

Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2003

The following unaudited condensed consolidated financial statements of Sinotrans Limited (the “Company”) and its subsidiaries (collectively the “Group”) as at and for the six months ended 30 June 2003, together with audited comparative figures in 2002, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board, and have been reviewed by the Audit Committee of the Company:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Note	For the six months ended 30 June	
		2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Turnover	4	7,692,092	5,953,486
Other revenues		26,532	19,693
		7,718,624	5,973,179
Transportation and related charges		(5,565,620)	(4,403,054)
Staff costs		(549,396)	(436,837)
Depreciation and amortisation		(103,109)	(81,926)
Repairs and maintenance		(40,358)	(31,175)
Fuel		(217,132)	(62,434)
Travel and promotional expenses		(77,025)	(66,864)
Office and communications expenses		(78,045)	(51,672)
Rental expenses		(398,569)	(266,429)
Other operating expenses		(144,180)	(119,953)
Operating profit		545,190	452,835
Finance income, net	5	31,036	11,600
		576,226	464,435
Share of results of associates before taxation		3,638	4,998
Profit before taxation	6	579,864	469,433
Taxation	7	(157,689)	(120,805)
Profit after taxation		422,175	348,628
Minority interests		(76,622)	(55,244)
Profit for the period		345,553	293,384
Dividends proposed	8(b)	110,474	—
Earnings per share, basic and diluted	9	RMB0.09	RMB0.11

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CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2003

	Note	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,265,065	1,220,162
Prepayment for acquisition of land use rights		49,829	43,500
Land use rights		167,041	167,725
Intangible assets		33,136	20,710
Investments in associates		46,004	24,367
Other non-current assets		36,294	56,235
Deferred tax assets	11	260,482	52,900
		1,857,851	1,585,599
Current assets			
Prepayments, deposits and other current assets		236,292	234,993
Inventories		16,418	17,288
Trade and other receivables	12	2,924,804	2,676,765
Trading investments		817	10,818
Pledged deposits		13,488	28,666
Term deposits with initial term of over three months		1,867,185	490,580
Cash and cash equivalents		4,191,832	2,342,026
		9,250,836	5,801,136
Total assets		11,108,687	7,386,735

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CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2003

	Note	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Share capital		4,249,002	2,624,087
Reserves		1,735,053	(750,859)
Owners' equity		5,984,055	1,873,228
Minority interests		726,117	679,786
Non-current liabilities			
Borrowings	14	350	710
Deferred tax liabilities		893	1,618
Long-term payable to ultimate holding company	15	331,716	331,716
Provisions		84,821	85,881
Other liabilities		3,256	3,649
		421,036	423,574
Current liabilities			
Trade payables	13	2,467,883	2,328,662
Other payables, accruals and other current liabilities	15	621,185	1,261,082
Receipts in advance from customers		441,530	392,773
Current tax liabilities		150,281	161,463
Borrowings	14	45,445	61,614
Salary and welfare payable		251,155	204,553
		3,977,479	4,410,147
Total liabilities		4,398,515	4,833,721
Total equity and liabilities		11,108,687	7,386,735

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Note	For the six months ended 30 June	
		2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Net cash inflow from operating activities		344,274	344,580
Net cash used in investing activities	17(a)	(1,518,216)	(76,177)
Net cash provided from/(used in) financing activities	17(b)	3,023,748	(2,761)
Net increase in cash and cash equivalents		1,849,806	265,642
Cash and cash equivalents at 1 January		2,342,026	1,983,537
Cash and cash equivalents at 30 June		4,191,832	2,249,179

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	For the six months ended 30 June 2003 (unaudited)					
	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2003	2,624,087	(845,111)	2,699	1,350	90,203	1,873,228
Issuance and sale of H shares	1,624,915	1,918,681	—	—	—	3,543,596
Deferred tax asset arising from the asset revaluation surplus during Reorganisation deductible for enterprise income tax purposes (Note 11)	—	221,678	—	—	—	221,678
Profit for the period	—	—	—	—	345,553	345,553
Transfer to statutory reserve (Note 8(a))	—	—	32,633	16,316	(48,949)	—
As at 30 June 2003	4,249,002	1,295,248	35,332	17,666	386,807	5,984,055

	For the six months ended 30 June 2002 (audited)					
	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2002	2,624,087	(845,111)	—	—	—	1,778,976
Profit for the period	—	—	—	—	293,384	293,384
As at 30 June 2002	2,624,087	(845,111)	—	—	293,384	2,072,360

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GROUP REORGANISATION AND PRINCIPAL ACTIVITIES

The Company was established in the People's Republic of China ("PRC") on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company") in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"). The initial registered capital of the Company is RMB2,624,087,200, consisting of 2,624,087,200 shares of par value of RMB1.00 per share.

Pursuant to the Reorganisation, the Company issued 2,624,087,200 ordinary shares of RMB1.00 per share ("Domestic Shares") in exchange for (i) various assets and liabilities related to the freight forwarding, express services and shipping agency businesses at certain core strategic locations in the provinces or municipalities of Guangdong, Fujian, Zhejiang, Shanghai, Hubei, Jiangsu, Shandong, Tianjin and Liaoning of the PRC, (ii) various assets and liabilities related to selected support operations including storage and terminal services, trucking and marine transportation at these core strategic locations and (iii) in addition to those described above, equity interests in certain subsidiaries, jointly controlled entities and associates engaged in freight forwarding, express services, shipping agency and international multi-modal transportation services in the PRC (collectively the "Transferred Businesses"). Sinotrans Group Company retained (i) the businesses of freight forwarding, shipping agency, storage and terminal services, trucking and marine transportation, and express service agents located outside the core strategic locations, (ii) certain businesses and support operations at these strategic locations to be wound down or which are surplus to the requirements of the Group, (iii) ship chartering and fleet management operations and container leasing operations, (iv) equity interests in certain jointly controlled entities and associates which could not be transferred to the Company due to the absence of consents of the joint venture partners in these entities, (v) certain non-core businesses and (vi) the ownership of certain assets and liabilities including staff quarters, certain office buildings, bank balances, investments in securities, borrowings, claims, contingent and tax liabilities (collectively the "Excluded Businesses").

In February 2003 the Company completed its global initial public offering ("Global Offering"). 1,787,406,000 H shares were offered to the public which comprise 1,624,915,000 new shares issued by the Company and 162,491,000 shares offered by the ultimate holding company. As a result, the issued share capital of the Company increased from 2,624,087,200 shares to 4,249,002,200 shares, comprising 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital, respectively.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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2. BASIS OF PRESENTATION (CONTINUED)

As Sinotrans Group Company controlled the Transferred Businesses before the Reorganisation and continues to control the Company after the Reorganisation, the consolidated profit and loss account of the Group for the six months ended 30 June 2002, which is presented for comparative purposes only, has been prepared as a reorganisation of businesses under common control in a manner similar to a pooling-of-interests. It presents the results of the Group as if it had been in existence throughout the period and as if the Transferred Businesses were transferred to the Company by Sinotrans Group Company at 1 January 2002 or when such businesses were acquired by Sinotrans Group Company, whichever is later. Accordingly, the assets and liabilities transferred to the Company have been stated at historical amounts. The Company's directors are of the opinion that the financial statements prepared on this basis present fairly the consolidated results of operations of the Group as a whole. Therefore, the net profit for the six months ended 30 June 2002 includes the consolidated results of operations before the Reorganisation. The consolidated results for the six months ended 30 June 2002 were audited and extracted from the Company's prospectus issued on 29 January 2003, except for certain reclassifications made to comply with current period presentation.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention as modified by the revaluation of trading investments at fair value.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of the unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2003 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31 December 2002.

Unaudited Condensed Consolidated Interim Financial Statements

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4. TURNOVER AND SEGMENT INFORMATION

(a) Primary reporting format — business segments

The Group has five main business segments: freight forwarding, shipping agency, express services, marine transportation and storage and terminal services. Other operations of the Group mainly comprise trucking and other related support services and none of these are of a sufficient size to be reported separately.

	For the six months ended 30 June 2003 (unaudited)							Group RMB'000
	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Other RMB'000	Inter- segment elimination RMB'000	
Turnover — External	5,399,638	208,622	702,887	1,088,472	239,479	52,994	—	7,692,092
Turnover — Intersegment	103,187	13,959	30,059	87,055	19,329	13,902	(267,491)	—
	5,502,825	222,581	732,946	1,175,527	258,808	66,896	(267,491)	7,692,092
Segment results	179,305	124,287	209,624	39,869	50,815	(2,347)	—	601,553
Unallocated costs								(56,363)
Operating profit								545,190
Finance income, net								31,036
								576,226
Share of results of associates before taxation								3,638
Profit before taxation								579,864
Taxation								(157,689)
Profit after taxation								422,175
Minority interests								(76,622)
Profit for the period								345,553

	For the six months ended 30 June 2002 (audited)							Group RMB'000
	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Other RMB'000	Inter-segment elimination RMB'000	
Turnover — External	4,332,178	157,239	524,670	679,602	186,106	73,691	—	5,953,486
Turnover — Intersegment	258,524	12,303	—	59,256	3,369	4,856	(338,308)	—
	4,590,702	169,542	524,670	738,858	189,475	78,547	(338,308)	5,953,486
Segment results	146,984	105,842	174,546	1,089	29,130	5,013	—	462,604
Unallocated costs								(9,769)
Operating profit								452,835
Finance income, net								11,600
								464,435
Share of results of associates before taxation								4,998
Profit before taxation								469,433
Taxation								(120,805)
Profit after taxation								348,628
Minority interests								(55,244)
Profit for the period								293,384

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4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format — geographical segments

The Group's businesses operate in four main geographical areas within the PRC:

- (i) Northern China — Including core strategic locations in Liaoning, Tianjin as well as the operations of Sinotrans Air Transportation Development Co., Ltd. ("Sinoair"), a subsidiary of the Company, in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and Henan.
- (ii) Eastern China — Including core strategic locations in Jiangsu, Shanghai, Zhejiang, Fujian and Shandong, as well as the operations of Sinoair in Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong.
- (iii) Southern China — Including core strategic locations in Guangdong and Hubei, as well as the operations of Sinoair in Hubei, Hunan, Guangdong, Guangxi, Hainan, Guizhou and Yunnan.
- (iv) Other locations — Including primarily the air freight forwarding and express services operated by Sinoair and certain of the jointly controlled entities of the Group in locations other than the above.

	For the six months ended 30 June 2003 (unaudited)			
	Turnover —	Turnover —	Total	Segment
	External	Intersegment	turnover	results
	RMB'000	RMB'000	RMB'000	RMB'000
Northern China	712,107	5,267	717,374	44,270
Eastern China	5,712,664	50,132	5,762,796	405,492
Southern China	1,129,383	18,879	1,148,262	141,208
Other locations	137,938	2,359	140,297	10,583
Inter-segment elimination	—	(76,637)	(76,637)	—
	7,692,092	—	7,692,092	601,553
Unallocated costs				(56,363)
Operating profit				545,190

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4. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format — geographical segments (continued)

	For the six months ended 30 June 2002 (audited)			
	Turnover —	Turnover —	Total	Segment
	External	Intersegment	turnover	results
	RMB'000	RMB'000	RMB'000	RMB'000
Northern China	528,898	896	529,794	39,096
Eastern China	4,567,296	8,044	4,575,340	349,292
Southern China	801,877	18,134	820,011	64,570
Other locations	55,415	4,345	59,760	9,646
Inter-segment elimination	—	(31,419)	(31,419)	—
	5,953,486	—	5,953,486	462,604
Unallocated costs				(9,769)
Operating profit				452,835

5. FINANCE INCOME, NET

	For the six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest income on bank balances	34,521	12,772
Interest expense on bank loans	(2,968)	(2,712)
Exchange gains, net	2,164	3,771
Bank charges	(2,681)	(2,231)
	31,036	11,600

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6. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Crediting		
Rental income	4,679	3,302
Interest income	34,521	12,772
Gain on disposal of property, plant and equipment	1,775	888
Charging		
Depreciation		
— owned property, plant and equipment	93,233	76,037
— owned property, plant and equipment leased out under operating leases	768	734
Loss on disposal of property, plant and equipment	2,230	2,009
Operating leases		
— land and buildings	68,722	59,987
— plant and equipment	329,847	206,442
Provision for impairment of receivables and bad debts written off	1,926	2,533
Impairment loss for trading investments	8,573	—
Amortisation of land use rights and intangible assets	9,108	5,155
Interest expense on loans wholly repayable within five years	2,968	2,712
Staff costs	549,396	436,837
Repairs and maintenance	40,358	31,175

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7. TAXATION

Taxation in the consolidated profit and loss account represents:

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Provision for PRC income tax		
— current	150,057	119,030
— deferred taxation	6,874	673
	156,931	119,703
Share of taxation attributable to associates	758	1,102
	157,689	120,805

Taxation has been provided based on the tax laws and regulations applicable to PRC enterprises.

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

The provision for PRC current income tax is based on the statutory rate of 33% (2002: 33%) of the assessable income of each of the companies and enterprises now comprising the Group for the six months ended 30 June 2003 as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries or jointly controlled entities which are taxed at preferential rates ranging from 0% to 30% (2002: 0% to 30%) during the period based on the relevant PRC tax laws and regulations.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

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

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8. PROFIT APPROPRIATIONS

(a) Statutory surplus reserve and statutory public welfare fund

In accordance with the relevant PRC regulations and Articles of the Company, every year the Company is required to appropriate 10% of the profit after taxation determined in accordance with PRC accounting standards to a statutory surplus reserve (except where the reserve balance has reached 50% of the Company's registered capital), and 5% to 10% to a statutory public welfare fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. The statutory public welfare fund can only be utilised on capital items for the collective benefit of the Company's employees. Title to these capital items will remain with the Company. This fund is non-distributable other than in liquidation.

For the six months ended 30 June 2003, approximately RMB32,633,000 and RMB16,316,000, (representing 10% and 5% of profit after tax determined under PRC accounting standards) have been appropriated to the statutory surplus reserve and statutory public welfare fund respectively.

In accordance with the Articles of Association of the Company, retained profits available for distribution by the Company will be deemed to be the lower of the amounts determined in accordance with the PRC accounting standards and the amount determined in accordance with IFRS. As at 30 June 2003, the amount of retained profits available for distribution was approximately RMB300,324,000, being the amount determined in accordance with PRC accounting standards.

(b) Dividends

At the Board of Directors' meeting held on 25 August 2003, the directors proposed an interim dividend of RMB0.026 per ordinary share for the six months ended 30 June 2003. The total dividend proposed is approximately RMB110,474,000 for 4,249,002,200 shares, being the number of ordinary shares issued and outstanding on 30 June 2003. This proposed dividend is not reflected as a dividend payable in these condensed consolidated accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2003.

9. EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended 30 June 2003 and 2002 have been computed by dividing the profit for the periods by, respectively, 3,852,585,771 shares, being the weighted average number of ordinary shares issued and outstanding for the six months ended 30 June 2003, and 2,624,087,200 shares, being the number of shares issued and outstanding upon the legal formation of the Company on 20 November 2002 as if such shares had been outstanding prior to 20 November 2002. As there are no potentially diluted securities, there is no difference between basic and diluted earnings per share.

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10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Port and rail facilities	Containers	Plant and machinery	Motor vehicles and vessels	Furniture and office equipment	Assets under construction	30 June 2003 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost									
At beginning of year	698,438	45,199	70,352	23,166	285,446	549,674	333,612	43,264	2,049,151
Additions	6,309	5,510	3,119	36	13,239	42,521	33,551	69,448	173,733
Disposals	(1,480)	(126)	—	(29)	(8,594)	(16,579)	(18,826)	(19,189)	(64,823)
Transfer upon completion	11,632	—	—	—	17,270	329	2,058	(31,289)	—
At end of the period	714,899	50,583	73,471	23,173	307,361	575,945	350,395	62,234	2,158,061
Accumulated depreciation									
At beginning of year	(159,237)	(16,556)	(36,126)	(16,867)	(129,224)	(294,546)	(176,433)	—	(828,989)
Depreciation for the period	(13,082)	(3,985)	(3,369)	(728)	(12,613)	(32,527)	(27,697)	—	(94,001)
Disposals	365	—	—	22	2,449	13,304	13,881	—	30,021
Impairment losses	—	—	—	—	—	(27)	—	—	(27)
At end of the period	(171,954)	(20,541)	(39,495)	(17,573)	(139,388)	(313,796)	(190,249)	—	(892,996)
Net book value									
At end of the period	542,945	30,042	33,976	5,600	167,973	262,149	160,146	62,234	1,265,065
At beginning of year	539,201	28,643	34,226	6,299	156,222	255,128	157,179	43,264	1,220,162

11. DEFERRED TAX ASSETS

On 31 March 2003, the Group obtained an approval from the Ministry of Finance and the State Administration of Taxation of the PRC that the additional depreciation and amortisation on the asset revaluation surplus of approximately RMB839,800,000, arising from the Reorganisation, which was recorded by various entities comprising the Group in the financial statements prepared under PRC accounting standards, is deductible for enterprise income tax purposes. Since the Group did not recognise the above asset revaluation surplus in its financial statements prepared in accordance with IFRS, a deferred tax asset of RMB221,678,000 was recognised and credited into capital reserve during the six months ended 30 June 2003. Such deferred tax asset is charged to taxation during each period based on the depreciation and amortisation on the asset revaluation surplus.

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12. TRADE AND OTHER RECEIVABLES

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Trade receivables, net		
— Due from third parties	2,480,429	2,082,033
— Due from related parties	227,400	256,186
	2,707,829	2,338,219
Bills receivable	11,656	6,617
Other receivables		
— Due from third parties	174,440	111,748
— Due from related parties	30,879	220,181
	2,924,804	2,676,765
Trade receivables		
— Due from third parties	2,559,606	2,160,336
— Due from related parties	239,593	268,573
	2,799,199	2,428,909
Less: Provision for impairment of receivables		
— Due from third parties	(79,177)	(78,303)
— Due from related parties	(12,193)	(12,387)
Trade receivables, net	2,707,829	2,338,219

As at 30 June 2003 and 31 December 2002, the aging analysis of trade receivables are as follows:

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Within 6 months	2,596,898	2,266,313
Between 6 and 12 months	114,901	71,386
Between 1 and 2 years	25,895	33,520
Between 2 and 3 years	16,932	15,753
Over 3 years	44,573	41,937
	2,799,199	2,428,909

The credit period of the Group's trade receivables generally ranges from 3 to 6 months.

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13. TRADE PAYABLES

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Trade payables	2,389,979	2,229,576
Due to related parties	77,904	99,086
	2,467,883	2,328,662

As at 30 June 2003 and 31 December 2002, the aging analysis of trade payables are as follows:

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Within 6 months	2,267,601	2,062,001
Between 6 and 12 months	101,172	100,943
Between 1 and 2 years	42,585	103,717
Between 2 and 3 years	17,198	30,501
Over 3 years	39,327	31,500
	2,467,883	2,328,662

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14. BORROWINGS

(a) Borrowings include bank and other borrowings which are analysed as follows:

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Current:		
Short term bank borrowings	44,739	60,667
Current portion of long term borrowings		
— Bank borrowings	706	697
— Other borrowings	—	250
	45,445	61,614
Non-current:		
Bank borrowings	350	710
Total borrowings	45,795	62,324
Borrowings:		
Unsecured	13,937	1,657
Secured	31,858	60,667
	45,795	62,324

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14. BORROWINGS (CONTINUED)

(b) The Group's long term bank and other borrowings were repayable as follows:

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Bank borrowings:		
Within 1 year	706	697
Between 1 to 2 years	350	710
	1,056	1,407
Less: current portion	(706)	(697)
	350	710
Other Borrowings:		
Within 1 year	—	250
Less: current portion	—	(250)
	—	—
Total:		
Within 1 year	706	947
Between 1 to 2 years	350	710
	1,056	1,657
Less: current portion	(706)	(947)
	350	710

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14. BORROWINGS (CONTINUED)

(c) Securities

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Term deposits with initial term of not less than three months	13,488	28,666
Bills receivable	3,736	—
Net book value of property, plant and equipment	11,052	28,916
Guarantee provided by companies within the Group	3,850	28,953
Guarantee provided by third parties	—	325
Corresponding borrowings	31,858	60,667

15. LONG-TERM PAYABLE TO ULTIMATE HOLDING COMPANY

Pursuant to the Reorganisation, the Group and the ultimate holding company agreed that the Group's obligations to make early retirement, termination and supplementary pension benefits payments to those employees who retired or whose employment was terminated prior to the Reorganisation were assumed by the ultimate holding company in consideration of the payment by the Group of an amount of RMB497,574,000 to the ultimate holding company. Such amount due to the ultimate holding company will be settled in three equal instalments on 31 December 2003, 2004 and 2005. Accordingly, RMB165,858,000 was recorded in other payables, accruals and other current liabilities, and the remaining RMB331,716,000 was recorded in long-term payable to ultimate holding company.

16. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 30 June 2003, the net current assets of the Group amounted to RMB5,273,357,000 (31 December 2002:

RMB1,390,989,000), and the total assets less current liabilities of the Group were RMB7,131,208,000 (31 December 2002: RMB2,976,588,000).

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17. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) Major investing activities:

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Purchase of property, plant and equipment	(173,733)	(146,075)
Purchase of intangible assets	(20,428)	(4,674)
Purchase of land use rights	(422)	(14,560)
(Increase)/decrease in term deposits with initial term of over three months	(1,376,605)	100,722

(b) Major financing activities:

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
New bank borrowings	40,113	56,775
Repayments of bank borrowings	(56,392)	(34,290)
Cash received from issuing H shares	3,533,390	—
Payment of special dividend	(478,000)	—

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18. CONTINGENT LIABILITIES

- (a) The following is a summary of the Group's significant contingent liabilities:

	Note	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Outstanding loan guarantees	(i)	—	9,933
Bills discounted with recourse		5,498	9,959
Pending lawsuits	(ii)	10,312	42,545
		15,810	62,437

- (b) The following is a summary of the significant contingent liabilities related to the Group's interests in the jointly controlled entities:

	Note	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Outstanding loan guarantees	(i)	3,850	2,143
Pending lawsuits	(ii)	1,653	4,469
Others		3,250	3,250
		8,753	9,862

- (i) The Group had acted as the guarantor for various external borrowings by the ultimate holding company, certain fellow subsidiaries and certain third party entities. All guarantees given by the Group for the benefit of the ultimate holding company and fellow subsidiaries had been released or withdrawn prior to the listing of the Company's shares. As at 30 June 2003, it acted as the guarantor for certain jointly controlled entities and certain third party entities. Provisions as set out in condensed consolidated balance sheet have been made for those guarantees where management believes it is probable that the Group will have to pay up those guarantees and at amounts based on its best estimate. Other outstanding guarantees are disclosed as contingent liabilities above.
- (ii) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provisions as set out in condensed consolidated balance sheet have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote, but they are disclosed as contingent liabilities above.

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19. CAPITAL COMMITMENTS

- (a) The Group has the following outstanding capital commitments not provided for in the consolidated financial statements:

	30 June	31 December
	2003	2002
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Authorised and contracted for but not recorded	73,450	37,823
Authorised but not contracted for	70,300	36,875
	143,750	74,698

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

	30 June	31 December
	2003	2002
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Acquisition of property, plant and equipment	111,250	65,986
Purchase of software	2,900	8,392
Construction commitments	29,600	320
	143,750	74,698

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19. CAPITAL COMMITMENTS (CONTINUED)

- (b) The capital commitments related to the Group's interests in the jointly controlled entities are for acquisition of property, plant and equipment, which can be summarised as follows:

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Authorised and contracted for but not recorded	—	698
Authorised but not contracted for	74,905	84,094
	74,905	84,792

20. OPERATING LEASES COMMITMENTS

(a) The Group as lessee

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

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Land and buildings		
— Not later than one year	72,474	51,675
— Later than one year but not later than five years	103,431	108,930
— Later than five years	130,015	129,684
Plant and equipment		
— Not later than one year	237,744	242,130
— Later than one year but not later than five years	151,297	158,638
	694,961	691,057

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20. OPERATING LEASES COMMITMENTS (CONTINUED)

(b) The Group as lessor

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

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Land and buildings		
— Not later than one year	3,803	3,436
— Later than one year but not later than five years	6,388	2,416
— Later than five years	1,073	1,340
Plant and equipment		
— Not later than one year	342	204
— Later than one year but not later than five years	628	340
	12,234	7,736

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21. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party transactions undertaken in connection with the Reorganisation described in Note 1 above, during the six months ended 30 June 2003, the Group entered into various transactions with related parties including the ultimate holding company, fellow subsidiaries, associates, jointly controlled entities and joint venture partners in jointly controlled entities of the Group, and entities, directly or indirectly, controlled or significantly influenced by the ultimate holding company.

The following is a summary of significant transactions carried out with related parties in the ordinary course of business for the six months ended 30 June 2003 and 2002:

(a) Profit and loss items

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Transactions with ultimate holding company and fellow subsidiaries		
<i>Revenue</i>		
Revenue from provision of services	179,080	212,772
Rental income from vessels leased out	—	238
Management fee income	—	2,403
<i>Expenses</i>		
Service fees	(96,969)	(160,936)
Rental expenses for office buildings	(20,098)	(16,752)
Rental expenses for containers	(8,917)	(39,514)
Rental expenses for warehouse and depots	(1,791)	(2,712)
Rental expenses for ships	(12,352)	(19,524)
Rental expenses for motor vehicles	(1,708)	(2,533)
Rental expenses for plant and equipment	—	(2,229)
Management fees	—	(3,060)
<i>Others</i>		
Guarantees provided by the Group for the benefit of ultimate holding company and fellow subsidiaries	—	179,214
Guarantees provided by ultimate holding company	—	7,740

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21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Profit and loss items (continued)

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Transactions with associates of the Group		
<i>Revenue</i>		
Revenue from provision of services	4,296	5,545
<i>Expenses</i>		
Service fees	(164)	(4,168)
Transactions with jointly controlled entities (after elimination of the Group's proportionate interests in those jointly controlled entities)		
<i>Revenue</i>		
Revenue from provision of services	30,176	32,680
<i>Expenses</i>		
Service fees	(17,790)	(4,331)
<i>Others</i>		
Guarantees provided by the Group for the benefit of jointly controlled entities	7,100	2,150
Transactions between jointly controlled entities and joint venture partners in those jointly controlled entities (attributable to the Group's interests in those jointly controlled entities)		
<i>Revenue</i>		
Revenue from provision of services	177,807	111,593
<i>Expenses</i>		
Service fees	(201,635)	(121,356)

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21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Profit and loss items (continued)

	For the six months ended 30 June	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Audited)
Transactions with other related parties		
<i>Revenue</i>		
Revenue from provision of pick-up, delivery and other services	149,131	121,482
<i>Expenses</i>		
Expenses from provision of pick-up, delivery and other services	(2,132)	(4,134)
<i>Others</i>		
Guarantees provided by the Group for the benefit of joint venture partners in jointly controlled entities	—	12,500

These transactions are entered into at terms agreed with these related parties in the ordinary course of business.

The guarantees given by the Group for the benefit of the ultimate holding company and fellow subsidiaries and vice versa had been released prior to the listing of the Company's shares.

In addition to the above, the ultimate holding company has assumed the Group's obligations to make benefits payments to certain of the Group's former employees and retirees at a consideration of RMB497,574,000 (see note 15) and agreed to bear any further one-off cash housing subsidies in excess of the amount of approximately RMB74,560,000 provided for in the combined financial statements of the Group at the time of the Reorganisation.

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21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balance sheet items

As at 30 June 2003 and 31 December 2002, balances with related parties comprised:

	30 June 2003 RMB'000 (Unaudited)	31 December 2002 RMB'000 (Audited)
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	107,817	324,662
Trade payables	(54,888)	(65,375)
Other payables, accruals and other liabilities	(314,589)	(1,031,747)
Long-term payable	(332,512)	(331,716)
Balances with jointly controlled entities		
Trade and other receivables	27,285	14,281
Trade payables	(8,557)	(4,930)
Other payables, accruals and other liabilities	(358)	(915)
Balances with associates of the Group		
Trade and other receivables	3,216	2,383
Trade payables	(82)	—
Other payables, accruals and other liabilities	(7,888)	(10,868)
Balances with other related parties		
Trade and other receivables	141,774	156,835
Trade payables	(14,377)	(28,781)
Other payables, accruals and other liabilities	(32,136)	(20,015)

Amounts due from/to related parties are unsecured, non-interest bearing and payable on demand. Except for the long term payable to the ultimate holding company as set out in note 15, the balances primarily arose from the related party transactions as shown in 21 (a) above.

22. SUBSEQUENT EVENT

On 24 July 2003, Sinoair entered into an agreement with Sinotrans Beijing Airfreight Forwarding Co. ("Beikong") to acquire a 50% equity interest in UPS-Sinotrans Beikong Parcel International Express Co., Ltd. (the "UPS JV"), representing Beikong's entire interest in the UPS JV. The acquisition consideration of RMB5,400,000 is payable in cash.