28.4 million in Hong Kong dollars. Of the total bank borrowings, RMB46.9 million was repayable within one to two years. The weighted average annual interest rate for the above borrowings was 3.61%.

SECURED AND GUARANTEED BORROWINGS

As at 31 December 2012, the Group pledged restricted cash amounting to approximately RMB162.3 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB275.0 million) and land use rights (with net book value of approximately RMB27.3 million) for borrowings.

GEARING RATIO

As at 31 December 2012, the gearing ratio of the Group was 56.5% (2011: 55.3%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2012.

FOREIGN EXCHANGE RATE RISK

Since a substantial portion of the Group's revenue and transportation and related charges is denominated in US dollars, the Group's exposure to foreign exchange risk is mainly related to US dollars. There is no assurance that future fluctuations in Renminbi against the US dollars and other currencies would not adversely affect the Group's results and its financial position (including the ability to declare dividends).

CREDIT RISK

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

EMPLOYEES

At the end of 2012, the Group had 27,486 (2011: 26,352) employees.

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

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

OUTLOOK OF BUSINESS DEVELOPMENT

According to the forecast by World Trade Organization (WTO), world trade will grow by 4.5% in 2013, higher than the growth of 2.5% in 2012. The growth of China's GDP is estimated to be around 7.5% in 2013. However, there are still great uncertainties and negative factors (such as the "fiscal cliff" and "debt-ceiling crisis" in US) in world economy that cannot be ignored. The recovery of European and Japanese economy is still a sluggish and arduous process. The world economy is unable to sustain the fast growth in the "Golden Age" between 2003 and 2007 in short term. The Group will be fully aware of such situation and adopt necessary measures.

In general, the Group is prudently optimistic about the macroeconomic dynamics in 2013. Only through continuous improvement of corporate management level and enhancement of intensive growth momentum in the way of innovation, the Group is able to capture opportunities, withstand risks, overcome difficulties and accomplish the budget tasks. Based on its analysis and judgment on changes in internal and external environment, in 2013, the key ideas of the Group's work will be: to optimize business structure, enhance profitability and achieve development through innovation.

Management Discussion and Analysis of Results of Operations and Financial Position

Business Development

- The Group will ensure the completion of full-year budget. The Group will attain balance and unity among budget completion, business structure adjustment and profitability enhancement by ensuring budget completion while adjusting and optimizing business structure and enhancing profitability. As the development of domestic trade logistics business is the focus of business structure adjustment, the Group will improve its business line management and boost the development of domestic trade logistics business. The economy of scale of cargo-space booking platform will be brought into play, and its functions will be enhanced to achieve intensive operation and refined management so as to ensure its sustainable and rapid development. The development of air freight forwarding business will be accelerated.

- The Group will optimize the resources consolidation efforts by continuing to accelerate the consolidation of integrated logistics resources while increasing the allocation of internal resources, optimizing and adjusting organizational structure so as to cope with the market competition effectively.

- The Group will facilitate the development of specialized logistic business. In the past few years, the Group made considerable progress in developing specialized logistic business, especially in areas such as project and energy logistics, automobile parts logistics, and gained market recognition. The Group will adhere to the advancement of specialization with an aim to gain and maintain its leading market position in logistics with high entrance barrier such as project logistics, energy logistics, contract logistics, chemical products logistics and cold chain logistics in China. Meanwhile, the Group will keep up with the development trends of e-commerce logistics and enhance competitiveness through innovation.

- The Group will promote the integrated sales and marketing strategy and increase the percentage of major customers and direct customers, which will, in turn, further optimize customer structure and increase profit margin so as to effectively reduce operation risks. The Group will step up efforts in the exploration of strategic customers, innovating marketing strategy and enhancing the service level.

- The Group will perfect the establishment of internal control system by continuing to strengthen it with full coverage of the entire process.

- The Group will carry out safe production based on the idea for its work of stressing the key points, deepening implementation of management system and steady promotion of standardization.

The Group will continue to uphold and promote the business philosophy of “truth-seeking and pragmatic, pioneering and innovative” to start up a new phase of flourishing development and facilitate the healthy and sustainable development of the Group.

Resources Consolidation

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

Expansion

Leadership

The Group will adhere to the advancement of specialization with an aim to gain and maintain its leading market position in logistic businesses with high entrance barrier such as project logistics, energy logistics, contract logistics, chemical products logistics and cold chain logistics in China

Report on
Corporate Governance

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

CONTINUOUS IMPROVEMENT ON CORPORATE GOVERNANCE PRACTICES

The Company has reviewed and adopted the Corporate Governance Code as set out in Appendix 14 to the aforesaid Listing Rules during the period from 1 January 2012 to 31 March 2012 and the revised Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the period from 1 April 2012 to 31 December 2012 as our code on corporate governance. The Company trusts the promoting sound corporate governance is very important to maintain the operation and performance. The Company confirmed that it has complied with all the code provisions (including the original ones before and the revised ones effective after 1 April 2012) throughout the reporting period for 2012 except the deviation from Code Provision E.1.2 which provides that the chairman of the board should invite the chairmen of Audit Committee and Remuneration Committee to attend the annual general meeting. The reason for the deviation is that the annual general meeting of the Company was held in Beijing and no H-share holders and/or representatives of the shareholders attended the meeting in person. Therefore, the Company did not invite the chairmen of Audit Committee and Remuneration Committee to attend the annual general meeting.

SECURITIES TRANSACTIONS BY DIRECTORS

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

The Directors have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the reporting period for 2012.

BOARD OF DIRECTORS

The Board is accountable to the general meetings under its commitment to pursue the best interests of the Company. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of shareholders and spare no efforts in the performance of their duties as a director.

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

As at 31 December 2012, the Board of the Company comprised 11 directors, of whom 4 were executive directors, 3 were non-executive directors and 4 were independent non-executive directors, whose names are as follows:

Report on Corporate Governance

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

Non-executive directors: Mr. Wu Dongming, Ms. Liu Jinghua and Mr. Jerry Hsu;

Independent non-executive directors: Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Kegu and Mr. Liu Junhai.

The Company held four Board meetings on 21 March 2012, 26 June 2012, 17 August 2012 and 12 November 2012 respectively, that is, from 49th to 52nd Board meetings. The Company has prepared and properly kept detailed minutes for the matters being discussed in Board meetings.

The attendance of Board meetings and general meetings by directors (including those ceased to act in 2012) during the term of their office in 2012 is set out below:

	Attendance/No. of meetings during the term of their office	
	Board meeting	**Annual general meeting, class meeting and extraordinary general meeting**
Current Directors		
Mr. Zhao Huxiang	4/4	3/5
Mr. Zhang Jianwei	4/4	5/5
Ms. Tao Suyun	4/4	0/5
Mr. Li Jianzhang	4/4	0/5
Mr. Wu Dongming	3/3	0/2
Ms. Liu Jinghua	4/4	0/5
Mr. Jerry Hsu	4/4	0/5
Mr. Guo Minjie	1/1	0/1
Mr. Lu Zhengfei	4/4	0/5
Mr. Liu Kegu	4/4	0/5
Mr. Liu Junhai	0/0	0/0
Directors Ceasing to Act		
Mr. Yang Yuntao	1/1	0/3
Mr. Sun Shuyi	3/3	0/4
Mr. Mok Chi Ming Victor	4/4	0/4

Notes:

1. On 7 June 2012, Mr. Wu Dongming was appointed as a non-executive director of the Company, and Mr. Yang Yuntao ceased to act as a non-executive director of the Company.

2. On 31 August 2012, Mr. Guo Minjie was appointed as an independent non-executive director of the Company, and Mr. Sun Shuyi ceased to act as an independent non-executive director of the Company.

3. On 28 December 2012, Mr. Liu Junhai was appointed as an independent non-executive director of the Company, and Mr. Mok Chi Ming Victor ceased to act as a non-executive director of the Company.

4. Mr. Zhao Huxiang attended the annual general meeting and H Shares/Domestic Shares class meeting held on 7 June 2012; Mr. Zhang Jianwei attended the annual general meeting and H Shares/Domestic Shares class meeting held on 7 June 2012, the extraordinary general meeting held on 31 August 2012 and the extraordinary general meeting held on 28 December 2012.

The main duties of the Board include determining the annual operating plans and investment proposals of the Company, convening general meetings and executing the resolutions passed at general meetings, formulating the Company's profit distribution proposals and formulating proposals of amending the Articles of Association of the Company. The main duties of the management include taking charge of the Company's operation and management and organizing the implementation of the resolutions of the Board, organizing the implementation of the Company's annual operating plans and investment proposals, drafting the Company's basic management system, formulating basic rules and regulations for the Company, exercising other powers conferred by the Articles of Association and the Board. The scope of authority of the Board and management is set out in the Articles of Association of the Company and Rule of Procedures of the Board.

The Chairman ensures the proper performance of duties by the directors and maintains the effective operation of the Board. He also ensures that all material matters are being brought forth to the directors for discussion as appropriate in a timely manner. The directors have been reminded that they shall devote sufficient time and effort to the business of the Company and that they shall abstain from voting for the approval of any proposals in which they have material interests. The Company ensures that all the directors devote to the Board upon that all information have been given and fit in with the conditions. All the directors have the authorities to review the documents and relevant materials of the Board.

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

All directors took an active part in the continuous professional development to develop and update their knowledge and skills so as to ensure that they continue to devote to the Board upon that all information have been given and fit in with the conditions.

Report on Corporate Governance

The Company also took various measures to help and support the directors in continuous professional development. The Company formulated and updates from time to time a Performance Manual for Directors which covers the brief introduction of the Company, the profile of the Board, the statutory obligations of the directors under the laws of the PRC and listing regulations, the internal governance documents and guidelines of the Company. The management of the Company provides Monthly Report on Finance, Operations and Information Disclosure of the Company and Updates on Regulations of Securities Regulatory Authorities to the directors on a monthly basis so that the directors can keep up with the latest changes in the operations of the Company and regulatory requirements. In addition, the Company supports the directors to participate in the courses and seminars organized by the Stock Exchange and other professional organizations in relation to Securities and Futures Ordinance, Listing Rules and corporate governance practices in order to keep updating and improving their relevant knowledge and skills. The company secretary also provides reading materials of latest amendments on applicable laws and rules and/or holds seminars to/for the directors to assist them to perform their duties.

After specific enquiry by the Company and according to the record kept by the Company, the participation of all current directors in the continuous professional development throughout the reporting period for 2012 is set out below:

Directors	Reading Performance Manual	Reviewing Monthly Report on Finance, Operations and Information Disclosure of the Company	Reviewing Updates on Regulations of Securities Regulatory Authorities	Interpretation of compliance requirements by company secretary at Board meetings	Training seminars organized by the Stock Exchange and other professional organizations
Mr. Zhao Huxiang	✓	✓	✓	✓	
Mr. Zhang Jianwei	✓	✓	✓	✓	
Ms. Tao Suyun	✓	✓	✓	✓	
Mr. Li Jianzhang	✓	✓	✓	✓	
Mr. Wu Dongming	✓	✓	✓	✓	
Ms. Liu Jinghua	✓	✓	✓	✓	
Mr. Jerry Hsu	✓	✓	✓	✓	
Mr. Guo Minjie	✓	✓	✓	✓	✓
Mr. Lu Zhengfei	✓	✓	✓	✓	
Mr. Liu Kegu	✓	✓	✓	✓	
Mr. Liu Junhai	✓	✓	✓		

CHAIRMAN AND PRESIDENT

During the reporting period, Mr. Zhao Huxiang was the Chairman of the Board and Mr. Zhang Jianwei was the President of the Company. There is a clear division of power and authority between the Chairman and President. The Chairman is responsible for the management of the Board's operation and ensures that the Company formulates sound corporate governance practices and procedures, while the President is responsible for the business management of the Company. Details of their respective duties and responsibilities are set out in the Articles of Association of the Company.

NON-EXECUTIVE DIRECTORS

In accordance with Article 94 of the Articles of Association of the Company, the directors of the Company are elected at general meetings of the Company. All directors including non-executive directors are appointed for a term of office of three years and are eligible for re-election upon the expiry of such term. The three-year term of office of the current non-executive directors is set out below:

Non-executive directors	Term of office
Mr. Wu Dongming	From 7 June 2012 to 6 June 2015
Ms. Liu Jinghua	From 11 June 2012 to 10 June 2015
Mr. Jerry Hsu	From 11 June 2012 to 10 June 2015

Board Committees

The Board has established five committees, including Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Executive Committee. The main duties and rules of procedure of Audit Committee, Remuneration Committee and Nomination Committee are published on the websites of the Stock Exchange and the Company, detailing their roles and the authorities delegated from the Board.

Audit Committee

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

The Audit Committee comprises of Mr. Liu Kegu, Mr. Guo Minjie, Mr. Lu Zhengfei and Mr. Liu Junhai, being independent non-executive directors, and Ms. Liu Jinghua, being a non-executive director, with Mr. Liu Kegu as the chairman of the committee. The members of Audit Committee are professionals in the field of accounting, finance and transportation. Most of them possess appropriate professional qualifications and experience in finance. The Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

Report on Corporate Governance

The Audit Committee held four meetings on 16 March 2012, 11 July 2012, 14 August 2012 and 18 December 2012 respectively, reviewing the Company's financial statements, annual and interim financial reports, debriefing the report of internal audit, material lawsuits and guarantee of the Company, and discussing the candidates of external auditors for the year.

The attendance of meetings by members of Audit Committee (including Sun Shuyi, an independent non-executive director ceasing to act) during the term of their office is set out below:

	Attendance/No. of meetings during the term of their office
Mr. Liu Kegu	4/4
Mr. Guo Minjie	1/1
Mr. Lu Zhengfei	4/4
Mr. Liu Junhai	0/0
Ms. Liu Jinghua	4/4
Mr. Sun Shuyi	3/3

1. On 31 August 2012, Mr. Guo Minjie was appointed as an independent non-executive director of the Company and acted as a member of Audit Committee of the Company.

2. On 31 August 2012, Mr. Sun Shuyi ceased to act as an independent non-executive director and a member of Audit Committee of the Company.

3. On 28 December 2012, Mr. Liu Junhai was appointed as an independent non-executive director of the Company and acted as a member of Audit Committee of the Company.

The Group's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

Remuneration Committee

The principal terms of reference of the Company's Remuneration Committee include studying and formulating the remuneration policy and structure for the directors and senior management of the Company, formulating remuneration standards, reviewing and approving the remuneration proposal in respect of the directors and senior management of the Company, and conducting performance assessment of those directors and senior management. The Company has adopted the first model of Remuneration Committee described in code provision B.1.2(C) of CG Code, i.e. the Remuneration Committee is delegated from the Board the authority to determine the remuneration package of individual executive director and senior management.

The Remuneration Committee comprises of Mr. Lu Zhengfei, Mr. Guo Minjie, Mr. Liu Kegu and Mr. Liu Junhai, being independent non-executive directors, and Ms. Tao Suyun, being an executive director, with Mr. Lu Zhengfei as the chairman of the committee.

The Remuneration Committee held a meeting on 16 March 2012, reviewing the report by the executive director Mr. Zhang Jianwei and senior management about the situation on implementation in performance assessment and the payment of remuneration in 2011. The Remuneration Committee confirmed the method, items and results of the performance assessment, and agreed to submit the Remuneration Committee report to the Board of Directors for approval.

The attendance of meeting by members of Remuneration Committee (including Sun Shuyi, an independent non-executive director ceasing to act) during the term of their office is set out below:

	Attendance/No. of meetings during the term of their office
Mr. Lu Zhengfei	1/1
Mr. Guo Minjie	0/0
Mr. Liu Kegu	1/1
Mr. Liu Junhai	0/0
Ms. Tao Suyun	1/1
Mr. Sun Shuyi	1/1

1. On 31 August 2012, Mr. Guo Minjie was appointed as an independent non-executive director of the Company and acted as a member of Remuneration Committee of the Company.

2. On 31 August 2012, Mr. Sun Shuyi ceased to act as an independent non-executive director and a member of Remuneration Committee of the Company.

3. On 28 December 2012, Mr. Liu Junhai was appointed as an independent non-executive director of the Company and acted as a member of Remuneration Committee of the Company.

Nomination Committee

On 21 March 2012, the 49th meeting of the Board approved to set up Nomination Committee under the Board of Directors. The principal terms of reference 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 comprises of Mr. Zhao Huxiang, being the Chairman, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Kegu and Mr. Liu Junhai, being independent non-executive directors, and Mr. Zhang Jianwei, being an executive director, with Mr. Zhao Huxiang as the chairman of the committee.

The Nomination Committee held two meetings on 26 June 2012 and 12 November 2012 respectively, reviewing the proposal of recommending Mr. Guo Minjie and Mr. Liu Junhai to become independent non-executive directors of the Company.

The attendance of meetings by members of Nomination Committee (including Sun Shuyi, an independent non-executive director ceasing to act) during the term of their office is set out below:

	Attendance/No. of meetings during the term of their office
Mr. Zhao Huxiang	2/2
Mr. Zhang Jianwei	2/2
Mr. Guo Minjie	1/1
Mr. Lu Zhengfei	2/2
Mr. Liu Kegu	2/2
Mr. Liu Junhai	0/0
Mr. Sun Shuyi	1/1

1. On 31 August 2012, Mr. Guo Minjie was appointed as an independent non-executive director of the Company and acted as a member of Nomination Committee of the Company.

2. On 31 August 2012, Mr. Sun Shuyi ceased to act as an independent non-executive director and a member of Nomination Committee of the Company.

3. On 28 December 2012, Mr. Liu Junhai was appointed as an independent non-executive director of the Company and acted as a member of Nomination Committee of the Company.

Corporate Governance Committee

On 21 March 2012, the 49th meeting of the Board approved to set up Corporate Governance Committee under the Board of Directors. The principal terms of reference 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; d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, etc.

The Corporate Governance Committee comprises of Mr. Zhao Huxiang, being the Chairman, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Kegu and Mr. Liu Junhai, being independent non-executive directors, and Mr. Zhang Jianwei, being an executive director, with Mr. Zhao Huxiang as the chairman of the committee.

Executive Committee

On 15 April 2003, the 3rd meeting of the Board approved to set up Executive Committee. The Executive Committee is a standing organization under the Board which, with the authorization by plenary meeting of the Board, is able to exercise part of power and authority of the Board during the adjournment of Board meetings. The principal terms of reference of the Executive Committee include: a) subject to laws, the Listing Rules and the Articles of Association, to decide on transactions relating to the core businesses of the Company, including but not limited to acquisition, merger, assets disposal and other external investments, with the amount involved in each transaction being no more than 5% of the Company's latest audited total assets, and authorize any executive director to execute the documents relating to such transaction on behalf of the Board; b) to decide on the establishment, merger and dissolution of the subsidiaries and other branch organizations of the Company; c) subject to laws, the Listing Rules and the Articles of Association, to issue general documents relating to the businesses of the Company which shall be signed by the Board or directors of the Company, including but not limited to letters of appointment or dismissal of relevant intermediaries, documents or letters to be submitted to the relevant government departments and regulatory authorities, and authorize any executive director to execute such documents; d) within the limit of no more than 30% asset to interest-bearing liability ratio, to carry out external debt financing; e) subject to laws, the Listing Rules and the Articles of Association, to authorize the Executive Committee of the Board to decide on the provision of guarantees by the Company to its subsidiaries, including but not limited to: (1) approving the Company to provide guarantees to its subsidiaries, including but not limited to financing guarantees, performance guarantees and payment guarantees; (2) subject to the approval of the above-mentioned guarantees by the Executive Committee of the Board, authorizing any executive director to execute the legal documents relating to the guarantee and deal with all other relevant matters. The above-mentioned authorizations shall not apply in the following circumstances: (1) the aggregate amount of guarantees in one year exceeds 30% of the total assets of the Company; (2) the subsidiaries are connected persons of the Company; (3) any guarantee is provided after the total amount of external guarantees has exceeded 50% of the latest audited net assets of the Company; (4) the asset to liability ratios of the subsidiaries exceed 70%; and (5) the amount of a single guarantee exceeds 10% of the latest audited net assets of the Company; and subject to applicable laws, the Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, other authorizations conferred by the Board. The Executive Committee shall report to the Board about the exercise of its rights at the next Board meeting.

The Executive Committee comprises of Mr. Zhao Huxiang, being the Chairman, and Mr. Zhang Jianwei, Ms. Tao Suyun and Mr. Li Jianzhang, being executive directors, with Mr. Zhao Huxiang as the chairman of the committee.

Supervisory Committee

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

The Supervisory Committee is responsible for checking the financial affairs, supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. By convening meetings of the Supervisory Committee and attending the meetings of the Board and committees under the Board, taking the investigation and check on the site of subsidiary of the company, the supervisors examined the Company's financial position and legal compliance of its operations and the performance of duties by its senior management, undertaking various duties in a proactive manner with diligence, prudence and integrity.

Report on Corporate Governance

The Supervisory Committee held two meetings on 16 March 2012 and 14 August 2012 respectively, reviewing and approving the 2011 work report of the Supervisory Committee, the interim financial statements of 2012, the proposal of profit assignment, and the summary of investigation by Supervisory Committee for the first half of 2012 and the work plan for the second half of 2012.

Auditor's Remuneration

At the annual general meeting held on 7 June 2012, a resolution was passed to appoint Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the PRC and the international auditors of the Company for the year 2012 respectively, and to authorize the Board to fix their remuneration.

For the year ended 31 December 2012, the fees being paid to auditor for audit and non-audit services amounted to RMB4,400,000 and RMB2,600,000 respectively.

Company Secretary

Mr. Gao Wei is the company secretary of the Company, whose biography is set out in Directors, Supervisors & Senior Management of this annual report. Mr. Gao Wei has been in full compliance with the requirements of Rule 3.29 of the Listing Rules throughout the year of 2012.

Shareholders' Interests

The Company always attaches importance to the protection of shareholders' interests with an ultimate goal to maximize shareholders' value. The Articles of Association of the Company provides for the procedures for shareholders to submit motions at the annual general meeting and to convene extraordinary general meeting or class meeting. Article 60 of the Articles of Association of the Company provides that, where the Company convenes an annual general meeting, shareholders holding 5 per cent or more of the total number of the Company's voting shares shall be entitled to submit new motions in writing to the Company. The Company shall put on the agenda of the meeting all items in the motions, that fall within the scope of the shareholders' general meeting. Article 79 of the Articles of Association of the Company provides that, two or more shareholders holding in aggregate 10 per cent or more of the shares with voting rights at a meeting may request the Board of Directors to convene an extraordinary general meeting or class meeting by signing and submitting to the Board of Directors one or more counterpart written request(s) to convene such a meeting. The written request must state the matters to be considered at that meeting. The Board of Directors shall convene the extraordinary general meeting or class meeting as soon as possible after receiving such written request(s). The shareholdings referred to above shall be calculated as at the date of delivery of the written request(s) submitted by the shareholders. If the Board of Directors fails to issue a notice to convene such a meeting within 30 days after receiving the written request(s) from the shareholders, the shareholders requesting the meeting may convene the meeting by themselves within 4 months from the date on which the Board of Directors received the written request(s). The procedure for convening such meeting shall, so far as is possible, be the same as the procedure of the Board of Directors to convene an extraordinary general meeting or class meeting. The Company shall be responsible for the reasonable fees incurred by the shareholders in convening an extraordinary general meeting or class meeting due to the failure of the Board of Directors to convene the meeting. The Company shall deduct such fees from the amount owed by the Company to the Directors who have neglected their duties.

Pursuant to Article 98 of the PRC Company Law, the shareholders of the Company have the right to inspect the Articles of Association, the share register, corporate bond certificates, minutes of general meetings, resolutions of Board meetings, resolutions of Supervisory Committee meetings as well as financial and accounting reports, and also have the right to make recommendations or enquiries in respect of the Company's operations. For details on shareholders' enquiry procedures, please refer to the shareholders communication policy published on the website of the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

After the extraordinary general meeting was convened on 28 December 2012, the amendment to the Articles of Association of the Company to include "information technology services and attestation consulting services" into the Company's business scope was approved. The modified content is as follows:

By deleting the existing article 13 of the Articles of Association of the Company, and replacing it with the following:

"The business scope of the Company shall be subject to such items as approved by the company registry. The business scope of the Company includes: international transportation agency services by sea, land and air, in respect of import and export cargo, international exhibition articles, personal articles and goods in transit, which includes cargo canvassing, cargo space booking, cargo storage, cargo transshipping, containers assembling and disassembling, freights and miscellaneous costs and expenses calculation and setting, customs declaration, commodity inspection assistance service, insurance assistance service, related short-distance transport service and transport consultancy service; international multimodal transport service; international courier service (except mail and articles of mail nature); vessels leasing; general cargo transportation; transportation of frozen goods or goods to be kept warm and international containers; logistics service; freight forwarding agency service; warehouse service; inland water transportation vessels agency; transportation of goods agency services; international vessels transportation services; non-vessel operating common carrier; and containers transportation for domestic route; information technology services and attestation consulting services."

GENERAL MEETINGS

The Company held five general meetings in 2012, including one annual general meeting, one H Shares class meeting, one Domestic Shares class meeting, and two extraordinary general meetings.

1. The annual general meeting held on 7 June 2012 was convened to review and approve the Report of the Board of Directors for the year ended 31 December 2011; to review and approve the Report of the supervisory committee for the year ended 31 December 2011; to review and consider the audited accounts of the Company and the auditors' report for the year ended 31 December 2011; to review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2011; to authorize the directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2012; to appoint Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the PRC and the international auditors of the Company for the year 2012, and to authorize the Board of the Company to fix their remuneration; to approve the resolutions of the re-election and appointment of the directors and/or supervisors of the Company: (A) to approve the re-election of Mr. Zhao Huxiang as executive director of the Company; (B) to approve the re-election of Mr. Li Jianzhang as executive director of the Company; (C) to approve the re-election of Ms. Liu Jinghua as non-executive director of the Company; (D) to approve the appointment of Mr. Wu Dongming as non-executive director of the Company; (E) to approve the re-election of Mr. Jiang Jian as supervisor of the Company; (F) to approve the re-election of Mr. Jerry Hsu as non-executive director of the Company and to authorize the Board of the Company to fix the remuneration of directors and supervisors; to approve a general mandate to issue shares; to approve a general mandate to repurchase H shares in the capital of the Company. H Shares and Domestic Shares class meeting of the Company held on the same day were convened to approve a general mandate to repurchase H Shares in the capital of the Company.

2. The extraordinary general meeting held on 31 August 2012 was convened to review and approve the resolution of the appointment of Mr. Guo Minjie as an independent non-executive director of the Company; to authorize the board of directors of the Company to determine his remuneration.

3. The extraordinary general meeting held on 28 December 2012 was convened to review and approve the resolution of the appointment of Mr. Liu Junhai as an independent non-executive director of the Company; to authorize the board of directors of the Company to determine his remuneration; and to approve the amendment to the articles of association of the Company.

The resolutions proposed in 2012 for shareholders' approval have been all duly passed. The general meeting is extremely important for the Company and all shareholders are encouraged to attend. The Company will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

Financial Calendar

Announcement of 2012 annual results	19 March 2013
Announcement of 2013 interim results	21 August 2013

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

As for the date of closure of register to determine entitlements for 2012 final dividend, payment of 2012 final dividend and Annual General Meeting of 2012, please refer to the "Notice of Annual General Meeting" in 2012 annual report to be published by the Company for further details.

INVESTOR RELATIONS

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

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

INTERNAL CONTROL

Through the customized internal control system, the Board oversees the Company's overall financial and operation conditions and legal compliance and manages any risks to avoid substantial losses due to failure in internal control. The directors have reviewed and confirmed that the internal control system of the Company is stable, proper and effective in order to safeguard the investment of the shareholders and the assets of the Company in 2012.

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

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

- The Board of Company has authorized the management to establish a series of policies, rules and processes in relation to financial management, operation and legal compliance, which are being monitored on a daily basis for ongoing improvements.

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

- The Internal Audit Department of the Company is established to monitor and assess the Company's operating activities and the suitability, compliance and effectiveness of its internal control system pursuant to the instruction of the management of Company, through the application of professional approaches that are independent, objective and systematic. The Internal Audit Department is responsible for independent examination and assessment of the Company's internal control mechanism and for providing recommendations on further improvement so as to ensure the effective implementation of the approaches, standards and management system formulated by the Company. The scope of an internal audit covers the Company's financial conditions, operations, compliance and risk management. In terms of auditing items, auditing should be focused on the operating entity. In terms of the substance of auditing, the primary task is the auditing of internal controls with in-depth investigations of business processes and management points sections. Based on internal control and operational management process with risk-oriented audit, special emphasis should be given to core business chain of operation together with key financial management and auditing sections. Audit results will be reported to the Audit Committee and the management of the Company. The Company and its second level branches have established risk management and internal control steering group and working group, which are responsible for risk management, risk assessment, establishment of internal control system and examination of and resolution to flaws.

Report on Corporate Governance

- In addition, the Company further enhances its internal control system by strengthening risk management and providing more training to its management and staff so that they may gain better understanding and knowledge of risk management and internal control systems.

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

- With respect to the monitoring and disclosure of inside information, the Company has formulated the Guidelines on Disclosure of Inside Information of Sinotrans Limited in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, with an aim to ensure that the Company performs its obligations to protect and disclose inside information relevant to the Company and its subsidiaries. These Guidelines apply to the Company, its subsidiaries and their respective directors, supervisors, chief executives and employees when they identify, control and disclose inside information.

Directors,
Supervisors & Senior Management

EXECUTIVE DIRECTOR

Zhao Huxiang, age 58, is the executive director and the chairman of the board of the Company. Mr. Zhao graduated with a MBA degree from University of Louisville, USA, and carries the professional title of "Senior Engineer". He used to work in the Marine Shipping Bureau of the Ministry of Communications, and successively served as Deputy General Manager and General Manager of Hoi Tung Marine Machinery Suppliers Limited, Director and General Manager, Vice Chairman of China Merchants Holdings (International) Limited, and President Assistant, Board Director and Vice President of China Merchants Group. In December 2005, Mr. Zhao became the Director and President of Sinotrans Group Company. In December 2008, Mr. Zhao became the Vice Chairman and president of SINOTRANS & CSC. From January 2011, Mr. Zhao was appointed the Chairman of SINOTRANS & CSC. Mr. Zhao is also a chairman and non-executive director of Sinotrans Shipping Limited, a non-wholly owned subsidiary of SINOTRANS & CSC and which is listed on the main board of the Stock Exchange, and the chairman of DHL-Sinotrans. Mr. Zhao was elected as the chairman of China International Freight Forwarders Association in February 2007, and was appointed vice chairman of International Federation of Freight Forwarders Association (FIATA) in October 2007. In March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company.

Zhang Jianwei, age 56, is the executive director and President of the Company. Mr. Zhang has been employed by Sinotrans Group Company since 1980 with experience in Sinotrans Group Company's Finance Department, Overseas Enterprises Management Department and Chartering Department. Mr. Zhang was seconded to China InterOcean Transport Inc. in the United States in 1988 to serve as president assistant. In 1993, Mr. Zhang became the Deputy General Manager of China National Chartering Corporation and later became its General Manager. In 1996, he was promoted to become the President Assistant of Sinotrans Group Company. Then in 1997, Mr. Zhang became Sinotrans Group Company's executive director and Vice President. Mr. Zhang was appointed as director of Sinotrans Group Company by the State-owned Asset Supervision and Administration Commission in October 2006. From December 2008, Mr. Zhang became the Director of SINOTRANS & CSC. Mr. Zhang is also the Chairman of Sinoair and Grandstar Cargo International Airlines Co., Ltd. at present, he is also the managing director and deputy chairman of China Maritime Law Association, as well as the Vice Chairman of China Federation of Logistics & Purchasing (CFLP). Mr. Zhang graduated from University of International Business and Economics in 1980 and obtained his Master of Business Administration degree from China Europe International Business School in 1998. Mr. Zhang was appointed Executive Director of the Company in November 2002.

Tao Suyun, age 59, is the executive director of the Company. Ms. Tao has worked for Sinotrans Group Company since 1979 and became Deputy General Manager of the Europe Shipping Department in 1986. She was seconded to Sinorick Shipping Agency Co. in Hamburg, Germany from 1989 to 1993 to serve as General Manager. She later returned to work acted as Deputy General Manager and General Manager of Sinotrans Group Company's liner shipping division. In 1995, Ms. Tao was promoted to become President Assistant and served as Sinotrans Group Company's Vice President in 1997. From December 2008, Ms. Tao became the Vice President of SINOTRANS & CSC. At present, she is also the vice chairman of China Association To Customs and Vice President of Association for Shipping Exchanges across the Taiwan Strait. Ms. Tao graduated from University of International Business and Economics in 1979 and obtained her Master of Business Administration degree from China Europe International Business School in 2002. Ms. Tao was appointed Executive Director of the Company in November 2002.

Li Jianzhang, age 57, is the executive director of the Company. During Mr. Li's career, he has worked in various governmental departments. Mr. Li started working for Sinotrans Group Company in May 2001. Mr. Li was appointed as a supervisor of the Company from November 2002 to June 2003. Mr. Li graduated from Beijing Normal University in 1981. Mr. Li was appointed Executive Director of the Company in June 2003. Mr. Li is also the Chairman of Hong Kong Solar Company Limited.

Directors, Supervisors & Senior Management

NON-EXECUTIVE DIRECTOR

Wu Dongming, age 49, is the non-executive director of the Company. Mr. Wu began his career in the Sinotrans Group Company in 1986. From 1988 to 1990, he served in TNT Skypak-Sinotrans Company as the National Operation Manager and the General Assistant to General Manager. In 1990, Mr. Wu served as department manager in Sinoair and later became General Manager of Associated International Freight Forwarding Co., Ltd. in 1995. In 1997, Mr. Wu was appointed the Deputy Managing Director and then the Managing Director of DHL-Sinotrans Air Courier Co., Ltd. Mr. Wu was appointed Vice President of the Company in November 2002 and ceased in March 2012. Mr. Wu was appointed non-executive Director of the Company in June 2012.

Liu Jinghua, age 50, is the non-executive director of the Company. Ms. Liu joined Sinotrans Group Company in 1989 and worked in the Finance Department and Liner Department before she was seconded to DHL-Sinotrans Beijing to be its Finance Manager in 1992. Soon afterwards, she was promoted to be DHL-Sinotrans' National Chief Financial Officer and in 1999 became National Director of HR. Ms. Liu was appointed General Manager of the Finance Department of Sinotrans Group Company in October 2002. From January 2009, Ms. Liu became the General Manager of the Finance Department of SINOTRANS & CSC. Ms. Liu graduated from the Central University of Finance and Economics in 1987 and obtained her EMBA in Buffalo School of Management of State University of New York in 2000. Ms. Liu was appointed non-executive Director of the Company in June 2003.

Jerry Hsu*, age 62, is the non-executive director of the Company. Mr. Hsu is CEO, DHL Express Asia Pacific and a member of the DHL Express Global Management Board. Based in Hong Kong, Mr. Hsu is responsible for China, Hong Kong, Taiwan, Japan, Korea, South East Asia, India and South Asia, Oceania and other markets and regions. Mr. Hsu's previous role in DHL Express was the Area Director responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea, a position he held until September 2002. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in DaimlerChrysler Corporation. Mr. Hsu holds BA/MA degree in International Economics and Politics. Mr. Hsu also holds directorships in various companies within the DPWN Group. Mr. Hsu was appointed non-executive Director of the Company in June 2003.

* *Mr. Jerry Hsu is representative nominated by our Strategic Investors pursuant to the strategic placing agreements entered into at the time of the Company's listing in February 2003 between the Company and DHL (the "Strategic Investors").*

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

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Guo Minjie, age 66, is the independent non-executive director of the Company, senior engineer. Mr. Guo Currently serves as president of Logistics Technology and Equipment Committee of China Communications and Transportation Association, executive vice president of Transport and Logistics Research Sub-association and consultant of Beijing Institute of China Communications and Transportation Association. Mr. Guo had experiences to be director of Urumqi railway sub-Bureau, director of Urumqi railway Bureau and director of Nanchang railway Bureau. From July 2003 to February 2006, Mr. Guo served as chairman, general manager of China Railway Container Transport Co., Ltd. and chairman of China Railway Tielong Container Logistics Co., Ltd. From March 2006 to November 2006, Mr. Guo worked as consultant of China Railway Container Transport Co., Ltd. Mr. Guo was elected as the representative of the 9th and 10th National People's Congress. Mr. Guo graduated from Xi'an Jiaotong University in 1970. Mr. Guo was appointed independent non-executive Director of the Company in August 2012.

Lu Zhengfei, age 50, is the independent non-executive director of the Company. Mr. Lu holds a doctorate degree in Financial Management. Mr. Lu is the Associate Dean of Guanghua School of Management and the Professor of Accounting in GSM of Peking University. Mr. Lu also holds several academic and social positions such as consulting expert for China Financial Accounting Standards Board of Ministry of Finance, member and director of China Accounting Association. Mr. Lu is also serving as independent non-executive directors for three other companies — Sino Biopharmaceutical Limited, Sinoma (both of which are listed on the Hong Kong Stock Exchange) and Lian Life Insurance Co., Ltd.. Mr. Lu is also serving as an independent supervisor of PICC which is listed on the Hong Kong Stock Exchange. Mr. Lu obtained his Master degree in Accounting and Financial Management in the People's University in 1988, and then obtained his Ph.D. in Business Management in Nanjing University in 1996. Between 1997 and 1999, Mr. Lu undertook postdoctoral studies in Economy (Accounting) Postdoctoral Station in the People's University. Mr. Lu was appointed independent non-executive Director of the Company in September 2004.

Liu Kegu, age 66, is the independent non-executive director of the Company. Mr. Liu holds a doctorate degree in Financial Management. From March 1990 to October 1996, Mr. Liu served as deputy director in wealth tax system reforms department and director in tax policy department of Ministry of Finance of the People's Republic of China. From October 1996 to September 2002, Mr. Liu served as assistant to the governor of Liaoning Provincial Government, deputy governor. In September 2002, Mr. Liu served as vice president of China Development Bank. In March 2008, Mr. Liu was elected as the member of the 11th National Committee of the Chinese People's Political Consultative Conference and Economic Committee. In December 2008, Mr. Liu was appointed the consultant of China Development Bank. Mr. Liu graduated from the Renmin University of China in February 1982 and got his bachelor degree in political economics. Mr. Liu obtained his doctorate degree in Financial Management from Dongbei University of Finance and Economics in 2000. Mr. Liu was appointed independent non-executive Director of the Company in December 2011.

Directors, Supervisors & Senior Management

Liu Junhai, age 43, is the independent non-executive director of the Company. Mr. Liu holds a doctorate degree in civil law and commercial law. Now Mr. Liu is a professor and an academic supervisor for LL.D. candidates in the Law School of Renmin University of China, and also a post-doctoral supervisor of its post-doctoral program. Mr. Liu is the Director of the Business Law Center, Renmin University of China. Mr. Liu also holds several academic and social positions such as Vice Chairman of China Consumers' Association, Member of the Legal Affairs Advisory Council of All-China Federation of Trade Unions, Supervisor of Post-Doctoral program of Shenzhen Stock Exchange, Reach Fellow of Deputy Director Level of Planning Commission in China Securities Regulatory Commission and adjunct Professor in China University of Political Science & Law and other universities in China. Mr. Liu obtained his Bachelor degree in Law from Hebei University in 1989, and obtained his Master degree in economic law from China University of Political Science and Law in 1992 and his doctorate degree in civil and commercial law from Graduate School of Chinese Academy of Social Sciences in 1995. Mr. Liu was appointed independent non-executive Director of the Company in December 2012.

SUPERVISOR

Jiang Jian, age 47, is the supervisor of the Company. Mr. Jiang joined Sinotrans Group Company in 1988, serving in Liaoning Shipping Agency Company. From June 1995 to May 1998, Mr. Jiang acted as Deputy Manager and General Manager of Liaoning Container Shipping Company. Mr. Jiang was appointed Deputy General Manager of Sinotrans Liaoning Company in June 1998. Mr. Jiang was promoted General Manager of Sinotrans Liaoning Company in September 2001 and General Manager of Sinotrans Liaoning Limited Company in December 2002. In October 2008, Mr. Jiang was appointed president assistant and General Manager of Human Resources Department of Sinotrans Group Company. From December 2008, Mr. Jiang became the President Assistant and General Manager of Human Resources Department of SINOTRANS & CSC. Mr. Jiang graduated from Dalian Maritime University in 1988 and got a doctorate degree from Dalian Maritime University in October 2007. Mr. Jiang was appointed supervisor of the Company in April 2009.

Shen Xiaobin, age 40, is the supervisor of the Company. Mr. Shen joined the Audit Department of Sinotrans Group Company in 1995. Mr. Shen was pointed as General Manager of Audit Department of Sinotrans Limited in December 2002. From April 2006 to now, Mr. Shen acted as Deputy General Manager of Investment Management Department (Corporate Planning Department). Mr. Shen obtained his bachelor degree from accounting department of Xiamen University in 1995 and his MBA degree from Guanghua School of Management of Peking University in 2003. Mr. Shen was appointed supervisor of the Company in June 2008.

Zhou Fangsheng, age 63, is the independent supervisor of the Company. Mr. Zhou obtained rich enterprise practice during his long-term service in enterprises. From 1991 to 1997, Mr. Zhou served as deputy division director and division director in the State-owned Assets Administration Bureau, and deputy director in the Stated-owned Assets Administration Research Institute. From 1997 to 2001, Mr. Zhou worked as deputy director in difficulty relief working office for stated-owned enterprises of the State Economic and Trade Commission. From 2001 to 2003, Mr. Zhou served as director in Stated-owned Assets Administration Research Section of Research Institute for Fiscal Science of Ministry of Finance. From 2003 to 2009, Mr. Zhou worked as Vice Counsel in the Enterprise Reform Bureau of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zhou is now retired. Mr. Zhou graduated from Hunan University majoring in engineering management in 1985 and completed post graduate course from the Renmin University of China in Enterprise Management of Industrial Economics Department in 1996. Mr. Zhou was appointed independent supervisor of the Company in December 2011.

SENIOR MANAGEMENT

Wang Lin, age 54, is the Vice President of the Company. Mr. Wang started his career with in the Sinotrans Group Company in 1983 by serving in the Ningbo branch of Sinotrans Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Ningbo Group Company. In 1998, he became the General Manager of Sinotrans Zhejiang Company Limited which merged with Sinotrans Ningbo Company in the same year. In 1999, Mr. Wang became the General Manager of Sinotrans Jiangsu Company. Mr. Wang was appointed Vice President of the Company and the General Manager of Sinotrans Eastern Company Limited in 2002 and from March 2003, he also acted as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed Vice President of the Company in November 2002.

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

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

Wu Xueming, age 49, is the Vice President of the Company. Mr. Wu has been employed by Sinotrans Group Company since 1987 with experience in vessel management department, chartering department, human resource department and liner shipping department. Mr. Wu has become general manager of JC SHIPPING Co. Ltd. in 1997. In April 2002, he served as deputy general manager of Sinotrans Marine Co. Ltd.. In October 2002, he served as general manager of China Marine Shipping Agency Co. Ltd. Mr. Wu graduated from Dalian Fisheries University in 1987, and obtained MBA from Cheung Kong Graduate School of Business in 2005. From April 2007 to July 2010, Mr. Wu became the Assistant President of the Company. Mr. Wu was appointed Vice President of the Company in August 2010.

Zhang Kui, age 50, is the Chief Financial Officer of the Company. Ms. Zhang served as Finance Manager in Sinotrans Group Company' Hong Kong Eternal Way Company in 1987, and Ms. Zhang served as Finance Manager and Deputy General Manager in Sinotrans Group Company's Finance Department thereafter. Ms. Zhang began to serve as the Director, the Chief Financial Officer and Company Secretary of Sinoair in 1999, and served as General Manager in Sinotrans Group Company's Auditing Department since 2008. Ms. Zhang graduated from the First Campus of the Renmin University of China in 1985 and obtained her master of Business Administration degree from Asia (Macau) International Open University in 2001. Ms. Zhang was appointed chief financial officer of the Company in November 2009.

Directors, Supervisors & Senior Management

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

Liu Minsheng, age 57, is the Chief Information Officer of the Company. Mr. Liu joined Sinotrans Group Company in 1983 in the Human Resources Department. From 1985, Mr. Liu had been serving in Sinotrans Group Company's IT Centre and later acted as General Manager until February 1996 when he was appointed as Deputy Director of China International Electronic Commerce Centre of the Ministry of Foreign Trade and Economic Cooperation of the PRC. In November 1998, Mr. Liu began to work as Deputy Director of Commercial Network and Sites Development Centre of the National Domestic Trade Bureau of China. In January 2003, Mr. Liu resumed his service in Sinotrans. Mr. Liu has participated in and led many prominent domestic information technology projects and won national IT awards for times. Mr. Liu was appointed chief information officer of the Company in April 2003.

Report
of the Directors

The board of directors (the "Board") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

BUSINESS OPERATIONS AND GEOGRAPHICAL LOCATION OF THE GROUP

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

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

SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the financial statements on pages 67 to 164. The summary of results and assets and liabilities of the Group for the preceding five years is set out on page 3.

FINAL DIVIDENDS AND BOOK CLOSURE PERIODS

The Board has recommended the payment of a final dividend of RMB0.03 per share, subject to passing of the resolution authorizing the Board to propose, declare or pay the final dividend for 2012 by shareholders at the Annual General Meeting to be held in 2013 (the "AGM"). The recommended final dividend will be paid on or before 31 July, 2013 to the shareholders as registered at the close of business on 18 June, 2013. Please refer to the "Notice of Annual General Meeting" for further details.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 May, 2013 to 7 June, 2013, both days inclusive. In order to be eligible to attend and vote at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6 May, 2013, for registration.

Report of the Directors

The record date for the recommended final dividend is at the close of business on 18 June, 2013. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 14 June, 2013 to 18 June, 2013, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 June, 2013, for registration.

Pursuant to the Articles of the Company, dividends payable to the holders of domestic share of the Company will be paid in Renminbi ("RMB"), and dividends payable to the holders of H shares of the Company ("H share") will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (12 March 2013 to 19 March 2013) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.8086. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.0371.

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

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

BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively.

For the year ended 31 December 2012, none of the directors, supervisors, their associates and any shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) of the Company had any interests in the five largest customers or the five largest suppliers of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2012 are disclosed in Note 48 to the financial statements.

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

Revenue/(Expenses)	*Note*	**2012** ***RMB'000***
Transactions with SINOTRANS & CSC and Its Subsidiaries	*1*	
Provision of transportation and logistics services		243,213
Services fees		354,185
Vessel chartering fees		25,236
Container leasing fees		91,815
Property leasing expenses		38,625
Transactions with Connected Non-Wholly-Owned Subsidiaries	*2*	
Provision of transportation and logistics services		64,261
Receipt of transportation and logistics services		3,634

Report of the Directors

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

Note 2: Transactions with Connected Non-Wholly-Owned subsidiaries of the Company are considered as connected transactions as more than 10% equity interests of these Non-Wholly-Owned subsidiaries are held by the subsidiaries of SINOTRANS & CSC.

In order to comply with the relevant requirements of the Listing Rules, these connected transactions together with the respective annual caps of connected transactions for each of 2012, 2013 and 2014 (to the extent any of the percentage ratios (other than the profits ratio) of the annual caps in respect of such connected transactions on an annual basis exceeds 5%) have been approved by the independent Shareholders at passed by the Extraordinary General Meetings held on 30 December 2011.

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

TAXATION

Details of taxation of the Group as at 31 December 2012 are set out in Note 12 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the financial statements on page 152 of this Annual Report and Note 40 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2012 amounted to approximately RMB945.65 million.

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2012, there was no change to the share capital structure of the Company, which, as at 31 December 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%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

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

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC Holdings	2,461,596,200(L)	Domestic Shares	57.93%	–
Co., Ltd., *(Note 1)*	88,000,000(L)	H Shares	2.07%	4.92%
Deutsche Post AG *(Note 2)*	237,468,000(L)	H Shares	5.59%	13.30%
Brandes Investment Partners, L.P.	177,586,864(L)	H Shares	4.18%	9.94%
The Bank of New York Mellon Corporation *(Note 3)*	175,439,232(L)	H Shares	4.13%	9.82%
	96,633,032(P)		2.27%	5.41%
JPMorgan Chase & Co. *(Note 4)*	125,355,797(L)	H Shares	2.95%	7.01%
	125,347,797(P)		2.95%	7.01%
The Boston Company Asset Management LLC	107,412,300(L)	H Shares	2.53%	6.01%

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

Note 1: Zhao Huxiang, Zhang Jianwei, Tao Suyun, Li Jianzhang 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 Beteilgungen GmBH ("Deutsche GmBH") and 35,616,000 shares held by DHL Supply Chain (Hong Kong) Limited. Deutsche GmBH and DHL EXEL Supply Chain (Hong Kong) Limited are both 100% held by Deutsche Post AG.

Note 3: 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 125,347,797 Shares held by JPMorgan Chase Bank, N.A., and 8,000 Shares held by J.P. Morgan Whitefriars Inc.. JPMorgan Chase Bank, N.A., and J.P. Morgan Whitefriars Inc. are all 100% held by JP Morgan Chase & Co.

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

So far as was known to the directors of the Company, there was no purchase, sale or redemption of H Shares by any member of the Group during the year ended 31 December 2012.

DIRECTORS AND SUPERVISORS

As at 31 December 2012, the directors and supervisors of the Company were as follows:

Name	Date of Appointment
Executive Directors:	
Zhao Huxiang	3 March 2006
Zhang Jianwei	19 November 2002
Tao Suyun	19 November 2002
Li Jianzhang	18 June 2003
Non-executive Directors:	
Wu Dongming	7 June 2012
Liu Jinghua	18 June 2003
Jerry Hsu	18 June 2003
Independent Non-executive Directors:	
Guo Minjie	31 August 2012
Lu Zhengfei	27 September 2004
Liu Kegu	30 December 2011 (for a term of three years with effect from 19 November 2011).
Liu Junhai	28 December 2012

Name	Date of Appointment
Supervisors:	
Jiang Jian	30 April 2009
Shen Xiaobin	12 June 2008
Independent Supervisor:	
Zhou Fangsheng	30 December 2011 (for a term of three years with effect from 19 November 2011)

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

Report of the Directors

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Ms. Tao Suyun and Mr. Wu Dongming ceased to act as Vice President of the Company on 21 March 2012.

Mr. Zhao Huxiang and Mr. Li Jianzhang were re-elected as executive directors of the Company, Ms. Liu Jinghua and Mr. Jerry Hsu were re-elected as non-executive directors of the Company, Mr. Jiang Jian was re-elected as a supervisor of the Company on 7 June 2012.

Mr. Yang Yuntao's term of office as a non-executive director of the Company expired on 7 June 2012 without re-election.

Mr. Wu Dongming was appointed as a non-executive director of the Company on 7 June 2012, Mr. Wu's appointment will be for a term of three years with effect from 7 June 2012.

Mr. Sun Shuyi's term of office as an independent non-executive director of the Company expired on 31 August 2012 without re-election.

Mr. Guo Minjie was appointed as an independent non-executive director of the Company on 31 August 2012, Mr. Guo's appointment will be for a term of three years with effect from 31 August 2012.

Mr. Mok, Chi Ming Victor's term of office as a non-executive director of the Company expired on 28 December 2012 without re-election.

Mr. Liu Junhai was appointed as an independent non-executive director of the Company on 28 December 2012, Mr. Liu's appointment will be for a term of three years with effect from 28 December 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 38 to 43.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years.

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

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2012, none of the directors, supervisors or their associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the twelve months ended 31 December 2012, none of the directors or supervisors had any material interests in any contract of significance the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the twelve months ended 31 December 2012 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangement which would enable the Company's directors or supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

MATERIAL CONTRACTS WITH SINOTRANS & CSC

SINOTRANS & CSC Holdings Co., Ltd. is the controlling shareholder of the Company. Since its listing, pursuant to the relevant requirements of the Listing Rules, the Company entered into written agreements with the controlling shareholder in respect of certain continuing connected transactions for a term of no more than three years, determining an annual cap for each connected transaction. On 1 November 2011, the Company renewed the Master Business Services Agreement and Property Lease Agreement with SINOTRANS & CSC Holdings Co., Ltd. in order to regulate the provision of transportation and logistics services by the Group to SINOTRANS & CSC Holdings Co., Ltd. and its subsidiaries and vice versa, as well as the Group's leasing from SINOTRANS & CSC Holdings Co., Ltd. and its subsidiaries, certain office premises and other properties. Both of the Master Business Services Agreement and Property Lease Agreement are for a term of three years commencing on 1 January 2012 and ending on 31 December 2014.

MANAGEMENT CONTRACTS

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

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2012 are set out in Note 44 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2012 are set out in Notes 3 and Note 8 to the financial statements.

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company has reviewed and adopted the Corporate Governance Code as set out in appendix 14 to the aforesaid Listing Rules during the period from 1 January 2012 to 31 March 2012 and the revised Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the period from 1 April 2012 to 31 December 2012 as our code on corporate governance, details of which are set out on page 24 to 37, Report on Corporate Governance in the Annual Report.

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

As of 31 December 2012, Mr.Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Kegu and Mr. Liu Junhai were the independent non-executive directors of the Company. The Company has received the annual confirmation from each of the independent non-executive directors in respect of their independence and considered that the above independent non-executive directors are independent.

SIGNIFICANT POST BALANCE SHEET EVENTS

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

Report of the Directors

AUDIT COMMITTEE

The principal functions of the audit committee include the appointment of external auditors, the review and supervision of the Group's financial reporting process and internal controls as well as the offer of advice and recommendations to the Board. As of 31 December 2012, the audit committee comprised of one non-executive director and four independent non-executive directors, namely Mr. Liu Kegu, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Junhai and Ms. Liu Jinghua with Mr. Liu Kegu as the chairman of the committee.

The Group's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

AUDITORS

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP were the international and the PRC auditors of the Company respectively for the year ended 31 December 2012.

By Order of the Board

Zhao Huxiang
Chairman

Beijing, the PRC
19 March 2013

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2012, the Supervisory Committee (the "Committee") performed its duties, undertook various tasks in a proactive and diligent manner in the principle of due care and good faith and supervised the legal compliance of the operations of the Company in a legal and effective manner, so as to ensure that the Company complied with the Company Law of the People's Republic of China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2012, the major duties of the Committee are to convene Supervisory Committee meeting; to attend Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meetings and Shareholder's General Meetings; to conduct on-site supervision and inspection towards operating results of subsidiaries and to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the State, the Listing Rules and the Articles of Association of the Company and are in the interest of the shareholders.

The Committee is of the opinion that the Company had a normal and disciplined operation and the directors and the senior management had observed the laws and regulations as well as the Articles of Association of the Company in performing their duties, and that the report of the directors for the year ended 31 December 2012 reflected the true position of the Company. Charged by their accountability to shareholders, the Board and the senior management of the Company have discharged their respective duties in a diligent manner in diligence and with dedication, and have accomplished the mission entrusted by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development in the context of global economic downturn and difficult situation of the export-oriented enterprises. The Committee is satisfied with the performance and economic efficiency achieved by the Company for 2012 and is fully confident about the Company's future prospects and development.

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

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

By Order of the Supervisory Committee
Jiang Jian
Chairman of the Supervisory Committee

Beijing, the PRC
15 March, 2013

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting (the "Annual General Meeting") of Sinotrans Limited (the "Company") for the year 2012 will be held at the Meeting Room, 13th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on 7 June 2013 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To review and approve the report of the board of directors for the year ended 31 December 2012.

2. To review and approve the report of the supervisory committee for the year ended 31 December 2012.

3. To review and approve the audited accounts of the Company and the auditors' report for the year ended 31 December 2012.

4. To review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2012.

5. To authorise the Board of directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2013.

6. To Re-appoint Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the RRC auditor and International auditor of the Company for the year 2013, and to authorise the Board of directors of the Company to fix their remuneration.

SPECIAL RESOLUTIONS

To consider and, if thought fit, pass with or without amendments, the following resolutions as special resolutions:

7. "**THAT**:

   (a) subject to paragraph 7(c) below and compliance with all applicable laws and regulations of the People's Republic of China, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional H shares ("H Shares") or domestic shares ("Domestic Shares") in the capital of the Company in each case and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph 7(a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of H Share or Domestic Share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) in each case by the Directors pursuant to the approval in paragraph 7(a) above shall not exceed 20 per cent. of the aggregate nominal amount of each of the H Share or Domestic Share capital of the Company in issue in each case as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting.”

8. “**THAT**:

(a) subject to (i) paragraph 8(b) below and compliance with all applicable laws and regulations of the People’s Republic of China; and (ii) the passing of a special resolution by the holders of H Shares in a class meeting (“H Shares Class Meeting”) and the passing of a special resolution by the holders of Domestic Shares in a class meeting (“Domestic Shares Class Meeting”) to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H Shares be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph 8(a) above shall not exceed 10 percent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the aforesaid approval shall be limited accordingly; and

Notice of Annual General Meeting

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting.

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, China
28 March, 2013

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notes:

1. The Register of Members of the Company will be closed from 7 May, 2013 to 7 June, 2013, both days inclusive, during which period no share transfers will be registered. To qualify for any attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6 May 2013, for registration.

2. Shareholders intending to attend the Annual General Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:30 p.m. on 18 May 2013.

3. Shareholders entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the Annual General Meeting.

5. The board of directors of the Company has recommended the payment of a final dividend of RMB0.03 per share, subject to passing of the resolution authorizing the board of directors to propose, declare or pay the final dividend for 2012 by shareholders at the Annual General Meeting to be held in 2013. The recommended final dividend will be paid on or before 31 July, 2013 to the shareholders as registered at the close of business on 18 June, 2013. The record date for the recommended final dividend is at the close of business on 18 June, 2013. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 14 June, 2013 to 18 June, 2013, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 June, 2013, for registration.

6. Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (12 March 2013 to 19 March 2013) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1=RMB0.8086. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.0371.

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

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

8. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Wu Dongming, Liu Jinghua and Jerry Hsu are non-executive directors of the Company; and Guo Minjie, Lu Zhengfei, Liu Kegu and Liu Junhai are independent non-executive directors of the Company.

Notice of
H Shares Class Meeting

NOTICE IS HEREBY GIVEN that a class meeting for holders of H shares in the capital of the Company (the "H Shares Class Meeting") of Sinotrans Limited (the "Company") will be held at the Meeting Room, 13th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on 7 June 2013 at 10: 00a.m. or immediately after the conclusion of the annual general meeting ("Annual General Meeting") of the Company to be held on the same day at 9: 30 a.m. for the following purposes:

SPECIAL RESOLUTION

To consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

"**THAT**:

(a) subject to (i) paragraph (b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the shareholders of the Company at the Annual General Meeting and the passing of a special resolution by the holders of domestic shares ("Domestic Shares") in the capital of the Company in a class meeting ("Domestic Shares Class Meeting") to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 percent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting."

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, China
28 March, 2013

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notice of H Shares Class Meeting

Notes:

1. The Register of Members of the Company will be closed from 7 May 2013 to 7 June, 2013, both days inclusive, during which period no share transfers will be registered. To qualify for any attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6 May 2013, for registration.

2. Shareholders intending to attend the H Shares Class Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:30 p.m. on 18 May 2013.

3. Shareholders entitled to attend and vote at the H Shares Class Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the H Shares Class Meeting.

5. The board of directors of the Company has recommended the payment of a final dividend of RMB 0.03 per share, subject to passing of the resolution authorizing the board of directors to propose, declare or pay the final dividend for 2012 by shareholders at the Annual General Meeting to be held in 2013. The recommended final dividend will be paid on or before 31 July, 2013 to the shareholders as registered at the close of business on 18 June, 2013. The record date for the recommended final dividend is at the close of business on 18 June, 2013. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 14 June, 2013 to 18 June, 2013, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 June, 2013, for registration.

6. Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (12 March 2013 to 19 March 2013) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1=RMB0.8086. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.0371.

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

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

8. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Wu Dongming, Liu Jinghua and Jerry Hsu are non-executive directors of the Company; and Guo Minjie, Lu Zhengfei, Liu Kegu and Liu Junhai are independent non-executive directors of the Company.

Notice of Domestic Shares Class Meeting

NOTICE IS HEREBY GIVEN that a class meeting for holders of domestic shares in the capital of the Company (the "Domestic Shares Class Meeting") of Sinotrans Limited (the "Company") will be held at the Meeting Room, 13th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on 7 June 2013 at 10: 30 a.m. or immediately after the conclusion of the class meeting ("H Shares Class Meeting") for holders of H shares in the capital of the Company to be held on the same day at 10: 00 a.m. for the following purposes:

SPECIAL RESOLUTION

To consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

"**THAT**:

(a) subject to (i) paragraph (b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the shareholders of the Company at the Annual General Meeting (the "Annual General Meeting") and the passing of a special resolution at the H Shares Class Meeting to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 percent of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by a special resolution of the shareholders of the Company in general meeting."

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, China
28 March, 2013

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notes:

1. The Register of Members of the Company will be closed from 7 May 2013 to 7 June, 2013, both days inclusive, during which period no share transfers will be registered. To qualify for any attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6 May 2013, for registration.

2. Shareholders intending to attend the Domestic Shares Class Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:30 p.m. on 18 May 2013.

3. Shareholders entitled to attend and vote at the Domestic Shares Class Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the Domestic Shares Class Meeting.

5. The board of directors of the Company has recommended the payment of a final dividend of RMB 0.03 per share, subject to passing of the resolution authorizing the board of directors to propose, declare or pay the final dividend for 2012 by shareholders at the Annual General Meeting to be held in 2013. The recommended final dividend will be paid on or before 31 July, 2013 to the shareholders as registered at the close of business on 18 June, 2013. The record date for the recommended final dividend is at the close of business on 18 June, 2013. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 14 June, 2013 to 18 June, 2013, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 June, 2013, for registration.

6. Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (12 March 2013 to 19 March 2013) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1=RMB0.8086. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.0371.

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

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

8. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Wu Dongming, Liu Jinghua, and Jerry Hsu are non-executive directors of the Company; and Guo Minjie, Lu Zhengfei, Liu Kegu and Liu Junhai are independent non-executive directors of the Company.

Independent Auditor's Report

Deloitte.
德勤

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

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

We have audited the consolidated financial statements of Sinotrans Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 164, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 March 2013

Consolidated
Income Statement

For the year ended 31 December 2012

	Note	For the year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	6	47,482,015	43,747,457
Other income		148,154	195,666
Business tax and other surcharges		(267,167)	(313,779)
Transportation and related charges		(39,625,099)	(36,100,333)
Staff costs	8	(2,724,717)	(2,450,675)
Depreciation and amortisation		(474,707)	(440,874)
Repairs and maintenance		(193,037)	(175,600)
Fuel		(1,503,112)	(1,495,316)
Travel and promotional expenses		(371,931)	(342,260)
Office and communication expenses		(202,071)	(194,555)
Rental expenses		(989,075)	(1,191,531)
Other (losses)/gains, net	9	(18,548)	70,285
Other operating expenses		(577,810)	(442,335)
Operating profit	10	682,895	866,150
Finance income	11	126,171	116,111
Finance costs	11	(322,335)	(370,308)
		486,731	611,953
Share of profit of jointly controlled entities	21	704,141	510,001
Share of profit of associates	22	42,318	58,167
Profit before income tax		1,233,190	1,180,121
Income tax expense	12	(322,358)	(308,184)
Profit for the year		910,832	871,937
Profit attributable to			
– Owners of the Company		649,054	642,513
– Non-controlling interests		261,778	229,424
		910,832	871,937
Earnings per share, basic (RMB)	15	0.15	0.15

The notes on pages 77 to 164 are an integral part of these consolidated financial statements.

Consolidated
Statement of Comprehensive Income

For the year ended 31 December 2012

	For the year ended 31 December 2012 RMB'000	2011 RMB'000
Profit for the year	910,832	871,937
Other comprehensive income:		
Fair value gains/(losses) on available-for-sale financial assets, net of tax		
– Gains/(losses) arising during the year	11,279	(672,058)
Share of other comprehensive income of jointly controlled entities	448	266
Share of other comprehensive (losses)/income of associates	(3,412)	1,383
Currency translation differences	3,894	(22,096)
Other comprehensive income/(losses) for the year, net of tax	12,209	(692,505)
Total comprehensive income for the year	923,041	179,432
Total comprehensive income attributable to		
– Owners of the Company	657,369	195,817
– Non-controlling interests	265,672	(16,385)
	923,041	179,432

The notes on pages 77 to 164 are an integral part of these consolidated financial statements.

Consolidated
Statement of Financial Position

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	16	2,352,796	2,155,885
Prepayments for acquisition of land use rights	17	73,700	68,849
Property, plant and equipment	18	6,367,384	5,622,457
Intangible assets	19	96,997	95,523
Investments in jointly controlled entities	21	2,374,111	1,766,972
Investments in associates	22	973,655	1,015,603
Deferred income tax assets	12	103,119	91,130
Available-for-sale financial assets	25	1,407,204	1,392,166
Other non-current assets		21,172	21,990
		13,770,138	12,230,575
Current assets			
Prepayments and other current assets	27	1,072,874	1,491,200
Inventories		53,441	83,182
Trade and other receivables	28	8,019,438	6,708,178
Restricted cash	29	198,552	349,639
Term deposits with initial terms of over three months	30	579,332	418,473
Cash and cash equivalents	31	5,594,572	5,521,045
		15,518,209	14,571,717
Total assets		29,288,347	26,802,292
EQUITY			
Equity attributable to owners of the Company			
Share capital	39	4,249,002	4,249,002
Reserves	40	5,985,748	5,493,223
Proposed final dividends	14	127,470	42,490
		10,362,220	9,784,715
Non-controlling interests		2,365,492	2,200,154
Total equity		12,727,712	11,984,869

Consolidated
Statement of Financial Position

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	30,708	27,080
Provisions	34	198,028	112,922
Borrowings	32	300,617	204,458
Long-term bonds	33	2,544,287	543,489
Other non-current liabilities	35	173,617	62,337
		3,247,257	950,286
Current liabilities			
Trade payables	36	5,687,159	4,842,567
Other payables, accruals and other current liabilities	37	1,932,161	1,283,301
Receipts in advance from customers	38	2,179,360	2,650,819
Current income tax liabilities		147,063	121,641
Borrowings	32	809,514	2,126,599
Short-term bonds	33	2,022,534	2,338,120
Salary and welfare payables		535,587	504,090
		13,313,378	13,867,137
Total liabilities		16,560,635	14,817,423
Total equity and liabilities		29,288,347	26,802,292
Net current assets		2,204,831	704,580
Total assets less current liabilities		15,974,969	12,935,155

The notes on pages 77 to 164 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 164 were approved by the Board of Directors on 19 March 2013 and were signed on its behalf by:

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Zhang Kui
Financial controller

Yao Jiawu
Financial Manager

Statement of Financial Position

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	70,082	63,194
Intangible assets	19	26,637	30,641
Investments in subsidiaries	20	6,901,541	6,811,689
Investments in jointly controlled entities	21	151,973	11,973
Investments in associates	22	118,139	106,139
Available-for-sale financial assets	25	143,692	143,692
Loans to subsidiaries	26	1,485,185	1,628,882
		8,897,249	8,796,210
Current assets			
Prepayments and other current assets	27	37,605	63,838
Inventories		4,603	3,170
Trade and other receivables	28	4,541,824	3,840,233
Restricted cash	29	800	800
Cash and cash equivalents	31	1,183,209	886,810
		5,768,041	4,794,851
Total assets		14,665,290	13,591,061
EQUITY			
Equity attributable to owners of the Company			
Share capital	39	4,249,002	4,249,002
Reserves	40	2,972,517	2,861,565
Proposed final dividends	14	127,470	42,490
Total equity		7,348,989	7,153,057

Statement
of Financial Position

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Provisions	34	6,537	6,419
Long-term bonds	33	2,497,558	497,042
		2,504,095	503,461
Current liabilities			
Trade payables	36	316,068	198,911
Other payables, accruals and other current liabilities	37	2,189,280	2,029,999
Receipts in advance from customers		20,953	22,070
Borrowings	32	126,163	1,223,956
Short-term bonds	33	2,022,534	2,338,120
Salary and welfare payables		137,208	121,487
		4,812,206	5,934,543
Total liabilities		7,316,301	6,438,004
Total equity and liabilities		14,665,290	13,591,061
Net current assets/(liabilities)		955,835	(1,139,692)
Total assets less current liabilities		9,853,084	7,656,518

The notes on pages 77 to 164 are an integral part of this financial statement.

Consolidated
Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 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 year	–	–	–	–	–	649,054	649,054	261,778	910,832
Other comprehensive income									
– Fair value gain on available-for-sale financial assets, net of income tax	–	–	–	7,158	–	–	7,158	4,121	11,279
– Share of other comprehensive income of jointly controlled entities	–	–	–	–	448	–	448	–	448
– Share of other comprehensive losses of associates	–	–	–	–	(3,412)	–	(3,412)	–	(3,412)
– Currency translation differences	–	–	–	–	4,121	–	4,121	(227)	3,894
Total other comprehensive income for the year	–	–	–	7,158	1,157	–	8,315	3,894	12,209
Total comprehensive income for the year	–	–	–	7,158	1,157	649,054	657,369	265,672	923,041
Transactions with owners									
– 2011 final dividends	–	–	–	–	–	(42,490)	(42,490)	–	(42,490)
– Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(114,045)	(114,045)
– Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	40,996	40,996
– Acquisition of additional equity interests in subsidiaries from non-controlling interests	–	(2,917)	–	–	–	–	(2,917)	(27,285)	(30,202)
Total transactions with owners	–	(2,917)	–	–	–	(42,490)	(45,407)	(100,334)	(145,741)
Transfer to statutory reserve (Note 40)	–	–	24,910	–	–	(24,910)	–	–	–
Share of reserve of an associate	–	(34,457)	–	–	–	–	(34,457)	–	(34,457)
As at 31 December 2012	4,249,002	1,595,572	377,442	56,977	(38,692)	4,121,919	10,362,220	2,365,492	12,727,712
Representing									
– Share capital and reserves	4,249,002	1,595,572	377,442	56,977	(38,692)	3,994,449	10,234,750	2,365,492	12,600,242
– 2012 proposed final dividends (Note 14)	–	–	–	–	–	127,470	127,470	–	127,470
As at 31 December 2012	4,249,002	1,595,572	377,442	56,977	(38,692)	4,121,919	10,362,220	2,365,492	12,727,712

Consolidated
Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2011	4,249,002	1,631,297	317,539	476,318	(18,003)	3,102,705	9,758,858	2,281,131	12,039,989
Profit for the year	–	–	–	–	–	642,513	642,513	229,424	871,937
Other comprehensive income									
– Fair value losses on available-for-sale financial assets, net of income tax	–	–	–	(426,499)	–	–	(426,499)	(245,559)	(672,058)
– Share of other comprehensive income of jointly controlled entities	–	266	–	–	–	–	266	–	266
– Share of other comprehensive income of associates	–	1,383	–	–	–	–	1,383	–	1,383
– Currency translation differences	–	–	–	–	(21,846)	–	(21,846)	(250)	(22,096)
Total other comprehensive income/(losses) for the year	–	1,649	–	(426,499)	(21,846)	–	(446,696)	(245,809)	(692,505)
Total comprehensive income/(losses) for the year	–	1,649	–	(426,499)	(21,846)	642,513	195,817	(16,385)	179,432
Transactions with owners									
– 2010 final and 2011 interim dividends	–	–	–	–	–	(169,960)	(169,960)	–	(169,960)
– Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(81,214)	(81,214)
– Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	16,622	16,622
Total transactions with owners	–	–	–	–	–	(169,960)	(169,960)	(64,592)	(234,552)
Transfer to statutory reserve (Note 40)	–	–	34,993	–	–	(34,993)	–	–	–
As at 31 December 2011	4,249,002	1,632,946	352,532	49,819	(39,849)	3,540,265	9,784,715	2,200,154	11,984,869
Representing									
– Share capital and reserves	4,249,002	1,632,946	352,532	49,819	(39,849)	3,497,775	9,742,225	2,200,154	11,942,379
– 2011 proposed final dividends (Note 14)	–	–	–	–	–	42,490	42,490	–	42,490
As at 31 December 2011	4,249,002	1,632,946	352,532	49,819	(39,849)	3,540,265	9,784,715	2,200,154	11,984,869

The notes on pages 77 to 164 are an integral part of these consolidated financial statements.

Consolidated
Statement of Cash Flows

For the year ended 31 December 2012

	Note	For the year ended 31 December 2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	42	690,432	1,480,577
Income tax paid		(309,056)	(362,511)
NET CASH FROM OPERATING ACTIVITIES		381,376	1,118,066
INVESTING ACTIVITIES			
Net cash outflow on acquisition of a subsidiary	43	(5,000)	(17,000)
Cash paid for capital injection/purchase of jointly controlled entities		(526,530)	(109,056)
Cash paid for capital injection/purchase of associates		–	(190,570)
Government grants received for acquisition of non-current assets		77,495	–
Proceeds from disposal of a jointly controlled entity		74,352	1,530
Proceeds from disposal of associates		–	4,078
Proceeds from disposal of available-for-sale financial assets		311,558	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	4,986
Proceeds from disposal of property, plant and equipment		117,832	32,966
Proceeds from disposal of land use rights		12,872	5,954
Proceeds from disposal of other current assets		–	35,479
Purchase of property, plant and equipment		(1,316,309)	(1,341,140)
Purchase of intangible assets		(13,415)	(17,640)
Purchase of land use rights		(153,110)	(114,449)
Purchase of available-for-sale financial assets		(180,000)	(133,164)
Purchase of other non-current assets		(12,326)	(22,209)
Purchase of other current assets		–	(234,000)
Cash paid for acquisition of land use rights		(14,851)	(39,632)
Increase in term deposits with initial terms of over three months		(160,859)	(104,505)
Interest income received		128,361	63,342
Dividends received from associates		57,647	46,124
Dividends received from jointly controlled entities		512,144	757,571
Dividend income on available-for-sale financial assets		10,905	14,101
Investment cost paid to ultimate holding company		(189,285)	(28,653)
Payment under guarantee arrangement for a jointly controlled entity		(55,877)	–
Decrease/(increase) in restricted cash		134,000	(134,000)
NET CASH USED IN INVESTING ACTIVITIES		(1,190,396)	(1,519,887)

Consolidated
Statement of Cash Flows

For the year ended 31 December 2012

	Note	For the year ended 31 December 2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES			
New bank borrowings		2,976,246	2,087,690
Repayments of bank borrowings		(3,197,172)	(2,458,538)
Cash received from short-term bonds issued		2,000,000	2,300,000
Cash paid for issue costs of short-term bonds		(1,800)	(6,440)
Repayment of short-term bonds		(2,300,000)	–
Cash received from long-term bonds issued		2,000,000	550,000
Cash paid for issue costs of long-term bonds		(3,780)	(6,913)
Cash received from ultimate holding company and fellow subsidiaries		1,300,000	584,027
Repayments to ultimate holding company and fellow subsidiaries		(1,440,000)	(1,795,000)
Interest paid for borrowings		(124,363)	(129,074)
Interest paid for short-term bonds		(136,620)	–
Interest paid for long-term bonds		(58,045)	–
Dividends paid to the Company's shareholders		(42,490)	(293,039)
Dividends paid to non-controlling shareholders of subsidiaries		(109,819)	(72,473)
Contributions from non-controlling shareholders of subsidiaries		40,996	16,622
Decrease/(increase) in restricted cash		17,087	(15,884)
Acquisition of additional equity interests in subsidiaries from non-controlling shareholders		(30,202)	–
NET CASH FROM FINANCING ACTIVITIES		890,038	760,978
Exchange losses on cash and cash equivalents		(7,491)	(40,620)
Net increase in cash and cash equivalents		73,527	318,537
Cash and cash equivalents as at 1 January		5,521,045	5,202,508
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31	5,594,572	5,521,045

The notes on pages 77 to 164 are an integral part of these consolidated financial statements.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 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 Holding Co., Ltd. ("SINOTRANS & CSC") after it merged with China Changjiang National Shipping (Group) Corporation.

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to standards issued by the International Accounting Standards Board ("IASB"), which are effective for the Group's financial year beginning on 1 January 2012:

- IFRS 7 (Amendments) – Financial Instruments: Disclosures – Transfers of Financial Assets
- IAS 12 (Amendments) – Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to IFRS 7 (Amendments) – Financial Instruments: Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred (see Note 28(b)). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

The application of IAS 12 (Amendments) – Deferred Tax: Recovery of Underlying Assets in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

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

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 1 (Amendments) – Government Loans[1]
- IFRS 7 (Amendments) – Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
- IFRS 9 – Financial instruments[3]
- IFRS 9 (Amendments) and IFRS 7 (Amendments) – Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]

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

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

- IFRS 10 – Consolidated Financial Statements[1]
- IFRS 11 – Joint Arrangements[1]
- IFRS 12 – Disclosure of Interests in Other Entities[1]
- IFRS 13 – Fair Value Measurement[1]
- IAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income[4]
- IAS 19 (Revised in 2011) – Employee Benefits[1]
- IAS 27 (Revised in 2011) – Separate Financial Statements[1]
- IAS 28 (Revised in 2011) – Investments in Associates and Joint Ventures[1]
- IAS 32 (Amendments) – Offsetting Financial Assets and Financial Liabilities[2]
- IFRS 10 (Amendments), IFRS 11 (Amendments) and IFRS 12(Amendments) – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
- IFRS 10 (Amendments), IFRS 12 (Amendments), and IAS 27 (Amendments) – Investment Entities[2]
- Amendments to IFRSs – Annual Improvements to IFRSs 2009-2011 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

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

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

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

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

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

- IFRS 9 – Financial Instruments

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

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

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

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

  Key requirements of these five standards are described below.

  IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

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

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

  In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

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

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

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

  These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

  The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013, and do not expect the overall effect on the consolidated financial statements to be material.

- IAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income

  The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

  The amendments to IAS 1 are effective for the annual periods beginning on or after 1 July 2012. The Directors anticipate that the amendments will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of consolidation

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

Subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities

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

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

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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

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

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

Associates

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

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

The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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

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

Revenue recognition

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

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

Revenues are recognised on the following bases:

Freight forwarding

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

Shipping agency

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

Marine transportation

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

Storage and terminal services

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

Trucking

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

Rental income

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

Interest income

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

Dividend income

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land use rights

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

Property, plant and equipment

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Goodwill

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

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

Computer software

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

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

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from pre-acquisition profits of the subsidiaries, jointly controlled entities or associates in the separate financial statements, where such dividends reduce the recoverable amount of the investment to below its carrying amount, impairment is recognised.

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Initial recognition, measurement and derecognition

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition, measurement and derecognition (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, other than available for sale equity instruments whose fair value cannot be measured reliably, which is measured at cost less impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

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

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "other gains/(losses), net". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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

Financial liabilities

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

The Group's financial liabilities are other financial liabilities. Financial liabilities are initially measured at fair value.

Other financial liabilities

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

Derecognition

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Offsetting financial instruments

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

Assets carried at amortised cost

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

Assets classified as available-for-sale

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets classified as available-for-sale (continued)

For available-for-sale equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss cannot be reversed.

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

Operating leases

A group company is the lessee

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

A group company is the lessor

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Share capital

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

Borrowing costs

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

Taxation

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

Current tax

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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

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

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

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

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

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

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

Employee benefits

Pension obligations

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

Termination and early retirement benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Housing benefits

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

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

Pursuant to the Reorganisation, the ultimate holding company agreed to bear any further one-off cash housing subsidies in excess of the amount provided for in the consolidated financial statements of the Group of RMB74,560,000 at the time of the Reorganisation. Employees joining the Group after the incorporation of the Company are not entitled to any one-off cash housing subsidies (Note 34).

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

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

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

Employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability. The liability is remeasured at the end of each reporting period to its fair value, with all changes recognised immediately in the consolidated income statement (Note 41).

Provisions

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

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised (if the other recognition criteria are met).

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

- assets and liabilities for the end of each reporting period presented are translated at the closing rate at the date of the end of each reporting period;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in a foreign operation are recognised in equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

Contingent liabilities and contingent assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and contingent assets (continued)

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

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

Dividend distribution

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

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

Segment reporting

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

Related party transactions

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

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

Financial guarantee contracts

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

Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18 Revenue, and the best estimate of the amount of obligation under the guarantee contract determined under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is reported in the consolidated income statement.

Government grants

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

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Foreign exchange risk

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

The Group's and the Company's exposure to foreign exchange risk relates principally to their trade and other receivables, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly US$. Analyses of these assets and liabilities by currency are disclosed in Note 28, Note 31, Note 32 and Note 36 respectively.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit before income tax, attributable to equity holders of the Group for the year would have decreased/increased by approximately RMB43,744,000 (2011: RMB17,848,000).

As at 31 December 2012, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit before income tax of the Company for the year would have decreased/increased by RMB4,288,000 (2011: RMB5,900,000).

Price risk

The Group is exposed to equity securities price risk in respect of equity investments held by the Group classified on the consolidated statement of financial position as available-for-sale financial assets.

The Group has monitored the performance of the equity securities and reported regularly to the Directors. As at 31 December 2012, with all other variables held constant, if the average market price of equity securities goes by 10% higher/lower, the reserve attributable to equity holders of the Group will would have increased/decreased by RMB76,431,000 (2011: RMB75,303,000). A decrease in market price of equity securities may also lead to indicator of impairment losses.

Interest rate risk

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

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group and the Company is mainly concentrated on the fluctuation of loan interest published by the People's Bank of China and the London Interbank Offered Rate (" LIBOR ") arising from the Group's and the Company's RMB and US dollar denominated borrowings.

4. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Interest rate risk (continued)

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, net finance costs of the Group would have increased/decreased by RMB1,754,000 (2011: RMB15,275,000).

As at 31 December 2011, with all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, net finance costs of the Company would have increased/decreased by RMB496,000.

Credit risk

The aggregate carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and term deposits with initial terms of over three months and financial guarantee disclosed in Note 45 represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets and other commitments.

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

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

Liquidity risk

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

Management monitors rolling forecasts of the Group's and the Company's liquidity reserve comprises cash and cash equivalents (Note 31) on the basis of expected cash flows. This is generally carried out at the operating companies' level in accordance with the practice and budget set by the Group and the Company. These budgets vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's and the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The maturity analysis of borrowings is disclosed in Note 32. Generally there is no uniform credit period granted by the suppliers but the related trade payables are normally expected to be settled within three months after rendering of services.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

4. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

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

The Group	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2012						
Borrowings	825,457	57,887	236,360	36,367	1,156,071	1,110,131
Short-term bonds	2,038,800	–	–	–	2,038,800	2,022,534
Long-term bonds	127,450	671,024	2,019,915	–	2,818,389	2,544,287
Salary and welfare payables	535,587	–	–	–	535,587	535,587
Trade and other payables*	7,195,955	–	–	–	7,195,955	7,195,955
Financial guarantee contracts**	143,675	–	–	–	143,675	68,949
As at 31 December 2011						
Borrowings	2,153,660	22,225	217,150	–	2,393,035	2,331,057
Short-term bonds	2,436,620	–	–	–	2,436,620	2,338,120
Long-term bonds	26,677	33,000	583,000	–	642,677	543,489
Salary and welfare payables	504,090	–	–	–	504,090	504,090
Trade and other payables*	6,132,953	–	–	–	6,132,953	6,132,953
Financial guarantee contracts**	294,050	–	–	–	294,050	3,133

The Company	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2012						
Borrowings	127,591	–	–	–	127,591	126,163
Short-term bonds	2,038,800	–	–	–	2,038,800	2,022,534
Long-term bonds	124,350	618,442	2,019,915	–	2,762,707	2,497,558
Salary and welfare payables	137,208	–	–	–	137,208	137,208
Trade and other payables*	2,489,602	–	–	–	2,489,602	2,489,602
As at 31 December 2011						
Borrowings	1,232,855	–	–	–	1,232,855	1,223,956
Short-term bonds	2,436,620	–	–	–	2,436,620	2,338,120
Long-term bonds	24,126	29,950	529,950	–	584,026	497,042
Salary and welfare payables	121,487	–	–	–	121,487	121,487
Trade and other payables*	2,228,910	–	–	–	2,228,910	2,228,910

4. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Liquidity risk (continued)

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

** The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Included in above table is the guarantee provided by Sinotrans Air Transportation Development Co., Ltd. ("Sinoair") where a provision is recognised (see Note 45).

Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 31 December 2012 and 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2012				
Assets				
Available-for-sale financial assets				
– Equity securities	1,019,084	–	–	1,019,084
– Other current assets (Note 27)	–	–	80,000	80,000
	1,019,084	–	80,000	1,099,084

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2011				
Assets				
Available-for-sale financial assets				
– Equity securities	1,004,046	–	–	1,004,046
– Other current assets (Note 27)	–	–	200,000	200,000
	1,004,046	–	200,000	1,204,046

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

4. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The following table presents reconciliation of Level 3 fair value measurements of available-for-sale financial assets.

	2012 RMB'000	2011 RMB'000
Opening balance	200,000	–
Purchase	180,000	200,000
Gains or losses recognized in profit or loss	11,558	–
Settlements	(311,558)	–
	80,000	200,000

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for same instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Capital risk management

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

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

The Group monitors capital on the basis of maintaining the net debt cash position. The net (debt) cash position is calculated as total cash and cash equivalents as shown in the consolidated statement of financial position less total borrowings and bonds.

4. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Cash and cash equivalents	5,594,572	5,521,045
Less: total borrowings	(1,110,131)	(2,331,057)
bonds	(4,566,821)	(2,881,609)
Net (debt) cash position	(82,380)	308,379

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Useful lives and residual value of property, plant and equipment

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

Recognition of revenue and cost of marine transportation

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

Estimated impairment of trade receivables

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provisions

The Group incurs a number of obligations arising in its ordinary course of business. Provisions are recognised based on management's best estimation of the probability and the amount of the outflow of resources necessary to settle the obligations. The provisions recognised during the year are set out in Note 34.

Estimated impairment of property, plant and equipment

An impairment loss is recognized when the carrying amount of property, plant and equipment exceeds their recoverable amount which has been determined based on value in use calculations. These calculations require the use of estimates such as revenue growth rate and gross margin. Changes of assumptions in revenue growth rate and gross margin could affect the result of property, plant and equipment impairment assessment. Detail analysis of estimated impairment of property, plant and equipment are set out in Note 18.

6. SEGMENT INFORMATION

The chief operating decision-maker ("management") reviews the Group's internal reporting in order to assess performance and allocate resources. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's revenue is from rendering of services. Management considers the business from a service perspective and divides the business into the following business units which constitute the Group's operating segments: freight forwarding, shipping agency, marine transportation, storage and terminal services and other services.

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

The Group's segment assets exclude investments in jointly controlled entities and associates, available-for-sale financial assets, related dividend interest and investment income receivables, 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. 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 charged at mutually agreed prices.

6. SEGMENT INFORMATION (continued)

Segment revenues and results

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
For the year ended 31 December 2012								
Revenue – external	39,449,387	1,017,907	3,808,703	1,897,863	1,308,155	47,482,015	–	47,482,015
Revenue – inter-segment	371,433	108,570	1,110,674	206,797	291,639	2,089,113	(2,089,113)	–
Total revenue	39,820,820	1,126,477	4,919,377	2,104,660	1,599,794	49,571,128	(2,089,113)	47,482,015
Segment results	568,230	278,803	(257,465)	339,155	(3,585)	925,138	–	925,138
Other losses, net								(18,548)
Corporate expenses								(223,695)
Operating profit								682,895
Finance costs, net								(196,164)
Share of profit of jointly controlled entities	7,731	22,026	–	29,114	645,270*	704,141	–	704,141
Share of profit of associates								42,318
Profit before income tax								1,233,190
Income tax expense								(322,358)
Profit for the year								910,832

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION (continued)

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

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

6. SEGMENT INFORMATION (continued)

Segment assets

	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Group RMB'000
As at 31 December 2012								
Segment assets	14,686,444	1,621,025	1,925,612	5,202,472	1,216,400	24,651,953	(1,656,441)	22,995,512
Investments in jointly controlled entities	241,084	48,019	–	1,069,326	1,015,682	2,374,111	–	2,374,111
Investments in associates								973,655
Available-for-sale financial assets								1,407,204
Deferred income tax assets								103,119
Interests and dividends receivable								54,417
Corporate assets								1,380,329
Total assets								29,288,347
As at 31 December 2011								
Segment assets	13,636,281	1,489,520	1,767,441	5,136,673	899,043	22,928,958	(1,483,762)	21,445,196
Investments in jointly controlled entities	262,310	36,581	–	572,941	895,140	1,766,972	–	1,766,972
Investments in associates								1,015,603
Available-for-sale financial assets								1,392,166
Deferred income tax assets								91,130
Interests and dividends receivable								57,558
Corporate assets								1,033,667
Total assets								26,802,292

Other segment information

	For the year ended 31 December 2012						
	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure***	646,127	16,718	241,561	485,330	79,227	41,048	1,510,011
Depreciation	177,115	9,280	47,462	146,729	48,923	26,209	455,718
Amortisation	3,688	459	459	1,237	891	12,255	18,989
Operating lease charges on land use rights	15,623	63	65	38,766	1,177	494	56,188
Provision for impairment loss of receivables	10,628	328	568	432	3,690	6,671	22,317
Impairment of property, plant and equipment	–	–	33,396	–	–	–	33,396

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

	For the year ended 31 December 2011						
	Freight forwarding RMB'000	Shipping agency RMB'000	Marine transportation RMB'000	Storage and Terminal services RMB'000	Others RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure***	446,883	14,344	294,740	621,566	48,212	109,325	1,535,070
Depreciation	149,052	8,672	50,642	143,835	50,355	19,435	421,991
Amortisation	3,996	433	404	928	678	12,444	18,883
Operating lease charges on land use rights	15,062	401	65	34,793	1,511	571	52,403
(Reversal of)/provision for impairment loss of receivables	(3,195)	350	(266)	1,588	(265)	–	(1,788)
Impairment of property, plant and equipment	–	–	54,946	–	–	–	54,946

*** The capital expenditure stands the total cash paid for purchase of non-current segment assets for the year ended 31 December 2012 and 2011.

The Company is domiciled in the PRC. The result of the Group's revenue from external customers in China (excluding Hong Kong, Macao and Taiwan) for the year ended 31 December 2012 is RMB44,833,878,000 (2011: RMB42,059,880,000), and the result of the Group's revenue from external customers from other regions is RMB2,648,137,000 (2011: RMB1,687,577,000).

As at 31 December 2012, the total non-current assets other than financial instruments and deferred tax assets located in China (excluding Hong Kong, Macao and Taiwan) is RMB11,920,368,000 (As at 31 December 2011:RMB10,425,896,000), and the total of these non-current assets located in other regions is RMB339,447,000 (As at 31 December 2011: RMB321,383,000).

7. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

Emoluments of directors, supervisors and chief executive

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

	2012 RMB'000	2011 RMB'000
Directors:		
Fees	491	498
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	343	547
– Discretionary bonuses	1,025	932
– Contributions to pension plans	33	60
Supervisors:		
Fees	107	107
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	148	168
– Discretionary bonuses	152	111
– Contributions to pension plans	33	30

Directors' fees disclosed above include RMB491,000 (2011: RMB498,000) paid to independent non-executive directors.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

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

Emoluments of directors, supervisors and chief executive (continued)

The emoluments of the directors, supervisors and the chief executive for the year ended 31 December 2012 are as follows:

	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
As at 31 December 2012					
Current directors					
Zhang Jianwei***	–	288	1,025	33	1,346
Tao Suyun*	–	55	–	–	55
Guo Minjie	37	–	–	–	37
Lu Zhengfei	166	–	–	–	166
Liu Kegu	166	–	–	–	166
Retired director					
Sun Shuyi	122	–	–	–	122
As at 31 December 2012					
Current supervisors					
Zhou Fangsheng	107	–	–	–	107
Shen Xiaobin	–	148	152	33	333

* Tao Suyun, Director, was also a Vice President of SINOTRANS & CSC, which was responsible for determining, approving and paying the amount of her discretionary bonus.

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

Emoluments of directors, supervisors and chief executive (continued)

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

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

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

*** Zhang Jianwei, Director, is also chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors, supervisors, or the chief executive of the Company waived any remuneration in 2012 (2011: Nil).

Compensation of senior management personnel other than directors, supervisors and the chief executive is as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other employee benefits	5,371	5,733

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

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

Emoluments of directors, supervisors and chief executive (continued)

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

	2012	2011
RMB850,000 – 1,000,000	5	3
RMB700,000 – 850,000	1	3
RMB550,000 – 700,000	–	1
RMB400,000 – 550,000	–	–

Five highest paid individuals

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

	Number of individuals	
	2012	2011
Director	1	1
Senior management	4	4

The five individuals whose emoluments were the highest in the Group during the year include one (2011: one) director who is also the chief executive of the Company whose emoluments are reflected in the analysis presented above. Details of remuneration of members of senior management amongst the five highest paid individuals are as follows:

	2012 RMB'000	2011 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	891	970
Discretionary bonuses	2,732	2,484
Contributions to pension plans	131	120

8. STAFF COSTS

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

	2012 RMB'000	2011 RMB'000
Wages and salaries	1,661,305	1,542,674
Housing benefits (a)	127,633	115,781
Contributions to pension plans (b)	201,138	176,958
Termination benefits (c)	10,551	10,786
Welfare and other expenses	724,090	604,476
	2,724,717	2,450,675

(a) These include the Group's defined contributions to government sponsored housing funds at rates ranging from 5% to 25% (2011: 5% to 25%) of the employees' basic salaries and cash housing subsidies paid and payable to its employees.

(b) The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 22% (2011: 5% to 22%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2012, contributions totalling RMB5,085,000 (2011: RMB4,066,000) were payable to these plans.

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

9. OTHER (LOSSES)/GAINS, NET

	2012 RMB'000	2011 RMB'000
Financial assets at fair value through profit or loss		
– fair value losses	–	(290)
Gain on disposal of available-for-sale financial assets	11,558	–
Derivative financial instruments		
– fair value gains on foreign exchange forward contracts	–	106,647
Provision for claims from customers and losses on accident	(30,325)	(41,025)
Change in fair values of SAR (Note 41 (c))	219	4,953
	(18,548)	70,285

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

10. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2012 RMB'000	2011 RMB'000
Crediting		
Rental income from		
– Buildings	32,712	27,828
– Plant and machinery	6,186	56,039
Gains on disposal of property, plant and equipment	–	12,591
Dividend income on available-for-sale financial assets	10,905	14,101
Reversal of impairment losses of receivables	–	1,788
Gain on disposal of a jointly controlled entity	12,704	–
Charging		
Depreciation		
– Owned property, plant and equipment	447,245	414,357
– Owned property, plant and equipment leased out under operating leases	8,473	7,634
Losses on disposal of property, plant and equipment	22,491	–
Auditor's remuneration		
– Audit fee	4,400	4,200
– Audit-related and other services fee	2,600	2,600
Impairment losses of property, plant and equipment	33,396	54,946
Impairment losses of receivables	22,317	–
Operating lease charges on		
– Land use rights	56,188	52,403
– Buildings	177,715	247,501
– Plant and equipment	755,172	891,627
Amortisation of intangible assets	18,989	18,883
Charges on property management and facilities	108,423	97,187
Charges on IT support	46,634	44,530
Other tax expenses	61,569	58,004
Provision for onerous contracts	2,989	11,172
Provision for outstanding claims	28,805	15,270
Provision for guarantees	121,693	–

11. FINANCE COSTS, NET

	2012 RMB'000	2011 RMB'000
Finance income		
– Interest income on bank balances	126,171	116,111
Finance cost		
– Interest expenses wholly repayable within five years		
Including: Borrowings	(66,487)	(164,834)
Bonds	(234,565)	(50,041)
– Interest expenses not wholly repayable within five years		
Including: Borrowings	(176)	–
– Exchange losses, net	(1,961)	(136,920)
– Bank charges	(19,146)	(18,513)
	(322,335)	(370,308)
Finance costs, net	(196,164)	(254,197)

12. TAXATION

Income tax expense in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000
Current income tax		
– Hong Kong	1,867	634
– PRC enterprise income tax	332,611	310,303
Deferred PRC income tax	(12,120)	(2,753)
	322,358	308,184

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

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

PRC enterprise income tax expense has been provided on the estimated assessable profit for the year according to the tax laws and regulations applicable to the PRC enterprises. The provision for PRC enterprise income tax is based on the statutory rate of 25% (2011: 25%) of the assessable income of each of the companies comprising the Group in the Mainland, China as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 12.5% to 20% (2011: 12.5% to 24%) based on the relevant PRC tax laws and regulations.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

12. TAXATION (continued)

(a) The reconciliation between the Group's actual income tax expense and the amount which is calculated based on the statutory PRC enterprise income tax rate 25% (2011: 25%) is as follows:

	2012 RMB'000	2011 RMB'000
Profit before income tax	1,233,190	1,180,121
Less: Share of profit of associates	(42,318)	(58,167)
Share of profit of joint controlled entities	(704,141)	(510,001)
	486,731	611,953
Tax calculated at the statutory tax rate of 25%	121,683	152,988
Tax effects of		
– Utilisation of prior year unrecognised tax losses	(927)	(2,275)
– Deferred income tax benefits arising from tax losses in certain entities not recognised	164,026	143,575
– Non-taxable income	(1,236)	(4,448)
– Expenses not deductible for tax purposes	47,367	27,172
– Preferential tax rates on the income of certain subsidiaries	(8,555)	(8,828)
Income tax expense	322,358	308,184

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

	2012			2011		
	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000
Fair value gains/(losses) on available-for-sale financial assets	15,038	(3,759)	11,279	(896,077)	224,019	(672,058)
Share of other comprehensive income of associates and jointly controlled entities	(2,964)	–	(2,964)	1,649	–	1,649
Currency translation differences	3,894	–	3,894	(22,096)	–	(22,096)
Deferred tax		(3,759)			224,019	

12. TAXATION (continued)

(b) As at 31 December 2012 and 2011, none of the Group's deferred income taxes assets and deferred income taxes liabilities could be offset and their movements are as follows:

Deferred income tax assets

	The Group 2012 RMB'000	2011 RMB'000
At beginning of year	91,130	88,607
Credited to consolidated income statement	11,989	2,523
At end of year	103,119	91,130
Provided for in respect of		
– Provision for impairment of receivables	8,809	9,525
– Provision for one-off cash housing subsidies	7,254	7,455
– Accrued salary	44,859	50,374
– Provision for claims	14,426	7,191
– Depreciation on property, plant and equipment	2,866	3,183
– Tax losses	1,159	262
– Other temporary differences	23,746	13,140
	103,119	91,130

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Temporary differences for which deferred income tax assets were not recognised				
– Tax losses (Note (i))	2,504,948	2,043,576	–	–
	2,504,948	2,043,576	–	–

(i) Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, the Group did not recognise deferred income tax assets of RMB626,237,000 (31 December 2011: RMB510,894,000) in respect of the above stated tax losses amounting to RMB2,504,948,000 (31 December 2011: RMB2,043,576,000) which can be carried forward against future taxable income, and tax losses amounting to RMB592,444,000, RMB170,540,000, RMB511,560,000, RMB574,300,000 and RMB656,104,000 would expire in 2013, 2014, 2015, 2016 and 2017 respectively.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

12. TAXATION (continued)

Deferred income tax liabilities

	The Group	
	2012 RMB'000	2011 RMB'000
At beginning of year	27,080	251,329
Credited to consolidated income statement	(131)	(230)
Charged/(credited) to other comprehensive income	3,759	(224,019)
At end of year	30,708	27,080
Provided for in respect of		
– Change in fair values of available-for-sale financial assets	27,210	23,451
– Operating lease charges on land use rights	2,523	2,703
– Other temporary differences	975	926
	30,708	27,080

The temporary differences associated with the Group's underlying investments in subsidiaries for which deferred income tax liabilities have not been recognised, amounted to RMB543,944,000 as at 31 December 2012 (31 December 2011: RMB543,944,000), which was a gain arising from deemed disposal of the Company's share of net assets of Sinoair after the issuance of shares by the latter in connection with its initial public offering on the Shanghai Stock Exchange in 2000.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB 238,422,000 (2011: RMB347,238,000).

14. DIVIDENDS

	The Company 2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
– 2012 Interim, paid, of nil		
(2011 Interim, paid: RMB0.02) per ordinary share	–	84,980
– 2011 Final, paid, of RMB0.01		
(2010 Final, paid: RMB0.02) per ordinary share	42,490	84,980
	42,490	169,960

At the Board of Directors' meeting held on 19 March 2013, the Directors proposed a final dividend of RMB0.03 per ordinary share totalling RMB127,470,000. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2012, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

15. EARNINGS PER SHARE

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

	The Group 2012	2011
Profit attributable to owners of the Company (RMB'000)	649,054	642,513
Number of ordinary shares in issue (thousands)	4,249,002	4,249,002
Basic earnings per share (RMB per share)	0.15	0.15

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

16. LAND USE RIGHTS

	The Group	
	2012 RMB'000	2011 RMB'000
At beginning of year	2,155,885	1,989,411
Additions	255,936	114,449
Transfer from prepayments for acquisition of land use rights	10,000	98,000
Acquisition of a subsidiary (Note 43)	–	23,204
Disposal	(12,837)	(16,776)
Charged to profit or loss	(56,188)	(52,403)
At end of year	2,352,796	2,155,885

All of the Group's land use rights are located in the Mainland, China and are held under operating leases between 10 to 50 years (2011: 10 to 50 years).

Land use rights pledged as security for bank borrowings are disclosed in Note 32(c).

17. PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	The Group	
	2012 RMB'000	2011 RMB'000
At beginning of year	68,849	127,217
Additions	14,851	39,632
Transfer to land use rights	(10,000)	(98,000)
At end of year	73,700	68,849

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2012									
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	990	–	–	90	160	(217)	(12)	–	1,011
Additions	167,173	3,824	798	328	132,053	118,580	41,337	913,219	1,377,312
Disposals/write-offs	(103,730)	(99)	(1,450)	(391)	(52,285)	(230,622)	(30,520)	–	(419,097)
Transfer upon completion	320,535	3,297	11,497	–	3,722	46,695	4,494	(390,240)	–
At 31 December 2012	3,803,070	12,156	855,399	56,370	1,444,196	1,432,388	495,878	1,388,241	9,487,698
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)
Impairment losses recognised in profit and loss	–	–	–	–	–	(27,964)	–	(5,432)	(33,396)
Exchange differences	(981)	–	–	(74)	(139)	84	10	–	(1,100)
Depreciation charge	(122,764)	(1,608)	(34,196)	(3,091)	(116,508)	(129,939)	(47,612)	–	(455,718)
Disposals/write-offs	45,661	55	1,292	4	44,299	157,386	27,218	–	275,915
At 31 December 2012	(923,728)	(3,621)	(289,045)	(22,369)	(729,220)	(795,399)	(351,500)	(5,432)	(3,120,314)
Net book value									
At 31 December 2012	2,879,342	8,535	566,354	34,001	714,976	636,989	144,378	1,382,809	6,367,384
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 Consolidated Financial Statements

For the year ended 31 December 2012

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2011									
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	(1,903)	–	–	(1,598)	(219)	(6,655)	(217)	–	(10,592)
Additions	67,657	2,135	8,128	3,134	142,464	131,480	65,464	931,252	1,351,714
Acquisition of a subsidiary (Note 43)	28,795	–	–	–	–	–	–	–	28,795
Disposals/write-offs	(2,841)	(65)	–	(259)	(47,032)	(66,430)	(42,581)	–	(159,208)
Transfer upon completion	220,012	–	53,449	–	25,701	107,693	8,248	(415,103)	–
At 31 December 2011	3,418,102	5,134	844,554	56,343	1,360,546	1,497,952	480,579	865,262	8,528,472
Accumulated depreciation and impairment losses									
At 1 January 2011	(747,478)	(1,450)	(223,494)	(16,082)	(582,179)	(668,878)	(325,950)	–	(2,565,511)
Impairment losses recognised in profit and loss	–	–	–	–	–	(54,946)	–	–	(54,946)
Exchange differences	573	–	–	260	9	5,869	202	–	6,913
Depreciation charge	(100,765)	(682)	(32,647)	(3,448)	(107,024)	(133,673)	(43,752)	–	(421,991)
Disposals/write-offs	2,026	64	–	62	32,322	56,662	38,384	–	129,520
At 31 December 2011	(845,644)	(2,068)	(256,141)	(19,208)	(656,872)	(794,966)	(331,116)	–	(2,906,015)
Net book value									
At 31 December 2011	2,572,458	3,066	588,413	37,135	703,674	702,986	149,463	865,262	5,622,457
At 1 January 2011	2,358,904	1,614	559,483	38,984	657,453	662,986	123,715	349,113	4,752,252

During this year, as the result of poor performance of marine transportation segment, the Group carried out a review of the recoverable amount of its vessels and related equipment. The review led to the recognition of an impairment loss of RMB33,396,000 (2011: RMB54,946,000), which has been recognised in profit and loss. The recoverable amount of the CGUs including relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 8% (2011: 8%).

Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 32(c).

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2012						
Cost						
At 1 January 2012	5,618	9,615	13,912	121,800	19,496	170,441
Additions	742	1,804	3,544	4,165	13,555	23,810
Disposals	–	(5,988)	(2,545)	(17)	–	(8,550)
Transfer upon completion	–	–	–	3,757	(3,757)	–
At 31 December 2012	6,360	5,431	14,911	129,705	29,294	185,701
Accumulated depreciation						
At 1 January 2012	(3,121)	(3,462)	(6,378)	(94,286)	–	(107,247)
Depreciation	(1,008)	(210)	(2,557)	(7,791)	–	(11,566)
Disposals	–	830	2,361	3	–	3,194
At 31 December 2012	(4,129)	(2,842)	(6,574)	(102,074)	–	(115,619)
Net book value						
At 31 December 2012	2,231	2,589	8,337	27,631	29,294	70,082
At 1 January 2012	2,497	6,153	7,534	27,514	19,496	63,194

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
2011						
Cost						
At 1 January 2011	3,750	6,988	10,091	109,471	8,104	138,404
Additions	–	8,413	4,503	14,509	13,493	40,918
Disposals	–	(5,786)	(682)	(2,413)	–	(8,881)
Transfer upon completion	1,868	–	–	233	(2,101)	–
At 31 December 2011	5,618	9,615	13,912	121,800	19,496	170,441
Accumulated depreciation						
At 1 January 2011	(2,915)	(3,404)	(4,553)	(88,388)	–	(99,260)
Depreciation	(206)	(1,819)	(1,825)	(7,188)	–	(11,038)
Disposals	–	1,761	–	1,290	–	3,051
At 31 December 2011	(3,121)	(3,462)	(6,378)	(94,286)	–	(107,247)
Net book value						
At 31 December 2011	2,497	6,153	7,534	27,514	19,496	63,194
At 1 January 2011	835	3,584	5,538	21,083	8,104	39,144

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

19. INTANGIBLE ASSETS

	The Group			
	Software RMB'000	Goodwill RMB'000	Others RMB'000	Total RMB'000
2012				
Cost				
At beginning of year	211,639	39,387	6,000	257,026
Additions	20,463	–	–	20,463
At end of year	232,102	39,387	6,000	277,489
Accumulated amortisation				
At beginning of year	(159,703)	–	(1,800)	(161,503)
Amortisation	(18,389)	–	(600)	(18,989)
At end of year	(178,092)	–	(2,400)	(180,492)
Net book value				
At end of year	54,010	39,387	3,600	96,997
At beginning of year	51,936	39,387	4,200	95,523

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

19. INTANGIBLE ASSETS (continued)

The recoverable amount is determined based on value-in-use calculations. The recoverable amount of each CGU is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a 5-year (2011: 5-year) period, and a discount rate of 8% (2011: 8%). Cash flow projections during the forecast period for the CGUs are based on the expected gross margins during the forecast period. Forecast gross margins have been determined based on past performance and management's expectations for the market development. Cash flows beyond the 5-year (2011: 5-year) period are extrapolated using a 3% (2011: 3%) growth rate.

As at 31 December 2012, management of the Group was of the view that there was no impairment of goodwill.

	The Company	
	2012 Software RMB'000	2011 Software RMB'000
Cost		
At beginning of year	133,227	122,685
Additions	9,460	10,542
At end of year	142,687	133,227
Accumulated amortisation		
At beginning of year	(102,586)	(85,668)
Amortisation	(13,464)	(16,918)
At end of year	(116,050)	(102,586)
Net book value		
At end of year	26,637	30,641
At beginning of year	30,641	37,017

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 RMB'000	2011 RMB'000
Investments at cost		
– Unlisted equity interests	5,913,519	5,823,667
– Shares in a company listed in the PRC	988,022	988,022
	6,901,541	6,811,689
Market value of the listed shares	4,074,153	3,384,593

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

20. INVESTMENTS IN SUBSIDIARIES (continued)

The following is a list of the principal subsidiaries as at 31 December 2012:

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Group 2012 Company	2012 Group	2011 Company	2011 Group	Principal activities
China Marine Shipping Agency Company Limited	Beijing, the PRC Limited liability company	RMB30,000,000	80%	100%	80%	100%	Shipping agency
Sinotrans Logistics Development Company Limited	Beijing, the PRC Limited liability company	RMB120,000,000	99.18%	100%	99.18%	100%	Freight forwarding
Sinoair	Beijing, the PRC Joint stock company with limited liability	RMB905,481,720	63.46%	63.46%	63.46%	63.46%	Air freight forwarding and express services
Sinotrans Eastern Company Limited	Shanghai, the PRC Limited liability company	RMB1,120,503,439	96.33%	100%	96.33%	100%	Freight forwarding, shipping agency and express services
Sinotrans Changjiang Company Limited	Nanjing, the PRC Limited liability company	RMB650,000,000	100%	100%	100%	100%	Freight forwarding, shipping agency and express services
Sinotrans Hubei Company Limited	Wuhan, the PRC Limited liability company	RMB70,000,000	100%	100%	100%	100%	Freight forwarding
Sinotrans Container Lines Company Limited	Shanghai, the PRC Limited liability company	RMB400,000,000	100%	100%	100%	100%	Marine transportation
Sinotrans Fujian Company Limited	Xiamen, the PRC Limited liability company	RMB394,632,126	90%	100%	90%	100%	Freight forwarding, shipping agency, express services and non-vessel operating common carrier
Trade Sky International Limited	Hong Kong, the PRC Limited liability company	HK$161,100,000	100%	100%	100%	100%	Investment holding
Sinotrans Guangdong Company Limited	Guangzhou, the PRC Limited liability company	RMB1,249,668,932	93.8%	100%	93.8%	100%	Freight forwarding, shipping agency and express services
Sinotrans Shandong Company Limited	Qingdao, the PRC Limited liability company	RMB645,339,942	97.5%	100%	97.5%	100%	Freight forwarding, shipping agency and express services
Sinotrans Tianjin Company Limited	Tianjin, the PRC Limited liability company	RMB57,363,906	90%	100%	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Liaoning Company Limited	Dalian, the PRC Limited liability company	RMB48,966,940	90%	100%	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Landbridge Transportation Company Limited	Lianyungang, the PRC Limited liability company	RMB59,382,238	90%	100%	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Heavy-lift Logistics Company Limited	Jinan, the PRC Limited liability company	RMB103,600,000	100%	100%	80%	80%	Hoisting and transporting

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

20. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Group 2012 Company	2012 Group	2011 Company	2011 Group	Principal activities
Sinotrans Chongqing Company Limited	Chongqing, the PRC Limited liability company	RMB15,869,000	100%	100%	100%	100%	Freight forwarding
Sinotrans (Hong Kong) Logistics Company Limited	Hong Kong, the PRC Limited liability company	HK$500,000	100%	100%	100%	100%	Freight forwarding, shipping agency
Sinotrans Sunny Express Company Limited	Shanghai,the PRC Limited liability company	RMB380,000,000	100%	100%	100%	100%	Marine transportation

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

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	The Group 2012 RMB'000	The Group 2011 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
At beginning of year	1,766,972	1,895,443	11,973	11,973
Acquisition of jointly controlled entities	378,784	21,429	–	–
Transfer from subsidiary	140,000	–	140,000	–
Additional investment	1,942	96,773	–	–
Share of profit of jointly controlled entities				
– profit before income tax	954,010	709,079	–	–
– income tax expense	(249,869)	(199,078)	–	–
	704,141	510,001	–	–
Share of other comprehensive income	448	266	–	–
Disposals	(71,813)	(1,530)	–	–
Dividends received	(546,363)	(755,410)	–	–
At end of year	2,374,111	1,766,972	151,973	11,973

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The following is a list of the principal jointly controlled entities as at 31 December 2012, which are held by the Company directly and indirectly through its subsidiaries.

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Group 2012 Company	2012 Group	2011 Company	2011 Group	Principal activities
New Land Bridge (Lianyungang) Terminal Company limited	Lianyungang, the PRC Sino-foreign equity joint venture	RMB375,000,000	1%	42%	1%	42%	Terminal development and management, freight forwarding
Shanghai Express International Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$4,000,000	20%	51%**	20%	51%**	Freight forwarding, warehousing and trucking
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Shanghai, the PRC Sino-foreign equity joint venture	US$12,000,000	–	60%**	–	60%**	Container freight transportation
DHL-Sinotrans International Air Courier Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	–	31.73%*	–	31.73%*	Express services
Sinotrans Hi-Tech Logistics Suzhou Co., Ltd.	Suzhou, the PRC joint venture	US$19,570,000	–	60%**	–	60%**	Freight transportation, storage and package
Ningbo Dagang Container Co., Ltd.	Ningbo, the PRC Sino-foreign equity joint venture	RMB72,000,000	–	50%	–	50%	Freight transportation, storage and package
Shanghai Jiaoyun Container Dev Co., Ltd.	Shanghai, the PRC joint venture	RMB50,000,000	–	50%	–	50%	Container transportation
Rex International Forwarding Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,200,000	–	31.73%*	–	31.73%*	Air freight forwarding
Chengdu Bonded Logistics Investment Co.. Ltd.	Chengdu, the PRC limited liability company	RMB175,000,000	–	34.45%*	–	34.45%*	Industrial facilities construction, export& import, freight forwarding
Grandstar Cargo International Airlines Company Limited ("Grandstar Airlines")	Tianjin, the PRC Sino-foreign equity joint venture	US$95,000,000	–	32.36%*	–	32.36%*	Air freight forwarding
Wuhan Sinoport Logistics Company Limited	Wuhan, the PRC joint venture	RMB68,000,000	–	45%	–	45%	Freight forwarding, transportation, storage and loading&unloading
Maxx Logistics FZCO	Dubai, the United Arab Emirates Sino-foreign equity joint venture	AED1,000,000	–	40%	–	40%	Freight forwarding, warehousing
Wuhu Sanshan Port Co., Ltd.***	Anhui, the PRC Sino-foreign equity joint venture	RMB280,000,000	50%	50%	–	–	Construction and operation of ports and ancillary facilities, storage, haulage and international freight forwarding business
Dongguan Humen Container. Terminals Port Co., Ltd.	Guangdong, the PRC joint venture	RMB500,000,000	–	49%	–	–	Terminal management

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

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

** According to the relevant articles and shareholders' agreements, the Group together with the other shareholders exercise joint control and none of the shareholders has unilateral control over those companies.

*** During the current year, the group and an independent third party contribute RMB 134,000,000 and RMB 140,000,000 respectively to Wuhu Sanshan Port Co., Ltd. Prior to the capital contribution, Wuhu Sanshan Port Co., Ltd. was a wholly owned subsidiary of the Group with paid up registered capital of RMB 6,000,000.

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

	The Group	
	2012 RMB'000	2011 RMB'000
Non-current assets	2,038,701	1,202,055
Current assets	2,475,613	1,918,367
Non-current liabilities	555,586	175,718
Current liabilities	1,627,358	1,183,456
Net assets	2,331,370	1,761,248
Revenues	5,713,262	5,569,299
Expenses	4,820,478	4,868,586
Profit for the year	704,141	510,001
Other comprehensive income	448	266

Investments in jointly controlled entities as at 31 December 2012 include goodwill of RMB42,741,000 (2011: RMB5,724,000).

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

Operating lease commitments – as lessee

	2012 RMB'000	2011 RMB'000
Land and buildings		
– Not later than one year	43,052	49,827
– Later than one year but not later than five years	73,767	46,899
– Later than five years	–	3,282
Vessels, containers and other equipment		
– Not later than one year	–	225
	116,819	100,233

Operating lease commitments – as lessor

	2012 RMB'000	2011 RMB'000
Land and buildings		
– Not later than one year	119	757
– Later than one year but not later than five years	128	56
	247	813

22. INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Investment in associates				
– Listed outside Hong Kong	207,630	184,811	–	–
– Unlisted	766,025	830,792	118,139	106,139
	973,655	1,015,603	118,139	106,139
Fair value of listed investments	119,456	108,163	–	–

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

22. INVESTMENTS IN ASSOCIATES (continued)

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
At beginning of year	1,015,603	848,119	106,139	117,123
Addition	–	190,570	12,000	–
Share of profit of associates				
– profit before income tax	58,792	79,068	–	–
– income tax expense	(16,474)	(20,901)	–	–
	42,318	58,167	–	–
Share of other comprehensive (losses)/income	(3,412)	1,383	–	–
Share of other reserve	(34,457)	–	–	–
Disposals	–	(4,300)	–	–
Transfer to subsidiary	–	–	–	(10,984)
Currency translation differences of an associate	8,321	(27,726)	–	–
Dividends received	(54,718)	(50,610)	–	–
At end of year	973,655	1,015,603	118,139	106,139

Investments in associates as at 31 December 2012 include goodwill of RMB352,717,000 (2011: RMB352,717,000).

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

	The Group	
	2012 RMB'000	2011 RMB'000
Assets	2,047,761	1,678,288
Liabilities	1,426,823	1,015,402
Revenue	1,667,028	1,184,991
Profit for the year	42,318	58,167
Other comprehensive (losses)/income	(3,412)	1,383

22. INVESTMENTS IN ASSOCIATES (continued)

The following is a list of the principal associates as at 31 December 2012:

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Group 2012 Company	2012 Group	2011 Company	2011 Group	Principal activities
Shanghai Haihui International Container Repair Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$1,420,000	–	35%	–	35%	International container piling and storage, container repair
AMS Global Transportation Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$1,980,000	–	20%	–	20%	Air freight forwarding
Changshu Nissin Sinotrans Transportation Company Limited	Jiangsu, the PRC Sino-foreign equity joint venture	US$1,400,000	–	30%	–	30%	Freight forwarding
Ma'anshan Tianshun Port Company Limited	Ma'anshan, the PRC Limited liability company	RMB70,000,000	21%	21%	21%	21%	Storage and terminal services
Jiangsu Jiangyin Port Company Limited	Jiangyin, the PRC Limited liability company	RMB87,750,000	20%	20%	20%	20%	Storage and terminal services
Weihai Weidong Ferry Company Limited	Shandong, the PRC Sino-foreign equity joint venture	US$15,000,000	–	30%	–	30%	International marine transportation
Shenzhen Haixing Harbour Development Company Limited	Guangdong, the PRC Sino-foreign equity joint venture	US$15,151,500	–	33%	–	33%	Storage and terminal services
Wuhan Port Container Company Limited	Wuhan, the PRC Limited liability company	RMB400,000,000	–	30%	–	30%	Container loading and freight forwarding
InterBulk Group plc*	London, the U.K. Public limited company	£ 46,789,000	–	35.26%	–	35.26%	Intermodal logistics services

* The financial year end date for InterBulk Group plc. is 30 September. For the purpose of applying the equity method of accounting, the consolidated financial statements of InterBulk Group plc. for the year ended 30 September 2012 have been used as the Group considers that it is impracticable for InterBulk Group plc. to prepare a separate set of financial statements as of 31 December 2012. After taking into account the effect of transactions between 30 September 2012 and 31 December 2012, in the Directors' opinion, it's appropriate that no adjustment has been made.

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

23. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group	Loans and receivables RMB'000	At fair value through profit or loss RMB'000	Available–for–sale at fair value RMB'000	Available–for–sale at cost RMB'000	Total RMB'000
Financial assets as per consolidated statement of financial position					
As at 31 December 2012					
Available-for-sale financial assets (Notes 25, 27)	–	–	1,099,084	388,120	1,487,204
Trade and other receivables (Note 28)	8,019,438	–	–	–	8,019,438
Restricted cash (Note 29)	198,552	–	–	–	198,552
Term deposits with initial terms of over three months (Note 30)	579,332	–	–	–	579,332
Cash and cash equivalents (Note 31)	5,594,572	–	–	–	5,594,572
Total	14,391,894	–	1,099,084	388,120	15,879,098
As at 31 December 2011					
Available-for-sale financial assets (Notes 25, 27)	–	–	1,204,046	388,120	1,592,166
Trade and other receivables (Note 28)	6,708,178	–	–	–	6,708,178
Restricted cash (Note 29)	349,639	–	–	–	349,639
Term deposits with initial terms of over three months (Note 30)	418,473	–	–	–	418,473
Cash and cash equivalents (Note 31)	5,521,045	–	–	–	5,521,045
Total	12,997,335	–	1,204,046	388,120	14,589,501

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Loans and receivables RMB'000	At fair value through profit or loss RMB'000	Available-for sale at fair value RMB'000	Available–for sale at cost RMB'000	Total RMB'000
Financial assets as per statement of financial position					
As at 31 December 2012					
Available-for-sale financial assets (Note 25)	–	–	–	143,692	143,692
Loans to subsidiaries (Note 26)	1,485,185	–	–	–	1,485,185
Trade and other receivables (Note 28)	4,541,824	–	–	–	4,541,824
Restricted cash (Note 29)	800	–	–	–	800
Cash and cash equivalents (Note 31)	1,183,209	–	–	–	1,183,209
Total	7,211,018	–	–	143,692	7,354,710
As at 31 December 2011					
Available-for-sale financial assets (Note 25)	–	–	–	143,692	143,692
Loans to subsidiaries (Note 26)	1,628,882	–	–	–	1,628,882
Trade and other receivables (Note 28)	3,840,233	–	–	–	3,840,233
Restricted cash (Note 29)	800	–	–	–	800
Cash and cash equivalents (Note 31)	886,810	–	–	–	886,810
Total	6,356,725	–	–	143,692	6,500,417

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group	Measured at amortised cost RMB'000
Financial liabilities as per consolidated statement of financial position	
As at 31 December 2012	
Trade payables (Note 36)	5,687,159
Other payables, accruals and other current liabilities (Note 37)	1,508,796
Salary and welfare payables	535,587
Borrowings (Note 32)	1,110,131
Short-term bonds (Note 33)	2,022,534
Long-term bonds (Note 33)	2,544,287
Total	13,408,494
As at 31 December 2011	
Trade payables (Note 36)	4,842,567
Other payables, accruals and other current liabilities (Note 37)	1,283,301
Salary and welfare payables	504,090
Borrowings (Note 32)	2,331,057
Short-term bonds (Note 33)	2,338,120
Long-term bonds (Note 33)	543,489
Total	11,842,624

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Company	Measured at amortised cost RMB'000
Financial liabilities as per statement of financial position	
As at 31 December 2012	
Trade payables (Note 36)	316,068
Other payables, accruals and other current liabilities (Note 37)	2,173,534
Salary and welfare payables	137,208
Borrowings (Note 32)	126,163
Short-term bonds (Note 33)	2,022,534
Long-term bonds (Note 33)	2,497,558
Total	7,273,065
As at 31 December 2011	
Trade payables (Note 36)	198,911
Other payables, accruals and other current liabilities (Note 37)	2,029,999
Salary and welfare payables	121,487
Borrowings (Note 32)	1,223,956
Short-term bonds (Note 33)	2,338,120
Long-term bonds (Note 33)	497,042
Total	6,409,515

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

24. CREDIT QUALITY OF FINANCIAL ASSETS

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

(a) Trade and other receivables

As at 31 December 2012, the Group's trade and other receivables of RMB 7,783,253,000 (31 December 2011: RMB6,528,511,000) and the Company's trade and other receivables of RMB 4,453,792,000 (31 December 2011: RMB3,801,715,000) were due from customers with good credit history and low default rate. Trade and other receivables that were either past due or impaired were disclosed in Note 28.

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

As at 31 December 2012 and 2011, substantially all of the Group's and the Company's cash at bank, short-term bank deposits, restricted cash and term deposits with initial terms over three months were held in major banks located in the PRC, which are of high credit quality with good credit history without any default records.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Listed equity securities (a)	1,019,084	1,004,046	–	–
Unlisted equity investments, at cost less impairment (b)	388,120	388,120	143,692	143,692
Available-for-sale financial assets	1,407,204	1,392,166	143,692	143,692

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

	The Group	
	2012 RMB'000	2011 RMB'000
At beginning of year	1,004,046	1,900,123
Fair value gains/(losses)	15,038	(896,077)
At end of year	1,019,084	1,004,046
Market value of listed securities	1,019,084	1,004,046

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

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

(b) Unlisted equity investments comprise equity interests in entities which are engaged in logistics, freight forwarding operations and other financing activities. There is no open market for these instruments and the Directors consider that the marketability of the Group's shareholdings in these instruments is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale financial assets are impaired in accordance with the guidelines in IAS 39 Financial Instruments: Recognition and Measurement. The assessment requires the Directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

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

26. LOANS TO SUBSIDIARIES

The loans to subsidiaries are of 2 to 18 years term, unsecured, interest-bearing and denominated in RMB.

27. PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Prepayments on behalf of customers	936,242	1,222,996	31,710	59,180
Prepaid expenses	49,171	63,195	2,763	1,209
Due from related parties	6,581	4,923	3,111	3,441
Available-for-sale financial assets*	80,000	200,000	–	–
Others	880	86	21	8
	1,072,874	1,491,200	37,605	63,838

The amounts due from related parties are generally unsecured, non-interest bearing and repayable on demand (Note 48(b))

* As at 31 December 2012:

– Ding Xin No. 55 trust product which costs RMB80,000,000, with 12-month term starting from June 2012, and expected annual yield rate of 9.8%.

As at 31 December 2011:

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

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

28. TRADE AND OTHER RECEIVABLES

	The Group 2012 RMB'000	The Group 2011 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
Trade receivables (a)	7,163,167	5,812,116	499,206	366,964
Bills receivables (b)	264,261	209,057	19,400	3,000
Other receivables (c)	443,486	533,924	19,557	24,572
Due from related parties (d)	148,524	153,081	4,003,661	3,445,697
	8,019,438	6,708,178	4,541,824	3,840,233

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

	The Group 2012 RMB'000	The Group 2011 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
RMB	6,035,884	5,017,838	4,370,051	3,573,274
US$	1,532,824	1,429,659	171,773	266,959
HK$	376,331	250,206	–	–
Others	74,399	10,475	–	–
	8,019,438	6,708,178	4,541,824	3,840,233

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

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

As at 31 December 2012 and 2011, the following trade and other receivables were impaired. The factors considered by management in determining the impairment are described in Note 3. The aging of these receivables is as follows:

	The Group 2012 RMB'000	The Group 2011 RMB'000	The Company 2012 RMB'000	The Company 2011 RMB'000
Within 6 months	3,238	5,059	1,789	3,996
Between 6 and 12 months	123,452	58,618	66,145	23,369
Between 1 and 2 years	51,022	27,843	26,737	15,538
Between 2 and 3 years	14,297	10,938	6,599	7,272
Over 3 years	9,294	14,878	1,944	–
	201,303	117,336	103,214	50,175
Less: Provision for impairment of receivables	(64,478)	(50,815)	(22,807)	(16,190)
	136,825	66,521	80,407	33,985

28. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2012 and 2011, the following trade and other receivables were past due but not impaired, because there has not been a significant change in credit quality and the amount are still considered recoverable. The aging analysis of these receivables is as follows:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Within 6 months	87,126	118,752	5,296	1,838
Between 6 and 12 months	6,363	8,329	1,053	–
Between 1 and 2 years	5,871	7,086	1,276	4,687
	99,360	134,167	7,625	6,525

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
At beginning of year	(50,815)	(75,446)	(16,190)	(14,466)
(Allowance for)/reversal of impairment, net	(22,317)	1,788	(6,617)	(2,412)
Receivables written off as uncollectible	8,654	22,843	–	688
At end of year	(64,478)	(50,815)	(22,807)	(16,190)

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

(a) Trade receivables

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade receivables	7,221,346	5,853,573	522,013	383,154
Less: Allowance for impairment of receivables	(58,179)	(41,457)	(22,807)	(16,190)
Trade receivables, net	7,163,167	5,812,116	499,206	366,964

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

28. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

The invoice dates at the end of each reporting period approximate the respective revenue recognition dates. Aging analysis of the above gross trade receivables is as follows:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Within 6 months	7,029,889	5,750,798	421,143	336,975
Between 6 and 12 months	123,128	58,118	65,590	23,369
Between 1 and 2 years	50,821	27,061	26,737	15,538
Between 2 and 3 years	13,766	10,286	6,599	7,272
Over 3 years	3,742	7,310	1,944	–
	7,221,346	5,853,573	522,013	383,154

(b) The Group has transferred bills receivables amounted to RMB174,271,000 to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks failed to settle the bills on maturity date. The Group considers the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant, and the issuing banks have never failed to settle the bills on maturity date.

The maximum exposure to loss, which is same as the amount payable by the Group to the supplier in respect of the endorsed bills, should the issuing banks failed to settle the bills on maturity date amounted to RMB174,271,000.

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

(c) Other receivables

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Deposits receivables	215,383	192,190	13,427	7,451
Receivables from payments on behalf of customers	153,160	196,647	–	16,690
Compensation receivables	5,545	7,703	–	–
Interest receivable	16,924	51,294	–	–
Others	58,753	94,645	6,130	431
	449,765	542,479	19,557	24,572
Less: Allowance for impairment of other receivables	(6,279)	(8,555)	–	–
	443,486	533,924	19,557	24,572

28. TRADE AND OTHER RECEIVABLES (continued)

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade receivables:				
Ultimate holding company and fellow subsidiaries	23,702	28,560	756	751
Subsidiaries	–	–	1,607	1,201
Jointly controlled entities	23,666	20,487	–	–
Associates	23,082	21,839	–	–
	70,450	70,886	2,363	1,952
Less: Allowance for impairment of receivables	–	–	–	–
	70,450	70,886	2,363	1,952
Other receivables:				
Ultimate holding company and fellow subsidiaries	25,540	54,361	5,713	5,798
Subsidiaries	–	–	3,994,430	3,437,947
Jointly controlled entities	50,888	24,150	1,046	–
Associates	1,666	4,487	109	–
	78,094	82,998	4,001,298	3,443,745
Less: Allowance for impairment of other receivables	(20)	(803)	–	–
	78,074	82,195	4,001,298	3,443,745
	148,524	153,081	4,003,661	3,445,697

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

28. TRADE AND OTHER RECEIVABLES (continued)

(d) Due from related parties (continued)

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Within 6 months	69,959	70,634	808	1,952
Between 6 and 12 months	365	150	555	–
Between 1 and 2 years	126	96	1,000	–
Over 3 years	–	6	–	–
	70,450	70,886	2,363	1,952

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

The amounts due from related parties are described in Note 48(b).

29. RESTRICTED CASH

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Deposits denominated in RMB in banks restricted for				
– bank borrowings	162,260	85,561	–	–
– other purposes	36,292	264,078	800	800
	198,552	349,639	800	800

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

The weighted average effective interest rates of the Group and the Company on restricted cash were 2.25% (2011: 2.03%) per annum and 0.36% (2011: 0.36%) per annum respectively as at 31 December 2012.

30. TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

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

	The Group	
	2012 RMB'000	2011 RMB'000
Term deposits with initial terms of over three months	579,332	418,473

As at 31 December 2012, the weighted average effective interest rates per annum on term deposits with initial terms of over three months of the Group was 2.94% (2011: 2.35%) per annum.

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

31. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash at bank and in hand	4,775,768	4,579,965	943,209	836,810
Short-term bank deposits	818,804	941,080	240,000	50,000
	5,594,572	5,521,045	1,183,209	886,810

(a) As at 31 December 2012 and 2011, the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
RMB	4,271,330	4,464,153	1,056,903	780,475
US$	1,092,894	792,615	108,247	90,785
HK$	88,701	76,557	52	53
Japanese Yen ("JPY")	16,903	39,999	10	10
Others	124,744	147,721	17,997	15,487
	5,594,572	5,521,045	1,183,209	886,810

(b) The weighted average effective interest rates of the Group and the Company on short term bank deposits were 2.60% (2011: 2.12%) per annum and 1.69% (2011: 1.49%) per annum respectively as at 31 December 2012.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

32. BORROWINGS

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Current				
Bank borrowings denominated in				
– RMB				
Fixed interest rate	39,063	67,000	–	–
Floating interest rate	–	109,700	–	10,000
– US$				
Fixed interest rate	691,839	793,016	126,163	124,743
– HK$				
Fixed interest rate	28,378	–	–	–
Floating interest rate	–	47,670	–	–
– JPY				
Floating interest rate	–	89,213	–	89,213
Current portion of non-current bank borrowings				
– Denominated in RMB				
Floating interest rate	12,000	20,000	–	–
– Denominated in US$				
Floating interest rate	38,234	–	–	–
Loans payable to SINOTRANS & CSC				
– Denominated in RMB				
Fixed interest rate	–	1,000,000	–	1,000,000
	809,514	2,126,599	126,163	1,223,956

32. BORROWINGS (continued)

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Non-current				
Bank borrowings repayable between 1 to 2 years				
– Denominated in RMB Floating interest rate	–	12,000	–	–
– Denominated in US$ Floating interest rate	46,930	–	–	–
Bank borrowings repayable between 2 to 5 years				
– Denominated in RMB Floating interest rate	151,051	85,480	–	–
– Denominated in US$ Floating interest rate	67,201	106,978	–	–
Bank borrowings repayable 5 years or more				
– Denominated in US$ Floating interest rate	35,435	–	–	–
	300,617	204,458	–	–
Total fixed rate borrowings	759,280	1,860,016	126,163	1,124,743
Total floating rate borrowings	350,851	471,041	–	99,213
Total borrowings	1,110,131	2,331,057	126,163	1,223,956

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Borrowings				
Unsecured				
– Bank borrowings	846,794	1,163,078	126,163	223,956
– loans payable to SINOTRANS & CSC	–	1,000,000	–	1,000,000
Secured or guaranteed	263,337	167,979	–	–
	1,110,131	2,331,057	126,163	1,223,956

The floating interest rate above is based on the loan interest rate published by the People's Bank of China or LIBOR

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

32. BORROWINGS (continued)

(b) The weighted average effective interest rates per annum of the borrowings for the Group were 5.00% (2011: 5.65%) for bank borrowings denominated in RMB, 2.59% (2011: 3.07%) for bank borrowings denominated in US$, 2.87% (2011: 1.24%) for bank borrowings denominated in HK$ as at 31 December 2012.

The weighted average effective interest rates per annum of the borrowings for the Group were 2.84% for bank borrowing denominated in JPY and 3.26% for loans payable to SINOTRANS&CSC as at 31 December 2011.

The weighted average effective interest rates per annum of the borrowings for the Company were 3.39% (2011: 3.45%) for bank borrowings denominated in US$ as at 31 December 2012.

The weighted average effective interest rates per annum of the borrowings for the Company were 5.62% for bank borrowing denominated in RMB, 2.84% for bank borrowings denominated in JPY, and 3.26% for loans payable to SINOTRANS&CSC as at 31 December 2011.

(c) Securities and guarantees

	The Group 2012 RMB'000	2011 RMB'000
Restricted cash pledged	162,260	85,561
Carrying amount of property, plant and equipment pledged	275,023	66,166
Carrying amount of land use rights pledged	27,285	34,153

33. BONDS

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Medium-term notes (a)	2,497,558	497,042	2,497,558	497,042
Collective bonds (b)	46,729	46,447	–	–
Long-term bonds	2,544,287	543,489	2,497,558	497,042
Short-term bonds (c)	2,022,534	2,338,120	2,022,534	2,338,120

(a) On 5 September 2011, the Company received the approval from the National Association of Financial Market Institutional Investors of issuing the unsecured medium-term notes amounting to RMB2.5 billion by tranche. The issuance of the first tranche of medium-term notes with par value of RMB100 each totalling RMB0.5 billion was completed on 21 October 2011. 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. The first tranche of medium-term notes are of 3-year term with fixed annual coupon and effective interest rates of 5.99% and 6.23%, respectively. The second tranche of medium-term notes are of 3-year term with fixed annual coupon and effective interest rates of 4.72% and 4.94%, respectively.

33. BONDS (continued)

(b) In November 2011, a subsidiary of the Company issued collective bonds with par value of RMB100 each totalling RMB50 million. The bonds are guaranteed 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) As at 31 December 2012, short-term bonds represented unsecured bonds issued by the Company on 18 September 2012 with par value of RMB100 each totalling RMB2 billion. Such bonds are of 270-days term with fixed annual coupon and effective interest rates of 4.19% and 4.32%, respectively.

As at 31 December 2011, 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.

34. PROVISIONS

	The Group					
	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
2012						
As at 1 January 2012	29,820	3,133	28,586	11,174	40,209	112,922
Additional provision	–	121,693	28,805	2,989	42,896	196,383
Paid during the year	(804)	(55,877)	(4,031)	(11,174)	(39,391)	(111,277)
As at 31 December 2012	29,016	68,949	53,360	2,989	43,714	198,028
2011						
As at 1 January 2011	30,898	3,133	50,259	14,433	37,049	135,772
Additional provision	–	–	15,270	11,172	21,475	47,917
Paid during the year	(1,078)	–	(36,943)	(14,431)	(18,315)	(70,767)
As at 31 December 2011	29,820	3,133	28,586	11,174	40,209	112,922

(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) Sinoair, a subsidiary of the Group, provided guarantees to bank loans obtained by its jointly controlled entity, Grandstar Airlines (Note 45). In the current year, Sinoair made a provision for the losses in respect of such guarantees amounted to RMB124,826,000 after taking into consideration the value of assets pledged by Grandstar Airlines as security of the loans, and paid RMB55,877,000 under the guarantee arrangement in the current year.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

34. PROVISIONS (continued)

(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.

	The Group	
	2012 RMB'000	2011 RMB'000
As at 1 January	6,419	7,565
Additional provision	760	513
Utilised during the year	(642)	(1,659)
As at 31 December	6,537	6,419

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

35. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly consist of deferred income arising from government grants.

36. TRADE PAYABLES

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade payables (a)	5,577,073	4,728,399	251,671	127,343
Due to related parties (b)	110,086	114,168	64,397	71,568
	5,687,159	4,842,567	316,068	198,911

36. TRADE PAYABLES (continued)

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
RMB	4,655,711	3,769,690	247,539	83,557
US$	871,191	965,315	68,107	115,004
HK$	107,529	94,969	87	66
Others	52,728	12,593	335	284
	5,687,159	4,842,567	316,068	198,911

(a) Trade payables

The normal credit period for trade payables generally ranges from 1 to 6 months. Aging analysis of trade payables based on invoice date at the end of each reporting period is as follows:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Within 6 months	5,079,844	4,332,467	194,896	96,490
Between 6 and 12 months	270,774	174,421	27,702	19,438
Between 1 and 2 years	136,537	143,564	21,512	6,432
Between 2 and 3 years	52,549	50,655	3,088	2,927
Over 3 years	37,369	27,292	4,473	2,056
	5,577,073	4,728,399	251,671	127,343

(b) Due to related parties

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Ultimate holding company and fellow subsidiaries	89,564	94,005	64,397	5,169
Subsidiaries	–	–	–	66,398
Jointly controlled entities	8,766	12,337	–	1
Associates	11,756	7,826	–	–
	110,086	114,168	64,397	71,568

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

36. TRADE PAYABLES (continued)

(b) Due to related parties (continued)

The normal credit period for trade payables due to related parties generally ranges from 1 to 6 months. The aging of these amounts due to the ultimate holding company and fellow subsidiaries, subsidiaries, jointly controlled entities, and associates based on invoice date is summarised as follows:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Within 6 months	94,577	96,972	58,777	64,028
Between 6 and 12 months	2,148	2,519	4,218	3,874
Between 1 and 2 years	1,492	3,720	365	2,888
Between 2 and 3 years	1,192	213	998	778
Over 3 years	10,677	10,744	39	–
	110,086	114,168	64,397	71,568

The amounts due to related parties are described in Note 48(b).

37. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Other payables and accruals (a)	771,846	731,314	132,111	75,564
Due to related parties (b)	1,160,315	551,987	2,057,169	1,954,435
	1,932,161	1,283,301	2,189,280	2,029,999

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

(a) Other payables and accruals

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Payables for property, plant and equipment	159,159	102,743	1,790	–
Customers' deposits	417,500	346,610	14,355	9,843
Accrued expenses	60,098	52,453	19,703	12,118
Interest payable	90,798	89,828	82,067	39,003
Dividends payable to non-controlling shareholders of subsidiaries	18,407	14,181	–	–
Temporary receipts	1,086	47,449	12,565	5,121
Other tax liabilities	5,865	54,639	1,391	8,369
Others	18,933	23,411	240	1,110
	771,846	731,314	132,111	75,564

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Ultimate holding company and fellow subsidiaries*	1,139,740	528,820	12	3,274
Subsidiaries	–	–	2,057,157	1,951,161
Jointly controlled entities	19,939	21,424	–	–
Associates	636	1,743	–	–
	1,160,315	551,987	2,057,169	1,954,435

* Among the amounts due to ultimate holding company and fellow subsidiaries, RMB959,742,000 (31 December 2011: RMB289,027,000) are unsecured and repayable within 6-12 months with weighted average effective interest rates per annum of 4.31% (2011: 3.28%).

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

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

38. RECEIPTS IN ADVANCE FROM CUSTOMERS

	The Group	
	2012 RMB'000	2011 RMB'000
Receipts in advance from customers	897,852	1,401,085
Collection and payment on behalf of others	1,281,508	1,249,734
	2,179,360	2,650,819

The amounts of receipts in advance from related parties are described in Note 48(b).

39. SHARE CAPITAL

	The Group and The Company	
	2012 RMB'000	2011 RMB'000
Registered, issued and fully paid		
– Domestic shares of RMB1.00 each	2,461,596	2,461,596
– H shares of RMB1.00 each	1,787,406	1,787,406
	4,249,002	4,249,002

As at 31 December 2012 and 2011, the registered and issued share capital comprises 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital, respectively.

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

40. RESERVES

(a) The statement of changes in equity of the Company

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2012	4,249,002	1,918,080	341,011	644,964	7,153,057
Profit and total comprehensive income for the year	–	–	–	238,422	238,422
Transactions with owners					
– 2011 final dividends	–	–	–	(42,490)	(42,490)
Total transactions with owners	–	–	–	(42,490)	(42,490)
Transfer to statutory reserve	–	–	24,910	(24,910)	–
As at 31 December 2012	4,249,002	1,918,080	365,921	815,986	7,348,989
Representing					
– Share capital and reserves	4,249,002	1,918,080	365,921	688,516	7,221,519
– 2012 proposed final dividends	–	–	–	127,470	127,470
As at 31 December 2012	4,249,002	1,918,080	365,921	815,986	7,348,989

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

40. RESERVES (continued)

(a) The statement of changes in equity of the Company (continued)

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2011	4,249,002	1,918,080	306,018	502,679	6,975,779
Profit and total comprehensive income for the year	–	–	–	347,238	347,238
Transactions with owners					
– 2010 final and 2011 interim dividends	–	–	–	(169,960)	(169,960)
Total transactions with owners	–	–	–	(169,960)	(169,960)
Transfer to statutory reserve	–	–	34,993	(34,993)	–
As at 31 December 2011	4,249,002	1,918,080	341,011	644,964	7,153,057
Representing					
– Share capital and reserves	4,249,002	1,918,080	341,011	602,474	7,110,567
– 2011 proposed final dividends	–	–	–	42,490	42,490
As at 31 December 2011	4,249,002	1,918,080	341,011	644,964	7,153,057

(b) Reserves

Capital reserve of the Group and the Company mainly represent premium received from issuance of shares and revaluation surplus during the privatization in 2002 and 2007.

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

For the year ended 31 December 2012, the Company transferred of 10% of the Company's profit after tax determined under the PRC accounting standards, of RMB24,910,000 (2011: RMB34,993,000) to the statutory surplus reserve fund.

As at 31 December 2012, the Company's retained earnings available for distribution was approximately RMB945,647,000 (2011: RMB763,949,000), being the amount determined in accordance with the PRC accounting standards.

41. CASH-SETTLED SHARE-BASED PAYMENT

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

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

The eligible grantees under the SAR Plan are members of the Board of Directors of the Group and the supervisory committee (excluding independent directors and independent supervisors), the president, vice president, company secretary, assistant to the president, financial controller, heads of departments and managers and assistant managers of departments, branches and subsidiaries and special talented personnel. Special talented personnel are those key personnel who make important contributions to the Group's development or operations and include senior technical experts and market development personnel who make remarkable contributions to the Group. The number of SAR to be granted to the eligible grantees under the SAR Plan and any other share option scheme of the Company will not exceed 10% of the total number of issued share capital of the Company.

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

As at 31 December 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 31 December 2012, the directors and the supervisor of the Company had 2,740,000 SAR (31 December 2011: 2,740,000 SAR) and the senior employees of the Group had 22,324,000 SAR (31 December 2011: 22,324,000 SAR). Information on outstanding SAR is summarised as follows:

(a) Information on outstanding SAR

	Date of grant	Expiry date	Exercise price in HK$ per share	The Group 2012 (Thousands)	The Group 2011 (Thousands)
Tranche I	20 January 2003 (i)	20 January 2013	2.19	21,004	21,004
Tranche II	24 June 2003 (ii)	24 June 2013	2.18	4,060	4,060
				25,064	25,064

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

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

(a) Information on outstanding SAR (continued)

(i) The fair value of SAR granted under Tranche I as at 31 December 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$1.25 (31 December 2011: HK$1.38), exercise price per share shown above, expected life of SAR of 0.03 year (31 December 2011: 0.53 year), expected dividend rate of 0.97% (31 December 2011: 2.68%), risk-free interest rate of 0.04% (31 December 2011: 0.23%), and expected volatility of 22.33% (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 31 December 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$1.25 (31 December 2011: HK$1.38), exercise price per share shown above, expected life of SAR of 0.24 year (31 December 2011: 0.74 year), expected dividend rate of 0.97% (31 December 2011: 2.68%), risk-free interest rate of 0.05% (31 December 2011: 0.23%), and expected volatility of 35.88% (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 31 December 2012 for both Tranche I and II is Nil (31 December 2011: Nil).

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

	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 beginning of year	2.19	25,064	2.19	25,064
Forfeited	–	–	–	–
Exercised	–	–	–	–
At end of year	2.19	25,064	2.19	25,064

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

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

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

	The Group 2012 RMB'000	2011 RMB'000
At beginning of year	219	5,172
Credited to other gains, net	(219)	(4,953)
At end of year	–	219

42. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	The Group 2012 RMB'000	2011 RMB'000
Profit before income tax	1,233,190	1,180,121
Interest income	(84,293)	(87,079)
Interest expenses	301,228	214,875
Net loss/(gains) on disposal of property, plant and equipment	22,491	(3,278)
Allowance for/(reversal of) loss of receivables	22,317	(1,788)
Impairment on property, plant and equipment	33,396	54,946
Depreciation of property, plant and equipment	455,718	421,991
Amortisation of intangible assets	18,989	18,883
Operating lease charges on other non-current assets	8,189	18,336
Operating lease charges on land use rights	56,188	52,403
Share of profit of associates, net of taxation	(42,318)	(58,167)
Share of profit of jointly controlled entities, net of taxation	(704,141)	(510,001)
Dividend income on available-for-sale financial assets	(10,905)	(14,101)
Gain on disposal of a jointly controlled entity	(12,704)	–
Loss on disposal of an associate	–	222
Gain on disposal of available-for-sale financial assets	(11,558)	–
Gain on disposal of other current assets	–	(1,479)
Fair value gains on SAR	(219)	(4,953)
Fair value losses on financial assets at fair value through profit and loss	–	290
Fair value gains on derivative financial instruments	–	(106,647)
Written off of accounts payable	(11,145)	–
Exchange losses	3,047	774
Operating profit before working capital changes	1,277,470	1,175,348
Decrease/(increase) in prepayments and other current assets	263,679	(373,104)
Decrease/(increase) in inventories	29,741	(47,114)
Increase in trade and other receivables	(1,388,343)	(243,065)
Increase/(decrease) in provisions	85,106	(22,850)
Increase in trade payables	844,592	421,809
Increase in other payables, accruals and other current liabilities	17,930	13,106
(Decrease)/increase in receipts in advance from customers	(471,459)	494,825
Increase in salary and welfare payable	31,716	61,622
Cash generated from operations	690,432	1,480,577

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

43. BUSINESS COMBINATION

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

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

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

Recognised amounts of identifiable assets acquired and liabilities assumed:

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

Net cash outflow on acquisition of subsidiaries

	RMB'000
Consideration paid in cash	32,091
Less: Cash and cash equivalent balances acquired	–
Consideration paid in year 2010	(10,091)
Consideration payable	(5,000)
Consideration paid in year 2011	17,000

44. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice, provisions have been made for the probable losses which are included in Note 34. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 31 December 2012, the maximum exposure of such lawsuits of the Group amounted to approximately RMB176,738,000 (31 December 2011: RMB63,015,000).

45. GUARANTEES

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

	The Group	
	2012 RMB'000	2011 RMB'000
Loan guarantees provided by Group for the benefit of a jointly controlled entity (a)	143,675	294,050

(a) As at 31 December 2012, Sinoair provided guarantees to bank loans obtained by its jointly controlled entity, Grandstar Airlines, totalling RMB143,675,000 (31 December 2011: RMB294,050,000), including:

   (i) Loans amounted to RMB143,675,000(US$22,858,000) (31 December 2011: RMB168,032,000) was secured by property and equipment of Grandstar Airlines, for which Sinoair provided unconditional, on demand, joint and several liability guarantee; and

   (ii) As at 31 December 2011, loans amounted to 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 RMB134,000,000 as collateral security. A counter-guarantee at 49% of the total guarantee amount (not exceeding US$20,000,000) was provided to Sinoair by Korean Air, the other shareholder of Grandstar Airlines. This deposit of RMB134,000,000 was classified as restricted cash in the Group's consolidated statement of financial position as at 31 December 2011. As of 31 December 2012, the loan has been repaid and the guarantee has been released.

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.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

46. CAPITAL COMMITMENTS

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

	The Group	
	2012 RMB'000	2011 RMB'000
Authorised and contracted for but not provided for	1,374,884	2,141,831
Authorised but not contracted for	304,121	150,110
	1,679,005	2,291,941
An analysis of the above capital commitments by nature is as follows		
– Acquisition of property, plant and equipment	593,562	986,336
– Construction commitments	978,026	1,076,005
– Investments in subsidiaries/jointly controlled entities/associates	97,900	229,600
– Acquisition of land use right	9,517	–
	1,679,005	2,291,941

	The Company	
	2012 RMB'000	2011 RMB'000
Authorised and contracted for but not provided for		
– Investments in subsidiaries/jointly controlled entities/associates	97,900	121,600

47. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

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

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

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Land and buildings				
– Not later than one year	83,848	147,112	8,195	8,184
– Later than one year but not later than five years	100,858	315,900	–	28,400
– Later than five years	42,510	120,758	–	41,670
Vessels, containers and other equipment				
– Not later than one year	162,948	421,873	–	36,864
– Later than one year but not later than five years	77,672	385,995	–	–
– Later than five years	6,208	47,166	–	–
	474,044	1,438,804	8,195	115,118

(b) The Group as lessor

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

	The Group	
	2012 RMB'000	2011 RMB'000
Land and buildings		
– Not later than one year	19,142	17,712
– Later than one year but not later than five years	17,190	21,797
– Later than five years	7,044	12,230
Machinery		
– Not later than one year	73	3,035
– Later than one year but not later than five years	–	181
	43,449	54,955

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2012

48. 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. 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 believe that meaningful information in respect of related party transactions has been adequately disclosed.

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

(a) Transactions with related parties

	The Group	
	2012 RMB'000	2011 RMB'000
Transactions with ultimate holding company and fellow subsidiaries		
Revenue from provision of transportation and logistics services	243,213	217,712
Expenses – Service fees	(354,185)	(252,222)
Expense – Rental expenses for office buildings, warehouses and depots	(38,625)	(40,766)
Expense – Rental expenses for containers	(91,815)	(115,061)
Expense – Rental expenses for vessels	(25,236)	(52,037)
Acquisition of additional interest in a subsidiary	(30,202)	–
Transactions with associates of the Group		
Revenue from provision of services	103,863	116,853
Expenses – Service fees	(89,064)	(80,026)
Transactions with jointly controlled entities of the Group		
Revenue from provision of services	149,658	154,609
Expenses – Service fees	(342,533)	(307,088)
Transactions with other government-related entities		
Interest income from bank deposits	115,067	102,348

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	The Group 2012 RMB'000	The Group 2011 RMB'000
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	49,242	82,921
Prepayments and other current assets	4,771	4,276
Trade payables	89,564	94,005
Other payables, accruals and other current liabilities	1,139,740	528,820
Receipts in advance from customers	3,385	3,009
Balances with jointly controlled entities of the Group		
Trade and other receivables	74,554	44,637
Prepayments and other current assets	1,457	454
Trade payables	8,766	12,337
Other payables, accruals and other current liabilities	19,939	21,424
Receipts in advance from customers	6,911	2,482
Balances with associates of the Group		
Trade and other receivables	24,748	26,326
Prepayments and other current assets	353	193
Trade payables	11,756	7,826
Other payables, accruals and other current liabilities	636	1,743
Receipts in advance from customers	19	2,834
Balances with other government-related entities		
Restricted cash	142,603	293,340
Terms deposits with initial terms of over three months	542,627	351,063
Cash and cash equivalents	5,189,255	5,042,811

(c) Operating lease commitment with related parties

The operating lease commitments with related parties are included in Note 47.

Notes

to the Consolidated Financial Statements

For the year ended 31 December 2012

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Borrowings

	The Group 2012 RMB'000	2011 RMB'000
Entrusted Loans payable to SINOTRANS & CSC and fellow subsidiaries		
At beginning of year	1,000,000	2,500,000
Proceeds from borrowings	–	295,000
Repayment of borrowings	(1,000,000)	(1,795,000)
At end of year	–	1,000,000
Interest charged	2,617	89,925
Interest paid	(27,995)	(82,039)

As at 31 December 2011, the weighted average effective interest rate of the entrusted loans above was 3.26% per annum.

Except for the entrusted loans disclosed above, for year ended 31 December 2012, the Group obtained another loan of RMB 860,000,000 from SINOTRANS & CSC and fellow subsidiaries (31 December 2011: RMB289,027,000) (Note 37(b)). For the year ended 31 December 2012, the interest expense in respect of those loans was RMB39,974,000 (2011: RMB12,582,000).

	The Group 2012 RMB'000	2011 RMB'000
Borrowings from Sinotrans& CSC Finance Co., Ltd.		
At beginning of year	–	–
Proceeds from borrowings	440,000	–
Repayment of borrowings	(440,000)	–
At end of year	–	–
Interest charged	805	–
Interest paid	(805)	–

Sinotrans & CSC Finance Co., Ltd. is a fellow subsidiary of the Company. As at 31 December 2012, the weighted average effective interest rate of the borrowings above was 5.49% per annum.

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Borrowings (continued)

	The Group 2012 RMB'000	2011 RMB'000
Borrowings from other government-related entities		
At beginning of year	1,194,314	1,624,583
Proceeds from borrowings	2,781,843	1,797,241
Repayment of borrowings	(3,073,271)	(2,227,510)
At end of year	902,886	1,194,314
Interest charged	35,587	57,388
Interest paid	(69,436)	(43,379)

As at 31 December 2012, the weighted average effective interest rate of the bank borrowings above was 3.88% (2011: 4.60%) per annum.

(e) Key management compensation

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

	The Group 2012 RMB'000	2011 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	1,787	2,411
Discretionary bonuses	5,054	4,870
Contributions to pension plans	264	300

49. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2012:

At the Board of Directors' meeting held on 19 March 2013, the Directors proposed a final dividend of RMB0.03 per ordinary share totalling RMB127,470,000 for the year ended 31 December 2012.

SINOTRANS

www.sinotrans.com