



中國外運股份有限公司
SINOTRANS LIMITED

Stock Code : 598

NEW VITALITY FOR A NEW DIRECTION



Interim Report **2015**

NEW VITALITY FOR A NEW DIRECTION



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Corporate Information

LEGAL NAME OF THE COMPANY:

SINOTRANS LIMITED

DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:

20 November 2002

REGISTERED ADDRESS AND HEADQUARTERS OF THE COMPANY:

Sinotrans Plaza A
A43, Xizhimen Beidajie
Haidian District
Beijing 100082
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:

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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
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HONG KONG SHARE REGISTRAR:

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

H SHARE LISTING:

The Stock Exchange of Hong Kong Limited

ABBREVIATION OF THE COMPANY'S SHARES:

中國外運 (SINOTRANS)

STOCK CODE:

598

PRINCIPAL BANKERS:

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

Bank of Communications
9-1 Building, Chegongzhuang Street
Xicheng District
Beijing 100044
People's Republic of China

AUDITORS:

International Auditor:

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

PRC Auditor:

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
30/F, Bund Center
222 Yan An Road East
Shanghai 200002
People's Republic of China

LEGAL ADVISERS:

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
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Hong Kong

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited) (Restated)
Continuing operations			
Revenue	3	22,918,988	21,421,198
Other income		135,091	84,332
Business tax and other surcharges		(21,444)	(46,439)
Transportation and related charges		(20,042,869)	(18,576,398)
Staff costs		(1,532,287)	(1,440,969)
Depreciation and amortisation		(306,437)	(291,059)
Office and related expenses		(214,091)	(219,997)
Other gains and losses, net		401,439	(78,834)
Other operating expenses		(202,820)	(210,869)
Operating profit	4	1,135,570	640,965
Finance income		51,244	46,387
Finance costs		(134,234)	(145,042)
		1,052,580	542,310
Share of profit of joint ventures		497,436	373,742
Share of profit of associates		8,945	60,485
Profit before income tax		1,558,961	976,537
Income tax expense	5	(469,934)	(223,706)
Profit for the period from continuing operations		1,089,027	752,831
Discontinued operations			
Profit for the period from discontinued operations	6	–	9,982
Profit for the period		1,089,027	762,813
Attributable to:			
– Owners of the Company		875,429	670,808
– Non-controlling interests		213,598	92,005
		1,089,027	762,813
Earnings per share, Basic (RMB)	8		
– from continuing and discontinued operations		0.19	0.16
– from continuing operations		0.19	0.16

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Note	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited) (Restated)
Profit for the period		1,089,027	762,813
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Share of other comprehensive (expense)/income of associates		(19,137)	5,982
Fair value gains/(losses) on available-for-sale financial assets	11		
– Gains/(losses) arising during the year		1,309,281	(86,048)
– Reclassification adjustments to profit or loss during the period upon impairment		–	202,905
– Reclassification adjustments to profit or loss during the period upon disposal		(19,780)	–
Currency translation differences		(4,867)	6,151
Income tax relating to components of other comprehensive income		(322,375)	(29,215)
Other comprehensive income for the period, net of tax		943,122	99,775
Total comprehensive income for the period		2,032,149	862,588
Total comprehensive income attributable to:			
– Owners of the Company		1,441,118	738,560
– Non-controlling interests		591,031	124,028
		2,032,149	862,588

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		2,637,241	2,608,588
Prepayments for acquisition of land use rights		211,737	180,382
Property, plant and equipment	9	7,706,382	7,364,729
Intangible assets		124,281	127,791
Investments in joint ventures	10	3,339,727	2,846,805
Investments in associates		834,566	842,707
Deferred income tax assets		130,311	128,918
Available-for-sale financial assets	11	2,968,041	1,731,060
Other non-current assets		175,797	203,110
		18,128,083	16,034,090
Current assets			
Prepayments and other current assets	18	2,805,707	1,553,205
Inventories		162,925	154,114
Trade and other receivables	12	9,076,127	8,523,449
Restricted cash		254,523	190,767
Term deposits with initial terms of over three months		921,988	921,600
Cash and cash equivalents		5,012,176	5,332,114
		18,233,446	16,675,249
Total assets		36,361,529	32,709,339
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,606,483	4,606,483
Reserves		10,466,679	8,516,589
Proposed dividends	7(b)	138,194	299,421
		15,211,356	13,422,493
Non-controlling interests		3,688,251	2,882,626
Total equity		18,899,607	16,305,119

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		400,667	77,525
Long-term bonds	13	2,995,025	2,992,967
Other non-current liabilities		221,413	220,195
		3,617,105	3,290,687
Current liabilities			
Trade payables	14	6,119,484	5,862,084
Other payables, accruals and other current liabilities		1,471,191	1,660,371
Receipts in advance from customers		1,830,787	1,804,834
Current income tax liabilities		443,334	204,625
Borrowings	15	1,065,582	747,988
Short-term bonds	13	2,003,668	–
Long-term bonds due within one year	13	–	1,999,970
Provisions	16	311,006	234,313
Salary and welfare payables		599,765	599,348
		13,844,817	13,113,533
Total liabilities		17,461,922	16,404,220
Total equity and liabilities		36,361,529	32,709,339
Net current assets		4,388,629	3,561,716
Total assets less current liabilities		22,516,712	19,595,806

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	For the six months ended 30 June 2015 (Unaudited)									
	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2015	4,606,483	2,005,416	434,455	372,136	(153,090)	6,157,093	13,422,493	2,882,626	16,305,119	
Profit for the period	-	-	-	-	-	875,429	875,429	213,598	1,089,027	
Other comprehensive (expense)/income for the period	-	(6,257)	-	588,557	(16,611)	-	565,689	377,433	943,122	
Total comprehensive (expense)/income for the period	-	(6,257)	-	588,557	(16,611)	875,429	1,441,118	591,031	2,032,149	
Transactions with owners										
- 2014 final dividends (Note 7(b))	-	-	-	-	-	(299,421)	(299,421)	-	(299,421)	
- Dividends declared to non-controlling interests	-	-	-	-	-	-	-	(44,229)	(44,229)	
- Capital injection from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	20,000	20,000	
- Deemed disposal of a subsidiary	-	(10)	-	-	-	-	(10)	(7,170)	(7,180)	
- Acquisition of additional equity interests in a subsidiary from non-controlling interests	-	(19)	-	-	-	-	(19)	(704)	(723)	
- Acquisition of a subsidiary under common control	-	9,979	-	-	(8,803)	(2,137)	(961)	(553)	(1,514)	
- Disposal of equity interests in a subsidiary to non-controlling interests	-	648,156	-	-	-	-	648,156	247,250	895,406	
Total transactions with owners	-	658,106	-	-	(8,803)	(301,558)	347,745	214,594	562,339	
As at 30 June 2015	4,606,483	2,657,265	434,455	960,693	(178,504)	6,730,964	15,211,356	3,688,251	18,899,607	

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2015

	For the six months ended 30 June 2014 (Unaudited)								
	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2014 (Restated)	4,249,002	1,826,047	434,455	(51,627)	(160,846)	5,239,005	11,536,036	2,515,909	14,051,945
Profit for the period (Restated)	-	-	-	-	-	670,808	670,808	92,005	762,813
Other comprehensive (expense)/income for the period (Restated)	-	(498)	-	55,619	12,631	-	67,752	32,023	99,775
Total comprehensive (expense)/income for the period (Restated)	-	(498)	-	55,619	12,631	670,808	738,560	124,028	862,588
Transactions with owners									
- 2013 final dividends (Note 7(b))	-	-	-	-	-	(212,450)	(212,450)	-	(212,450)
- Dividends declared to non-controlling interests	-	-	-	-	-	-	-	(36,701)	(36,701)
- Capital injection from non-controlling interests of a subsidiary	-	(974)	-	-	-	-	(974)	14,647	13,673
- Contribution from then shareholders of subsidiaries acquired through business combinations under common control	-	70,845	-	-	-	-	70,845	-	70,845
- Dividends declared by subsidiaries acquired through business combinations under common control	-	-	-	-	-	(8,765)	(8,765)	-	(8,765)
Total transactions with owners (Restated)	-	69,871	-	-	-	(221,215)	(151,344)	(22,054)	(173,398)
As at 30 June 2014 (Restated)	4,249,002	1,895,420	434,455	3,992	(148,215)	5,688,598	12,123,252	2,617,883	14,741,135

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited) (Restated)
Net cash generated from operating activities		498,958	557,345
Net cash (used in)/generated from investing activities	17(a)	(1,522,393)	184,662
Net cash generated from financing activities	17(b)	708,105	287,958
Exchange (losses)/gains on cash and cash equivalents		(4,608)	5,619
Net (decrease)/increase in cash and cash equivalents		(319,938)	1,035,584
Cash and cash equivalents at 1 January		5,332,114	5,386,578
Cash and cash equivalents at 30 June		5,012,176	6,422,162

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

The 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.

The principal activities of the Company and its subsidiaries (together, the “Group”) include freight forwarding, logistics, storage and terminal services, and other services. The Group has operations mainly in the PRC.

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

2A. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Amendments to IFRSs – Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendments to IFRSs – Annual Improvements to IFRSs 2011 – 2013 Cycle

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

2A. BASIS OF PREPARATION (CONTINUED)

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

2B. RESTATEMENTS

On 30 November 2014, the Group acquired the equity interests of various entities from Sinotrans & CSC or its subsidiaries at an aggregate consideration of RMB797,226,000, including (i) 100% equity interest in Fujian Ningde Sinotrans Company Limited, Wide Shine Development Limited, International Cargo Rental Company Limited, Jiangsu Fuchang Sinotrans Logistics Company Limited, Jiangsu Jinmao Storage Company Limited, Sinotrans Japan Company Limited and Sinotrans Korea Shipping Company Limited; (ii) 70% equity interest in Guangxi Wuzhou Sinotrans Storage Company Limited.

On 31 December 2014, the Group acquired 100% equity interests of SC (Hong Kong) Logistics Investment Limited from Sinotrans & CSC at a consideration of US\$14,120,000.

Since the Directors consider that the Company and the acquirees above are under the common control of Sinotrans & CSC before and after the acquisitions, these transactions were accounted for as business combinations involving entities under common control.

The principles of merger accounting for business combinations under common control have therefore been applied, pursuant to which the condensed consolidated financial statements of the Group have been prepared as if the above entities had been subsidiaries of the Group since the beginning of year 2014. The condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2014 have been restated to include the operating results and cash flows as if the acquirees above had been subsidiaries of the Group throughout the six months ended 30 June 2014. Respective notes to the condensed consolidated financial statements have also been restated. All significant intra-group transactions, income and expenses are eliminated on combination.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

2B. RESTATEMENTS (CONTINUED)

The effects of business combinations involving entities under common control on the result of the Group for the six months ended 30 June 2014 are summarised below:

	For the six months ended 30 June 2014	Business combinations involving entities under common control	For the six months ended 30 June 2014
	RMB'000 (Unaudited) (Previously reported)	RMB'000	RMB'000 (Unaudited) (Restated)
Continuing operations			
Revenue	21,071,418	349,780	21,421,198
Other income	84,284	48	84,332
Business tax and other surcharges	(46,312)	(127)	(46,439)
Transportation and related charges	(18,347,034)	(229,364)	(18,576,398)
Staff costs	(1,411,430)	(29,539)	(1,440,969)
Depreciation and amortisation	(245,562)	(45,497)	(291,059)
Office and related expenses	(213,584)	(6,413)	(219,997)
Other gains and losses, net	(78,834)	–	(78,834)
Other operating expenses	(205,937)	(4,932)	(210,869)
Operating profit	607,009	33,956	640,965
Finance income	45,933	454	46,387
Finance costs	(143,503)	(1,539)	(145,042)
	509,439	32,871	542,310
Share of profit of joint ventures	373,742	–	373,742
Share of profit of associates	60,485	–	60,485
Profit before income tax	943,666	32,871	976,537
Income tax expense	(218,448)	(5,258)	(223,706)
Profit for the period from continuing operations	725,218	27,613	752,831
Discontinued operations			
Profit for the period from discontinued operations	9,982	–	9,982
Profit for the period	735,200	27,613	762,813
Attributable to:			
– Owners of the Company	643,966	26,842	670,808
– Non-controlling interests	91,234	771	92,005
	735,200	27,613	762,813

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

2B. RESTATEMENTS (CONTINUED)

The effects of the above business combinations involving entities under common control on the Group's basic earnings per share for the six months ended 30 June 2014 are as follows:

Impact on basic earnings per share from continuing and discontinued operations

	For the six months ended 30 June 2014
	RMB (Unaudited)
Figures before adjustments	0.15
Effect arising from business combinations involving entities under common control	0.01
Figures after adjustments	0.16

On 1 May 2015, the Group acquired 100% equity interests of China Interocean Transport Inc. ("CIT") from Sinotrans & CSC at a consideration of RMB4,967,500. The Directors consider that the Company and CIT are under the common control of Sinotrans & CSC before and after the acquisition.

Since the Directors consider that the financial impact on the Group from the acquisition of CIT was insignificant, CIT was consolidated by the Group from 1 January 2015 and comparative information presented in the condensed consolidated financial statements have not been restated.

3. SEGMENT INFORMATION

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

The Group's revenue is from rendering of services. The Group presented its operating segments based on its internal organisation structure as follows: freight forwarding, logistics, storage and terminal services, and other services.

- Freight forwarding: primarily involve, at the instruction of its customers, arranging transportation of goods to designated consignees at other locations within specified time limits, including the shipping agency services to shipping companies related to the freight forwarding services.
- Logistics: primarily involve providing customised and professional integrated logistics services to its customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (CONTINUED)

- Storage and terminal services: primarily involve providing services of warehousing, container yards, container freight stations and terminals.
- Other services: mainly involve providing services of trucking, shipping and express services.

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

Sales between segments are charged at mutually agreed prices.

The segment information reported does not include the discontinued operations for the six months ended 30 June 2014, which are described in more detail in Note 6.

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Segment total RMB'000	Inter-elimination RMB'000	Total RMB'000
For the six months ended 30 June 2015 (Unaudited)							
Revenue – external	17,527,782	3,453,564	962,855	974,787	22,918,988	-	22,918,988
Revenue – inter-segment	296,283	43,614	101,328	194,752	635,977	(635,977)	-
Total revenue	17,824,065	3,497,178	1,064,183	1,169,539	23,554,965	(635,977)	22,918,988
Segment results	380,955	190,128	203,550	30,990	805,623	-	805,623
Other gains and losses, net							401,439
Corporate expenses							(71,492)
Operating profit							1,135,570
Finance income							51,244
Finance costs							(134,234)
Share of profit of joint ventures	32,675	4,880	7,442	452,439	497,436	-	497,436
Share of profit of associates							8,945
Profit before income tax							1,558,961
Income tax expense							(469,934)
Profit for the period							1,089,027

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (CONTINUED)

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Segment total RMB'000	Inter-elimination RMB'000	Total RMB'000
Continuing operations							
For the six months ended 30 June 2014 (Unaudited) (Restated)							
Revenue – external	16,533,742	3,028,934	1,005,140	853,382	21,421,198	–	21,421,198
Revenue – inter-segment	236,500	18,800	105,294	213,322	573,916	(573,916)	–
Total revenue	16,770,242	3,047,734	1,110,434	1,066,704	21,995,114	(573,916)	21,421,198
Segment results	389,136	182,479	202,159	2,097	775,871	–	775,871
Other gains and losses, net							(78,834)
Corporate expenses							(56,072)
Operating profit							640,965
Finance income							46,387
Finance costs							(145,042)
Share of profit/(loss) of joint ventures	16,638	(2,846)	18,408	341,542	373,742	–	373,742
Share of profit of associates							60,485
Profit before income tax							976,537
Income tax expense							(223,706)
Profit for the period from continuing operations							<u>752,831</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4. OPERATING PROFIT FROM CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited) (Restated)
Crediting		
Rental income from		
– Buildings	32,606	27,552
– Plant and machinery	3,404	2,096
Dividend income on available-for-sale financial assets	28,782	3,434
Government grants	45,827	43,480
Gains on disposal of property, plant and equipment and land use rights	474,513	116,020
Charging		
Depreciation		
– Owned property, plant and equipment	287,269	274,577
– Owned property, plant and equipment leased out under operating leases	7,656	4,795
Impairment losses of receivables	3,047	36,880
Operating lease charges		
– Land use rights	32,292	33,082
– Buildings	105,041	91,420
– Plant and equipment	57,850	52,095
Amortisation of intangible assets	11,512	11,687
Charges on property management and facilities	59,017	56,037
Other tax expenses	44,146	37,307
Charges on IT support	24,056	19,946
Impairment loss of available-for-sale financial assets (Note 11) (included in other gains and losses, net)	–	202,905

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

5. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of profit or loss represents:

Continuing operations

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited) (Restated)
Current income tax		
– PRC enterprise income tax	250,095	217,528
– Overseas enterprise income tax	4,853	4,399
– Hong Kong	1,229	1,229
Deferred PRC income tax	(82)	550
	256,095	223,706
Land appreciation tax ("LAT")	213,839	–
	469,934	223,706

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2014: 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 10% to 20% (six months ended 30 June 2014: 15% to 20%) based on the relevant PRC tax laws and regulations.

Hong Kong profit tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit for the period.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

6. DISCONTINUED OPERATIONS

Disposal of national marine transportation operation

On 25 March 2014, the Company entered into a sales agreement to dispose of its 100% equity interest in Sinotrans Sunny Express Company Limited (“Sunny Express”), which carried out a very substantial portion of the Group’s national marine transportation operation, to SINOTRANS & CSC. The disposal of the national marine transportation operation is consistent with the Group’s long-term policy to focus its activities on core integrated logistic services, e.g. freight forwarding, logistics, storage and terminal services. The disposal of Sunny Express was completed on 6 June 2014, on which date the Group lost control of Sunny Express.

Disposal of international marine transportation operation

On 25 March 2014, the Company entered into sales agreements to dispose of its 100% equity interest in Sinotrans Container Lines Company Limited (“Container Lines”) and four wholly-owned subsidiaries (namely, Yunrong Shipping Company Limited, Yunhua Shipping Company Limited, Yunfu Shipping Company Limited and Yungui Shipping Company Limited), which carried out a very substantial portion of the Group’s international marine transportation operation, to SINOTRANS & CSC and fellow subsidiaries. The disposal of Container Lines and four wholly-owned subsidiaries were completed on 31 July 2014, on which date the Group lost control of Container Lines and four wholly-owned subsidiaries.

Analysis of profit for the period from discontinued operations

The combined results of the discontinued national and international marine transportation operations of Sunny Express, Container Lines and four wholly-owned subsidiaries included in the profit for the six months ended 30 June 2014 were set out below.

	For the six months ended 30 June 2014
	RMB'000
	(Unaudited)
	(Restated)
<hr/>	
Profit for the period from discontinued operations	
Revenue	1,146,196
Transportation and related surcharges	(1,042,878)
Depreciation and amortisation	(33,207)
Others	(60,284)
<hr/>	
Profit before tax	9,827
Income tax expense	–
<hr/>	
Profit for the period	9,827
Gain on disposal of the national marine transportation operation	155
<hr/>	
Profit for the period from discontinued operations	9,982
<hr/>	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

6. DISCONTINUED OPERATIONS (CONTINUED)

Analysis of profit for the period from discontinued operations (continued)

Cash flows from discontinued operations

	For the six months ended 30 June 2014
	RMB'000
	(Unaudited)
	(Restated)
Net cash inflows from operating activities	8,131
Net cash outflows from investing activities	(1,367)
Net cash outflows from financing activities	(132,208)
Exchange gains on cash and cash equivalents	2,521
Net cash outflows	(122,923)

7. PROFIT APPROPRIATIONS

a. Statutory surplus reserve

In accordance with the relevant PRC regulations and the Articles of Association of the Company, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC ("PRC GAAP") 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.

The amount represents the statutory surplus reserve appropriated by the Company and the statutory surplus reserve appropriated by the Company's domestic subsidiaries is not presented.

b. Dividends

In June 2015, a final dividend of RMB0.065 per ordinary share totalling RMB299,421,000 in respect of the year ended 31 December 2014 (2014: RMB0.05 per ordinary share totalling RMB212,450,000 in respect of the year ended 31 December 2013) was approved by shareholders. As at 30 June 2015, such dividend was not yet paid and was included in "other payables, accruals and other current liabilities".

An interim dividend of RMB0.03 per ordinary share for 4,606,483,200 shares as at 18 August 2015, totalling RMB138,194,000 (six months ended 30 June 2014: RMB0.02 per ordinary share for 4,606,483,200 shares as at 20 August 2014, totalling RMB92,130,000), was declared to the shareholders of the Company on 18 August 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

8. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share from continuing and discontinued operations is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the six-month period.

	For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited) (Restated)
Profit attributable to owners of the Company (RMB'000)	875,429	670,808
Number of ordinary shares in issue (thousands)	4,606,483	4,249,002
Earnings per share, Basic (RMB)	0.19	0.16

From continuing operations

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

	For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited) (Restated)
Profit attributable to owners of the Company (RMB'000)	875,429	670,808
Less: Profit for the period from discontinued operations (RMB'000)	-	(9,982)
Earnings for the purpose of basic earnings per share from continuing operations (RMB'000)	875,429	660,826
Number of ordinary shares in issue (thousands)	4,606,483	4,249,002
Earnings per share, Basic (RMB)	0.19	0.16

From discontinued operations

During the six months ended 30 June 2014, basic earnings per share from discontinued operations is RMB0.002 per share, based on the profit for the period from discontinued operations of RMB9,982,000 and the denominators detailed above for basic earnings per share from continuing operations.

As there are no potential ordinary shares outstanding during both interim periods, no diluted earnings per share is presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB448,350,000 (six months ended 30 June 2014: RMB293,083,000) for construction costs, RMB82,566,000 (six months ended 30 June 2014: RMB86,098,000) for acquisition of plant and machinery, and RMB45,183,000 (six months ended 30 June 2014: RMB7,426,000) for buildings.

10. INVESTMENT IN JOINT VENTURES

During the six months ended 30 June 2015, SIPG Sinotrans Container Depot Co., Ltd, which is mainly engaged in international freight forwarding services and empty container service, and Sinotrans Sarens Logistics Co., Ltd, which is mainly engaged in agent service of over-sized cargoes and international freight forwarding services, were established with 30% and 50% equity interest held by the Group, respectively. The total investment costs amounted to RMB78,000,000.

During the six months ended 30 June 2014, the Group acquired 30% equity interest in Sinotrans PFS Cold Storage (Tianjin) Co., Ltd. (previously known as PFS YIDA Cold Storage (Tianjin) Co., Ltd.), 30% equity interest in Sinotrans PFS Cold Chain Logistics Co., Ltd. (previously known as PFS YIDA Cold Storage (Shanghai) Co., Ltd.) and 30% equity interest in Sinotrans PFS Logistics (Shanghai) Co., Ltd. (previously known as PFS YIDA Logistics (Shanghai) Co., Ltd.), which are mainly engaged in construction and operation of cold storage and related services. The total cash consideration for these acquisitions amounted to RMB90,000,000.

During the six months ended 30 June 2015, certain joint ventures of the Group declared dividends amounted to RMB89,366,000 (six months ended 30 June 2014: RMB744,181,000).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Listed equity securities	2,594,651	1,357,670
Unlisted equity investments, at cost less impairment	373,390	373,390
Available-for-sale financial assets	2,968,041	1,731,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Movements in listed equity securities are analysed as follows:

	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
As at 1 January	1,357,670	769,697
Fair value gains/(losses)	1,309,281	(86,048)
Disposal	(72,300)	–
As at 30 June	2,594,651	683,649

During the six months ended 30 June 2014, the investment in China Eastern Airlines Corporation Limited (“China Eastern”) was impaired as there was a significant decline in the fair value of China Eastern below its acquisition cost. As a result, the cumulative loss amounted to RMB202,905,000, measured as the difference between the acquisition cost and the then current fair value, is reclassified from investment revaluation reserve and recognised in profit or loss.

12. TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	7,549,340	7,203,571
Bills receivables	307,532	278,807
Other receivables	927,504	820,538
Due from related parties	291,751	220,533
	9,076,127	8,523,449

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	7,664,896	7,321,587
Less: Allowance for impairment of receivables	115,556	118,016
Trade receivables, net	7,549,340	7,203,571

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging analysis of the above trade receivables based on the invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 6 months	7,429,098	6,975,852
Between 6 and 12 months	143,918	264,289
Between 1 and 2 years	61,582	64,509
Between 2 and 3 years	21,025	8,621
Over 3 years	9,273	8,316
	7,664,896	7,321,587

The aging of amounts due from related parties, which are trading in nature based on invoice date, is summarised as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 6 months	162,125	160,201
Between 6 and 12 months	113	2,469
Between 1 and 2 years	1,168	–
Between 2 and 3 years	5	5
Over 3 years	–	13
	163,411	162,688

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13. BONDS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current		
Corporate bonds	2,995,025	2,992,967
Long-term bonds	2,995,025	2,992,967
Current		
Medium-term notes (a)	–	1,999,970
Long-term bonds due within one year	–	1,999,970
Short-term bonds (b)	2,003,668	–

(a) On 19 March 2012, the Company issued medium-term notes with par value of RMB100 each totalling RMB2 billion. The medium-term notes are of 3-year term with fixed annual coupon and effective interest rates of 4.72% and 4.94%. This medium-term notes was due on 19 March 2015.

(b) In May 2015, the Company issued short-term bonds with par value of RMB100 each totalling RMB2 billion. The short-term bonds are of 270-day term and with fixed annual coupon and effective interest rates of 3.60% and 3.81%, respectively.

14. TRADE PAYABLES

The normal credit period for trade payables generally ranges from 1 to 6 months. Aging analysis of trade payables (including amounts due to related parties of trading in nature) at the respective end of the reporting periods is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 6 months	5,608,083	5,374,687
Between 6 and 12 months	218,301	206,745
Between 1 and 2 years	188,490	199,967
Between 2 and 3 years	77,705	57,585
Over 3 years	26,905	23,100
	6,119,484	5,862,084

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

15. BORROWINGS

(a) Borrowings represent:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Current:		
Bank borrowings	1,065,582	747,988

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

	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
As at 1 January	747,988	1,200,647
New borrowings	531,637	1,118,873
Repayments of borrowings	(214,043)	(1,185,964)
Disposal of a subsidiary	-	(47,040)
Liability associated with assets classified as held for sale	-	(280,941)
As at 30 June	1,065,582	805,575

(b) The weighted average effective interest rate of the bank borrowings as at 30 June 2015 is 2.38% (31 December 2014: 2.82%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

16. PROVISIONS

	One-off cash housing subsidies RMB'000	Guarantees and related provisions RMB'000	Outstanding claims RMB'000	Onerous contracts RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2015	27,984	40,544	129,239	-	36,546	234,313
Addition	-	3,525	93,603	-	35,315	132,443
Settled during the period	(431)	(19,587)	(4)	-	(35,728)	(55,750)
As at 30 June 2015 (Unaudited)	27,553	24,482	222,838	-	36,133	311,006
As at 1 January 2014	28,493	68,949	124,125	1,967	42,852	266,386
Addition	-	-	7,582	1,998	40,086	49,666
Settled during the period	(509)	(15,409)	(15,072)	(1,967)	(39,717)	(72,674)
Disposal of a subsidiary	-	-	(2,954)	-	(2,317)	(5,271)
Classified as held for sale	-	-	-	(1,998)	(5,903)	(7,901)
As at 30 June 2014 (Unaudited)	27,984	53,540	113,681	-	35,001	230,206

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

17. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major investing activities:

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
(Increase)/decrease in term deposits with initial terms of over three months	(388)	75,834
Cash paid for capital injection/purchase of joint ventures	(78,862)	(245,609)
Cash paid for capital injection/purchase of associates	(4,280)	–
Proceeds from disposal of property, plant and equipment	407,963	47,214
Proceeds from disposal of land use rights	9,542	344
Proceeds from disposal of available-for-sale financial assets	73,540	–
Proceeds from disposal of other current assets	161,787	453,083
Proceeds from disposal of financial assets at fair value through profit or loss	–	202,064
Purchase of financial assets at fair value through profit or loss	–	(201,200)
Purchase of intangible assets	(41)	(6,609)
Purchase of land use rights	(189)	(13,633)
Purchase of other current assets	(1,530,000)	(300,000)
Purchase of property, plant and equipment	(654,848)	(462,071)
Interest income received	25,640	26,910
Dividends received from associates	2,262	11,276
Dividends received from joint ventures	87,172	714,102
Prepayments for acquisition of land use rights	(101,653)	(6,905)
Refund of deposits paid for acquisition of land use rights	–	20,120
Refund of deposit paid for acquisition of a subsidiary	30,000	–
Net cash outflow on disposal of a subsidiary	–	(114,718)
Repayments of loans due from subsidiaries disposed	96,840	–
Dividend income on available-for-sale financial assets	24,822	–
Loan to joint ventures	(40,000)	–
Loan guarantee paid for the benefit of a joint venture	(19,587)	(15,409)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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

(b) Major financing activities

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Proceeds from disposal of equity interests in a subsidiary to non-controlling interests	895,406	–
Acquisition of subsidiaries through business combinations under common control	(196,644)	–
New bank borrowings	361,637	988,873
Repayments of bank borrowings	(214,043)	(1,055,964)
Cash received from short-term bonds issued	4,000,000	–
Repayments of short-term bonds	(2,000,000)	–
Repayments of medium-term notes	(2,000,000)	–
Cash received from long-term bonds issued	–	1,000,000
Cash paid for issue costs of long-term bonds	–	(7,014)
Cash paid for issue costs of short-term bonds	(4,000)	–
New loans from ultimate holding company and fellow subsidiaries	170,000	130,000
Repayments to ultimate holding company and fellow subsidiaries	–	(130,000)
Repayments of other payables to ultimate holding company	(141,030)	(482,381)
Interest paid for borrowings	(12,188)	(39,754)
Interest paid for short-term bonds	(25,397)	–
Interest paid for long-term bonds	(116,924)	(97,100)
Dividends paid to non-controlling interests in subsidiaries	(35,016)	(35,180)
Contributions from non-controlling interests in subsidiaries	20,000	13,673
(Increase)/decrease in restricted cash	(1,974)	11,570
Dividends paid by subsidiaries acquired through business combinations under common control	–	(8,765)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value on a recurring basis at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 June 2015 (Unaudited)							
Assets							
Available-for-sale financial assets							
- Equity securities	2,594,651	-	-	2,594,651	Quoted bid prices in an active market.	N/A	N/A
- Other current assets*	-	-	1,530,000	1,530,000	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at a rate that reflect management's best estimation of the expected risk level.	Expected future cash flow Expected recovery date Discount rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
	2,594,651	-	1,530,000	4,124,651			

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 December 2014 (Audited)							
Assets							
Available-for-sale financial assets							
- Equity securities	1,357,670	-	-	1,357,670	Quoted bid prices in an active market.	N/A	N/A
- Other current assets*	-	-	150,000	150,000	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at a rate that reflect management's best estimation of the expected risk level.	Expected future cash flow Expected recovery date Discount rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
	1,357,670	-	150,000	1,507,670			

* Other current assets are wealth management products issued by banks.

There is no transfer between level 1 and level 2 during the current interim period.

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For the six months ended 30 June 2015

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents reconciliation of Level 3 fair value measurements of financial assets for the six months ended 30 June 2015 and 2014.

	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
As at 1 January	150,000	150,000
Purchase	6,280,000	1,100,000
Gains recognised in profit or loss (included in other gains and losses, net)	11,787	8,073
Settlements	(4,911,787)	(1,258,073)
As at 30 June	1,530,000	–

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 condensed consolidated financial statements approximate their fair values.

19. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits and arbitration arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits and arbitration taking into account of the legal advice, provisions have been made for the probable losses which are included in Note 16. Where management cannot reasonably estimate the outcome of the lawsuits and arbitration or believes that it is not probable to incur any loss, no provision has been made. As at 30 June 2015, the maximum exposure of such lawsuits and arbitration of the Group amounted to approximately RMB395,534,000 (31 December 2014: RMB361,108,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

20. GUARANTEES

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Loan guarantees provided by the Group for the benefit of a joint venture	82,764	93,246
Guarantee provided by the Group in respect of finance lease obligation of a joint venture	80,777	104,549
	163,541	197,795

In addition, in the common business practice, certain subsidiaries of the Company issued letters of guarantee to the China Air Transport Association to ensure some joint ventures of the Group 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.

The Group provided performance guarantee for a fellow subsidiary regarding to container services of national marine transportation. The letter of guarantee contains no specific amount and will terminate in 2016.

21. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following outstanding capital commitments not provided for in these condensed consolidated financial statements:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Authorised and contracted for but not provided for	724,541	575,974
Authorised but not contracted for	1,286,552	707,137
	2,011,093	1,283,111

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

21. CAPITAL COMMITMENTS (CONTINUED)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Acquisition of property, plant and equipment	382,037	162,967
Construction commitments	1,403,696	1,068,975
Investments in joint ventures	137,587	45,900
Acquisition of land use rights	87,773	5,269
	2,011,093	1,283,111

22. 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. The Directors consider SINOTRANS & CSC as its ultimate holding company.

Related parties include SINOTRANS & CSC (including its subsidiaries, joint ventures and associates), other government-related entities, 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.

During the current interim period, the Group had entered into various transactions with government-related entities, including deposit placements, borrowings and other bank facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors consider the following transactions are collectively significant for disclosure purpose.

The following information includes transactions classified under discontinued operations.

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For the six months ended 30 June 2015

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<i>Transactions with ultimate holding company and fellow subsidiaries</i>		
Revenue		
From provision of transportation and logistics services	528,095	190,668
Expenses		
Service fees	765,955	112,422
Rental expenses for office buildings, warehouses and depots	18,722	29,914
<i>Transactions with associates of the Group</i>		
Revenue		
From provision of services	36,160	55,025
Expenses		
Service fees	35,557	35,695
Rental expenses for office buildings, warehouses and depots	546	–
<i>Transactions with joint ventures of the Group</i>		
Revenue		
From provision of services	304,051	148,352
Expenses		
Service fees	221,095	186,962
Rental expenses for office buildings, warehouses and depots	432	–
<i>Transactions with other government-related entities</i>		
Interest income from bank deposits	47,620	43,046

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	30 June 2015	31 December 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Balances with ultimate holding company and fellow subsidiaries</i>		
Cash and cash equivalents	327,230	435,186
Term deposits with initial terms of over three months	62,475	62,133
Trade and other receivables	133,863	131,374
Prepayments and other current assets	35,251	134,763
Other non-current assets	126,480	126,480
Trade payables	139,605	159,574
Other payables, accruals and other current liabilities	418,833	781,791
Receipts in advance from customers	4,114	1,220
<i>Balances with joint ventures of the Group</i>		
Trade and other receivables	148,283	83,348
Prepayments and other current assets	595	6,259
Trade payables	6,610	4,688
Other payables, accruals and other current liabilities	15,728	15,833
Receipts in advance from customers	8,245	7,493
<i>Balances with associates of the Group</i>		
Trade and other receivables	9,625	5,831
Prepayments and other current assets	32	–
Trade payables	5,790	4,311
Other payables, accruals and other liabilities	794	639
Receipts in advance from customers	19	27
<i>Balances with other government-related entities</i>		
Restricted cash	211,423	147,667
Term deposits with initial terms of over three months	849,674	828,421
Cash and cash equivalents	4,487,132	4,711,695

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<i>Borrowings from Sinotrans & CSC Finance Co., Ltd.</i>		
At beginning of period	–	–
Proceeds from borrowings	170,000	130,000
Repayment of borrowings	–	(130,000)
At end of period	170,000	–
Interest charged	832	585
Interest paid	(832)	(585)
<i>Borrowings from other government-related entities</i>		
At beginning of period	300,552	736,298
Proceeds from borrowings	360,371	745,241
Disposal of subsidiary	–	(47,040)
Repayment of borrowings	(194,463)	(801,096)
At end of period	466,460	633,403
Interest charged	5,770	12,243
Interest paid	(8,922)	(8,723)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings (continued)

As at 30 June 2015, the weighted average effective interest rate of the bank borrowings above was 3.16% (31 December 2014: 3.79%) per annum.

For the six months ended 30 June 2015, the Group obtained a loan of RMB9,000,000 (for the six months ended 30 June 2014: Nil) and repaid SINOTRANS & CSC another loan of RMB141,030,000 (for the six months ended 30 June 2014: RMB482,381,000). As at 30 June 2015, the amount due to SINOTRANS & CSC was RMB81,041,000 (31 December 2014: RMB213,071,000), which was interest-bearing and included in “other payables, accruals and other current liabilities”.

(d) Guarantees

The guarantees provided and paid by the Group to related parties are disclosed in Notes 17 and 20.

(e) Key management personnel compensation

	For the six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	1,408	1,157
Discretionary bonuses	1,274	1,342
Contributions to pension plans	206	169

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF OPERATING RESULTS

In the first half of 2015, the world economy remained complex and volatile although it underwent positive changes. The US economy was growing at a decelerated rate, but it had a considerable endogenous strength; there were signs of economic recovery in the euro zone, but instability intensified, like the Greek debt crisis; and economic growth in most emerging economies fell, especially a sharp decline in foreign trade. With the exception of a steady rising trend in consumption, the domestic economy in China continued to dip, while investment and exports weakened and fell to a different extent, indicating that the downside pressure on economic growth remained unabated. In the first half of the year, the gross value of China's import and export fell by 6.9% year-on-year, of which export grew by 0.9% and import decreased by 15.5% respectively. There was no significant improvement in oversupply in the lacklustre freight market, while BDI index picked up after hitting the trough, and China's export container freight rate index fell by 12.0% year-on-year. The container throughput of nationwide ports above a designated size increased by 6.1% year-on-year, of which the container throughput of the coastal ports rose by 5.6%. Overall, China's economic functioning continued to dip as the domestic economy slid habitually in the first quarter and showed initial signs of stability in the second quarter.

Faced with the complex domestic and international economic environment in the first half of 2015, the Company focused on the key ideas of the development of "one platform, three main segments and five channels", and proactively pushed forward the progress of various tasks. Since the beginning of the year, the Company has been striving to develop business, control costs stringently and improve efficiency, so that the volumes of its principal businesses grew at different rates, turnover rose steadily and operating profit continued to grow rapidly.

For the six months ended 30 June 2015, as compared against the corresponding period last year, the Group recorded an increase of 2.1% for the number of containers handled by sea freight forwarding services; an increase of 15.6% for the business volume handled by air freight forwarding services; an increase of 4.2% for the number of containers handled by shipping agency; a decrease of 4.0% for the cargo volume handled by shipping agency; an increase of 7.7% for the business volume handled by logistics business; a decrease of 11.2% for the number of containers handled in warehouse throughput; a decrease of 30.1% for the bulk cargo volume operated in warehouses; an increase of 5.1% for the number of containers handled in terminal throughput; a decrease of 50.0% for the bulk cargo volume handled in terminals; an increase of 15.5% for the number of containers handled by trucking transportation business; an increase of 15.2% for the number of containers transported by shipping business from continuing operations; and a decrease of 2.9% for the business volume handled by express services.

For the six months ended 30 June 2015, the Group achieved revenue from continuing operations of approximately RMB22,919.0 million, representing an increase of 7.0% as compared to the corresponding period in 2014. Profit attributable to owners of the Company was RMB875.4 million, representing an increase of 30.5% as compared to the corresponding period in 2014 and earnings per share was RMB0.19 (corresponding period in 2014: RMB0.16).

Management Discussion and Analysis of Results of Operations and Financial Position

OPERATING STATISTICS

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

	For the six months ended 30 June	
	2015	2014 (Restated)
Freight Forwarding		
sea freight forwarding (in ten thousand TEUs)	464.1	454.7
air freight forwarding (in million kilograms)	268.1	232.0
shipping agency (in ten thousand TEUs)	805.4	773.0
shipping agency (in million tonnes)	103.6	107.9
Logistics (in million tonnes)	7.0	6.5
Storage and Terminal Services		
warehouse operating volume (in ten thousand TEUs)	374.5	421.9
warehouse operating volume (in million tonnes)	5.1	7.3
terminal throughput (in ten thousand TEUs)	176.6	168.0
terminal throughput (in million tonnes)	0.6	1.2
Other Services		
trucking (in ten thousand TEUs)	52.1	45.1
shipping (continuing operations, in ten thousand TEUs)	108.2	93.9
express services (in ten thousand units)	84.0	86.5

Management Discussion and Analysis of Results of Operations and Financial Position

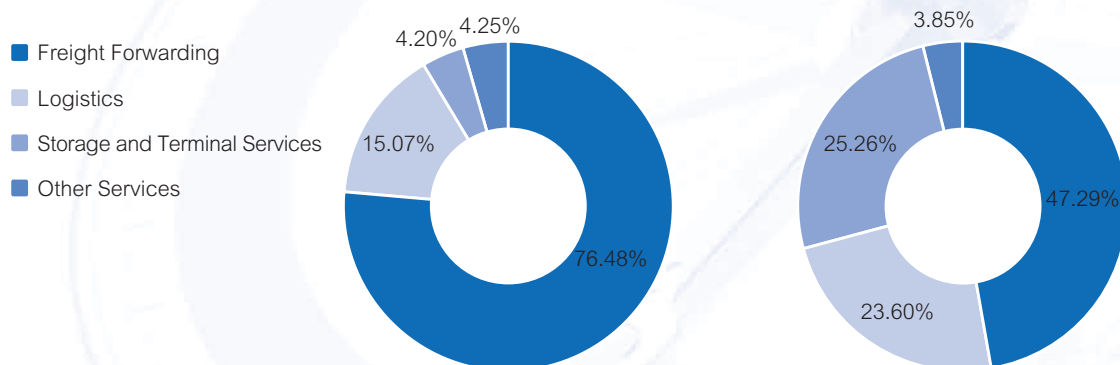
FINANCIAL STATISTICS

The table below sets out the unaudited external revenue (in RMB million) of each of the major business segments in continuing operations of the Group and the percentage for the share of total revenue for the periods indicated:

	For the six months ended 30 June(Unaudited)			
	2015		2014 (Restated)	
Freight Forwarding	17,527.8	76.48%	16,533.7	77.19%
Logistics	3,453.6	15.07%	3,028.9	14.14%
Storage and Terminal Services	962.9	4.20%	1,005.1	4.69%
Other Services	974.8	4.25%	853.4	3.98%

The table below sets forth the segment results (in RMB million) of each of the major business segments in continuing operations of the Group and the contribution to total segment results for the periods indicated. The result of each segment is defined as the profits/(losses) of each segment excluding other losses, net and corporate expenses.

	For the six months ended 30 June(Unaudited)			
	2015		2014 (Restated)	
Freight Forwarding	381.0	47.29%	389.1	50.15%
Logistics	190.1	23.60%	182.5	23.52%
Storage and Terminal Services	203.6	25.26%	202.2	26.06%
Other Services	31.0	3.85%	2.1	0.27%



Revenue Contribution in 1H 2015

Segment Results Contribution in 1H 2015

Management Discussion and Analysis of Results of Operations and Financial Position

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Revenue

For the six months ended 30 June 2015, revenue from the Group's continuing operations amounted to RMB22,919.0 million, representing an increase of 7.0% from RMB21,421.2 million for the corresponding period in 2014, mainly attributable to the rebound in the freight forwarding business which began to stabilise gradually as it benefitted from the policy to levy value-added tax instead of business tax, as well as the rise in revenue from the logistics business and other businesses along with the growth in the business volume.

Freight Forwarding

For the six months ended 30 June 2015, external revenue from the Group's freight forwarding services increased by 6.0% to RMB17,527.8 million from RMB16,533.7 million for the corresponding period in 2014, mainly because revenue began to stabilise and pick up after the clarification of the policy for the exemption of value-added tax in the second half of 2014. Segment profit from the Group's freight forwarding services amounted to RMB381.0 million, representing a decrease of 2.1% from RMB389.1 million for the corresponding period in 2014, mainly because the air freight charter flight business launched in the second half of 2014, still developing its market, made a loss resulting in decreased profits from the air freight forwarding business.

The volume of containers handled by the sea freight forwarding business increased by 2.1% to 4.641 million TEUs for the first half of 2015 from 4.547 million TEUs for the first half of 2014, mainly attributable to the steady growth in business volume after the Company's aggressive efforts to open up markets in the face of unfavourable foreign trade environment. Cargo tonnage handled by the air freight forwarding services increased by 15.6% to 268,100 tonnes for the first half of 2015 from 232,000 tonnes for the first half of 2014, mainly attributable to the Company's strengthened market development and business cooperation with major airlines in stepping up the development of its charter flight business. The number of containers handled by the shipping agency services rose by 4.2% to 8,054,000 TEUs for the first half of 2015 from 7,730,000 TEUs for the first half 2014, mainly attributable to the Company's continuous efforts to strengthen integrated marketing and vessel and cargo coordination with shipping companies. The volume of bulk cargo handled by the shipping agency services decreased by 4.0% to 103.60 million tonnes for the first half of 2015 from 107.90 million tonnes for the first half of 2014, mainly attributable to the continued downturn in the markets for iron ore, coal and other bulk cargo.

Logistics

For the six months ended 30 June 2015, external revenue from the Group's logistics services amounted to RMB3,453.6 million, representing an increase of 14.0% from RMB3,028.9 million for the corresponding period in 2014, mainly attributable to the expanded scale of logistics services. Segment profit from logistics services amounted to RMB190.1 million, representing an increase of 4.2% from RMB182.5 million for the corresponding period in 2014. Increased business volume and revenue led to growth in the segment profit, while individual clients made less profit contributions to the Company as a result of the impact of the industry and market factors.

The business volume handled by the Group's logistics services increased by 7.7% to 7.00 million tonnes for the first half of 2015 from 6.50 million tonnes for the first half of 2014, mainly attributable to the Company's continuous efforts to strengthen the facilitation of replicating its experience and capability in the industry, and to further develop the business with the existing major clients.

Management Discussion and Analysis of Results of Operations and Financial Position

Storage and Terminal Services

For the six months ended 30 June 2015, external revenue from the Group's storage and terminal services amounted to RMB962.9 million, representing a decrease of 4.2% from RMB1,005.1 million for the corresponding period in 2014, mainly attributable to the restructuring of the business of individual subsidiaries into joint ventures. Segment profit from the Group's storage and terminal services amounted to RMB203.6 million, representing an increase of 0.7% from RMB202.2 million for the corresponding period in 2014, mainly attributable to the distribution of increased dividends in respect of individual terminal companies invested.

During the first half of 2015, the number of containers handled in the Group's warehouses decreased by 11.2% to 3.745 million TEUs from 4.219 million TEUs for the first half of 2014, mainly attributable to the impact of business restructuring by individual subsidiaries. The Group's warehouses handled 5.10 million tonnes of bulk cargo, representing a decrease of 30.1% from 7.30 million tonnes for the first half of 2014, mainly attributable to the decline in bulk cargo at terminals as well as the relocation and demolition of individual warehouses. The number of containers handled through terminals increased by 5.1% to 1.766 million TEUs from 1.680 million TEUs for the first half of 2014, mainly attributable to the aggressive efforts to open up markets and the completion of some of the terminal renovation projects. The volume of bulk cargo handled at terminals decreased by 50.0% to 0.60 million tonnes from 1.20 million tonnes for the first half of 2014, mainly attributable to impact of the switch of the capacity of the existing terminals to the container business as a result of the Guangdong Port Administration's policy to restrict vessels with a capacity of more than 15,000 tonnes from calling at tier II Terminal.

Other Services

For the six months ended 30 June 2015, the Group's external revenue from other services (mainly from trucking transportation, shipping and express services) amounted to RMB974.8 million, representing an increase of 14.2% from RMB853.4 million for the corresponding period in 2014, mainly attributable to the increased volume and scale of the truck transportation and shipping business. Segment profit from the Group's other services amounted to RMB31.0 million, representing an increase of 1,377.8% from RMB2.1 million for the corresponding period in 2014, mainly attributable to the sharp fall in fuel prices and the growth in business volume as well as the provisions for bad debts of the shipping services for the corresponding period last year.

During the first half of 2015, the volume of containers handled by the Group's trucking transportation increased by 15.5% to 521,000 TEUs for the first half of 2015 from 451,000 TEUs for the first half of 2014, mainly attributable to the strengthening of the establishment of the regional capacity platform and the stepping up of marketing efforts. The number of containers handled by shipping (in continuing operations) increased by 15.2% to 1.082 million TEUs from 0.939 million TEUs for the first half of 2014, mainly attributable to the continuous efforts to strengthen business cooperation with shipping companies, and the increased carrying capacity of vessels. The number of documents and parcels handled in the express services decreased by 2.9% to 840,000 pieces from 865,000 pieces for the first half of 2014, mainly attributable to the decline in the business for which the Company acted as an agent.

The Group's joint ventures recorded an investment gain of RMB456.0 million from the operation of express services, representing an increase of 33.4% compared to the same period of last year. The business volume of international express services of the joint ventures was up by 6.4% from 10.10 million units for the first half in 2014 to 10.75 million units for the first half of 2015.

Management Discussion and Analysis of Results of Operations and Financial Position

Transportation and Related Charges

Transportation and related charges were up by 7.9% to RMB20,042.9 million for the six months ended 30 June 2015, compared with RMB18,576.4 million for the corresponding period in 2014. Such increase in transportation and related charges was basically in line with the increase of revenue.

Depreciation and Amortization

Depreciation and amortization from continuing operations amounted to RMB306.4 million for the six months ended 30 June 2015, representing an increase of 5.3% from RMB291.1 million for the corresponding period in 2014, mainly as a result of increase in depreciation of new fixed assets.

Office and Related Expenses

Office and related expenses amounted to RMB214.1 million for the six months ended 30 June 2015, representing a decrease of 2.7% from RMB220.0 million for the corresponding period in 2014, mainly as a result of the strengthened daily cost control and strict economy practice during the period.

Other Gains and Losses, Net

Other gains and losses, net changed from a loss of RMB78.8 million for the six months ended 30 June 2014 to a gain of RMB401.4 million for the period, primarily due to gains from disposal of Sungang land were recorded during the period.

Operating Profit

The Group's operating profit was RMB1,135.6 million for the six months ended 30 June 2015, representing an increase of 77.2% from RMB641.0 million for the corresponding period in 2014. Operating profit as a percentage of total revenue increased to 4.9% for the six months ended 30 June 2015 from 3.0% for the six months ended 30 June 2014, or increased to 37.7% for the six months ended 30 June 2015 from 21.9% for the six months ended 30 June 2014 as a percentage of net revenue (total revenue less transportation and related charges).

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures was RMB497.4 million for the six months ended 30 June 2015, representing a significant increase of 33.1% from RMB373.7 million for the corresponding period in 2014. Such increase was mainly due to a significant year-on-year increase in current profit of DHL-Sinotrans during the period.

Management Discussion and Analysis of Results of Operations and Financial Position

Income Tax Expense

For the six months ended 30 June 2015, taxation of the Group amounted to RMB469.9 million, representing an increase of 110.1% from RMB223.7 million for the corresponding period in 2014, primarily due to the land appreciation tax and corporate income tax related to disposal of Sungang land included in the current period. Taxation as a percentage of profit before tax rose up to 30.1% from 22.9% for the six months ended 30 June 2014, mainly attributable to the land appreciation tax related to disposal of Sungang land included in the income tax.

Profit after Tax from Continuing Operations

The Group's profit after tax from continuing operations was RMB1,089.0 million for the six months ended 30 June 2015, representing an increase of 44.7% from RMB752.8 million for the corresponding period in 2014.

Profit Attributable to Non-controlling Interests

For the six months ended 30 June 2015, profit attributable to non-controlling interests amounted to RMB213.6 million, representing an increase of 132.2% as compared with RMB92.0 million for the corresponding period in 2014, which was mainly due to the significant increase in current profit of a non-wholly owned subsidiary of the Group.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to RMB875.4 million, representing an increase of 30.5% from RMB670.8 million for the corresponding period in 2014.

Liquidity and Capital Resources

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

	For the six months ended 30 June	
	2015 In RMB million (Unaudited)	2014 In RMB million (Unaudited) (Restated)
Net cash generated from operating activities	499.0	557.3
Net cash (used in)/generated from investing activities	(1,522.4)	184.7
Net cash generated from financing activities	708.1	288.0
Exchange (losses)/gains on cash and cash equivalents	(4.6)	5.6
Net (decrease)/increase in cash and cash equivalents	(319.9)	1,035.6
Cash and cash equivalents at 30 June	5,012.2	6,422.2

Management Discussion and Analysis of Results of Operations and Financial Position

Operating Activities

Net cash inflows generated from the Group's operating activities for the six months ended 30 June 2015 amounted to RMB499.0 million, representing a decrease of 10.5% from RMB557.3 million for the corresponding period in 2014. Such decrease was primarily attributable to an increase in trade and other receivables of RMB448.5 million (corresponding period in 2014: an increase of RMB1,435.5 million), partially offset by an increase in trade payables of RMB270.4 million (corresponding period in 2014: an increase of RMB550.8 million) and a decrease in other payables, accruals and other current liabilities of RMB40.5 million (corresponding period in 2014: an increase of RMB548.5 million) and an increase in advances from clients of RMB26.0 million (corresponding period in 2014: an increase of RMB253.1 million).

For the six months ended 30 June 2015, the average age of trade receivables was 60 days, as compared to 59 days for the corresponding period in 2014.

Investing Activities

For the six months ended 30 June 2015, net cash used for investing activities amounted to RMB1,522.4 million, primarily comprising RMB1,294.7 million used for the purchase of financial assets available for sale and RMB654.8 million used for the purchase of property, machinery and equipment, partially offset by RMB417.5 million received from the disposal of property, machinery and equipment, and land use rights. For the six months ended 30 June 2014, net cash generated from investing activities amounted to RMB184.7 million, primarily comprising RMB714.1 million for dividends received from joint ventures and RMB153.1 million received from the disposal of financial assets available for sale, partially offset by the cash outflows including RMB462.1 million for acquisition of property, plant and equipment, RMB245.6 million for purchase of interests in joint ventures.

Financing Activities

Net cash generated from the Group's financing activities for the six months ended 30 June 2015 amounted to RMB708.1 million, compared with net cash generated from financing activities of RMB288.0 million for the corresponding period in 2014.

Net cash generated from financing activities for the six months ended 30 June 2015 primarily comprised RMB4,000 million received from the issuance of short-term bonds, RMB895.4 million received from disposal of equity interests in a non-wholly owned subsidiary, partially offset by RMB2,000 million paid in cash for the redemption of short-term bonds, RMB2,000 million paid in cash for the redemption of corporate bonds, RMB196.6 million paid for the acquisition of subsidiaries. Net cash generated from financing activities for the six months ended 30 June 2014 primarily comprised RMB1,000.0 million received from issuance of corporate bonds and new bank borrowings of RMB988.9 million, partially offset by RMB1,668.3 million for repayment of borrowings and RMB39.8 million for payment of borrowings interest.

Management Discussion and Analysis of Results of Operations and Financial Position

Capital Expenditure

For the six months ended 30 June 2015, the Group's capital expenditure amounted to RMB762.8 million, primarily comprising RMB654.8 million for acquisition of property, plant and equipment, RMB101.8 million for purchase of land use rights and RMB6.0 million for acquisition of other non-current assets, among which, RMB545.4 million was used for renovation and construction of terminals, warehouses, logistics centers and container yards, RMB107.9 million for purchase of vehicles, vessels, plant and equipment, RMB92.5 million for purchase of property and others, and RMB17.0 million for IT investment and refurbishment and purchase of office equipment.

Contingent Liabilities and Guarantees

As at 30 June 2015, the Group's contingent liabilities mainly comprised outstanding lawsuits of RMB395.5 million (31 December 2014: RMB361.1 million).

As at 30 June 2015, the amount of guarantees provided by the Group in favor of its joint ventures was RMB163.5 million (31 December 2014: RMB197.8 million).

In addition, in the common business practice, certain subsidiaries of the Company issued letters of guarantee to the China Air Transport Association to ensure some joint ventures of the Group 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.

The Group provided performance guarantee for a fellow subsidiary regarding to container services of national marine transportation. The letter of guarantee contains no specific amount and will terminate in 2016.

Borrowings

As at 30 June 2015, the Group's total borrowings amounted to RMB1,065.6 million (31 December 2014: RMB748.0 million), all being bank borrowings which comprised 390.7 million denominated in Renminbi, 636.3 million in US dollars, and 38.6 million in Hong Kong dollars. The weighted average interest rate for the above bank borrowings was 2.38% per annum.

Secured and Guaranteed Borrowings

As at 30 June 2015, the Group pledged restricted cash amounting to approximately RMB75.7 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB33.6 million) and land use rights (with net book value of approximately RMB9.5 million) for borrowings.

Debt-to-Asset Ratio

As at 30 June 2015, the debt-to-asset ratio of the Group was 48.0% (31 December 2014: 50.2%), which was arrived at dividing the total liabilities by the total assets of the Group as at 30 June 2015.

Management Discussion and Analysis of Results of Operations and Financial Position

Foreign Exchange Risk

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

Credit Risk

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

Employees

As at 30 June 2015, the Group had 26,547 (31 December 2014: 27,016) employees. Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2014 Annual Report with no significant changes.

PROSPECTS AND OUTLOOK

Business Development

Looking ahead to the second half of 2015, economic growth will continue to be subject to downside pressure. At the same time, the Company will encounter many development opportunities amid the challenges from decelerated macroeconomic growth and market tightening. The logistics leading indicators suggest that China's Logistics Prosperity Index (LPI) was 55.7% in June, logistics new orders index was 53.7% and business activity expectation index was 59.7%, all staying at a high level. The overall environment in the logistics market is expected to be stable with positive signs in the second half of the year as favourable factors during economic functioning will gradually emerge following the rapid and explosive development of cross-border e-commerce, the gradual implementation of China's strategies for projects like the Silk Road Economic Belt and the 21st Century Marine Silk Road, coordinated development of the Beijing-Tianjin-Hebei Region and the Changjiang Economic Belt as well as the gradual revelation of the effects of an array of policies and measures for maintaining stable growth.

We will carry out further reform and innovation, strengthen the development of our principal business and proactively push forward our tasks in the second half of the year, including: to accelerate the innovative development of business segments; to basically complete the establishment of a trucking transportation and a land transportation platform; to complete the planning proposal on the construction of an overseas network and channel for proactively securing priority projects in the Silk Road Economic Belt and the 21st Century Marine Silk Road; to further implement initiatives for lowering costs and improving efficiency to enhance the operating efficiency of assets and raise profitability and business quality; to further push forward the integration of logistics resources; to enhance the operational capabilities of capital; to strengthen risk management and control; to step up the leading and driving of business by information technology; and to ensure production safety. The Group will strive to continuously enhance profitability and core competitiveness to ensure steady growth in business performance, and will make unremitting efforts for growing the Company into an integrated logistics service provider, a preferred choice of clients at home and abroad.

Management Discussion and Analysis of Results of Operations and Financial Position

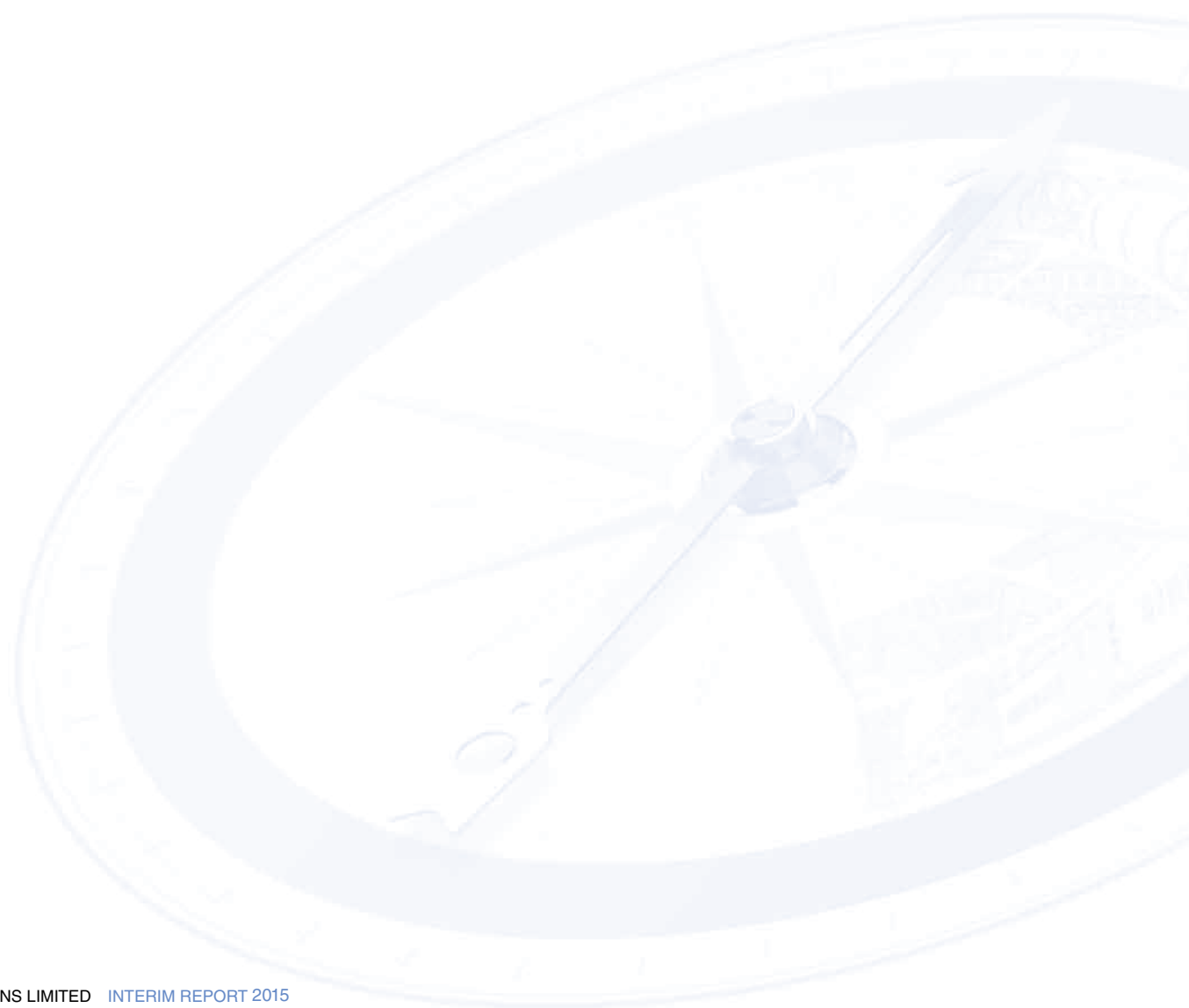
Resources Consolidation

The Group will continue to negotiate with SINOTRANS & CSC Group regarding appropriate opportunities in asset and/or business reorganization, with a view to facilitating appropriate consolidation of the principal business operations and related assets into the Group, to reduce potential competition between the Group and the rest of the SINOTRANS & CSC Group in terms of logistics and to expand the business coverage of the Group. These negotiations may or may not lead to the entering of transactions. Such reorganization, 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.

Zhao Huxiang

Chairman

Beijing, 18 August 2015



Interim Dividends

The Board has declared an interim dividend of RMB0.030 per share for the six month ended 30 June 2015. Shareholders at the annual general meeting of the Company for the year 2014 authorized the directors of the Company to decide on matters relating to the recommendation, declaration and payment of the interim dividends for the year 2015.

It is expected that the interim dividend will be paid on or before Friday, 27 November 2015 to shareholders whose names appear on the register of members on Wednesday, 16 September 2015. The register of members of the Company will be closed from Friday, 11 September 2015 to Wednesday, 16 September 2015 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2015 interim dividend.

In order to qualify for the interim dividend, holders of H Shares whose transfers have not been registered are requested to lodge their instruments of transfer together with the relevant share certificates with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 10 September 2015, for registration.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK\$"). The exchange rate for dividends payable in HK\$ is the mean average exchange rate of RMB to HK\$ published by the People's Bank of China during the week (10 August 2015 to 17 August 2015) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK\$ for the said week was HK\$1 = RMB0.8140. Accordingly, the amount of interim dividend for each H Share of the Company is HK\$0.0369.

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

Other Information

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

As at 30 June 2015, so far as the directors of the Company were aware, none of the directors, supervisors or their associates had any interests in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

SHARE CAPITAL

Share capital of the Company as at 30 June 2015 was as follows:

Nature of shares	Number of Shares	As a % of Total Issued Share Capital
Domestic Shares	2,461,596,200	53.44%
H Shares	2,144,887,000	46.56%

Use of Proceeds from Placing of New H Shares

On 24 July 2014, an aggregate of 357,481,000 new H shares of RMB1.00 each at a placing price of HK\$4.80 per share were allotted and issued by the Company to not less than 6 but no more than 10 placees who were independent professional, institutional and/or other investors. The aggregate net proceeds from the placing were approximately HK\$1,678 million (after deduction of the commissions and expenses). The net proceeds from the placing were used as intended as the Company's general working capital, as to approximately 70% for the working capital for the Group's freight forwarding business (primarily freight charges) in the PRC and as to approximately 30% for the Group's operating expenses in Hong Kong (including freight/transportation charges, agency fees, storage fees, staff remuneration and administrative expenses). Details of the placing are set out in the announcements of the Company dated 17 and 24 July 2014 respectively.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as the directors of the Company were aware, the interests or short positions of the following persons (other than directors or supervisors) in the shares of the Company which were required to be disclosed to the Company pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC Holdings Co., Ltd. (Note 1)	2,461,596,200(L) 87,800,000(L)	Domestic Shares H Shares	53.44% 1.91%	— 4.09%
JPMorgan Chase & Co.	128,687,899(L) 1,100,000(S)	H Shares	2.79% 0.02%	5.99% 0.05%
Morgan Stanley	65,659,468(P) 116,458,946(L)	H Shares	1.43% 2.53%	3.06% 5.42%
BlackRock, Inc.	92,942,659(S) 110,302,545(L)	H Shares	2.02% 2.39%	4.33% 5.14%
FIL Limited	107,576,000(L)	H Shares	2.34%	5.02%

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

Note 1: Zhao Huxiang and Zhang Jianwei are directors or employees of SINOTRANS & CSC which is the controlling shareholder of the Company. The 87,800,000 H Shares are held by Sinotrans (Hong Kong) Holdings Ltd., a wholly-owned subsidiary of SINOTRANS & CSC.

Save as disclosed above, based on the register maintained by the Company as required under section 336 of the SFO, as at 30 June 2015, so far as was known to the directors of the Company, there were no other person (other than a director or supervisor) who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other Information

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2015.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2015 are set out in Note 22 to the unaudited condensed consolidated interim financial statements.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited as the code on corporate governance of the Company. The Company has complied with all the code provisions in effect as set out in the CG Code throughout the six months ended 30 June 2015.

Under the Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Mr. Lu Zhengfei, Mr. Han Xiaojing and Mr. Liu Junhai, independent non-executive Directors, did not attend the annual general meeting of the Company dated 11 June 2015 due to other commitments.

Under the Code Provision E.1.2, the chairman of the Board should invite the chairman of the audit remuneration, nomination and any other committees (as appropriate) to attend the annual general meetings. Mr. Lu Zhengfei, chairman of the remuneration committee, did not attend the annual general meeting of the Company dated 11 June 2015 due to other commitments.

Board of Directors

As at 30 June 2015, the Board of Directors of the Company comprised of 11 directors. The members were as follows:

Chairman: Mr. Zhao Huxiang

Vice Chairman: Mr. Zhang Jianwei

Executive directors: Mr. Zhao Huxiang, Mr. Zhang Jianwei, Mr. Li Guanpeng, Mr. Wang Lin, Mr. Yu Jianmin, Mr. Wu Xueming

Non-executive director: Mr. Jerry Hsu

Independent non-executive directors: Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing, Mr. Liu Junhai

Other Information

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

Audit Committee

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

Deloitte Touche Tohmatsu, the Company's auditor and the audit committee of the Company have reviewed the condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2015.

Remuneration Committee

The principal functions of the remuneration committee include reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining policies in respect of their remuneration packages. The current committee members are Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing, Mr. Liu Junhai and Mr. Wang Lin, with Mr. Lu Zhengfei acting as the chairman of the remuneration committee.

Nomination Committee

The principal functions of the nomination committee include selecting and recommending individuals to become members of the board of directors, making recommendations to the Board on the appointment or reappointment of directors and succession of directors and assessing the independence of independent nonexecutive directors, and determining and implementing the board diversity policy, etc. The nomination committee shall be comprised of the chairman of the Board, all independent non-executive directors and the President of the Company. The current committee members are Mr. Zhao Huxiang, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing, Mr. Liu Junhai and Mr. Li Guanpeng, with Mr. Zhao Huxiang acting as the chairman of the nomination committee.

Other Information

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 etc.

The Executive Committee comprises of Mr. Zhao Huxiang, being the Chairman, Mr. Zhang Jianwei, being the Vice Chairman, and Mr. Li Guanpeng and Mr. Wang Lin, 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 of the Company, supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. By convening meetings of the supervisory committee and attending Board meetings, meetings of the audit committee, meetings of the remuneration committee, and taking the on-site investigation and research in subsidiaries, the supervisors examined the Company's financial position and legal compliance of its operations and the performance of duties by its senior management, undertaking various duties in a proactive manner with diligence, prudence and integrity.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code for conducting securities transactions by the Company's directors.

The directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standards set out in the Model Code throughout the period from 1 January to 30 June 2015.