

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		For the six months ended 30 June	
	Note	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited and restated) Note 2
<b>Continuing operations</b>			
Turnover	3	13,073,975	9,754,412
Other revenues		46,926	29,318
		<b>13,120,901</b>	9,783,730
Transportation and related charges		(9,969,126)	(7,356,410)
Staff costs		(802,802)	(645,843)
Depreciation and amortisation		(128,982)	(107,681)
Repairs and maintenance		(55,477)	(41,999)
Fuel		(332,695)	(205,838)
Travel and promotional expenses		(144,916)	(108,513)
Office and communication expenses		(80,718)	(78,097)
Rental expenses		(734,453)	(549,730)
Other operating expenses		(217,450)	(156,419)
Operating profit	4	<b>654,282</b>	533,200
Finance income, net	5	<b>12,596</b>	22,567
		<b>666,878</b>	555,767
Share of profit of associates		<b>6,565</b>	6,579
Profit before taxation		<b>673,443</b>	562,346
Taxation	6	<b>(176,084)</b>	(153,727)
Profit for the period from continuing operations		<b>497,359</b>	408,619
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	16	<b>104,302</b>	41,749
<b>Profit for the period</b>		<b>601,661</b>	450,368
Attributable to:			
Equity holders of the Company		<b>498,670</b>	376,251
Minority interests		<b>102,991</b>	74,117
Proposed interim dividend	7(b)	<b>(161,462)</b>	(127,470)
Earnings per share for continuing operations, basic and diluted	8	<b>RMB0.10</b>	RMB0.08
Earnings per share for discontinued operations, basic and diluted	8	<b>RMB0.02</b>	RMB0.01

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Note	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Restated) Note 2
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	9	2,198,010	1,896,728
Prepayments for acquisition of land use rights		104,211	100,133
Land use rights		311,001	283,711
Intangible assets		69,450	64,442
Investments in associates		179,759	165,078
Held-to-maturity investments	10	66,212	66,212
Other non-current assets		25,903	27,992
Deferred tax assets	6	259,818	251,641
		<b>3,214,364</b>	2,855,937
Current assets			
Prepayments, deposits and other current assets		519,421	381,071
Inventories		18,630	18,094
Trade and other receivables	11	5,005,385	4,073,589
Financial assets at fair value through profit or loss		542	542
Restricted cash		89,462	97,430
Term deposits with initial term of over three months		1,013,640	924,869
Cash and cash equivalents		4,962,532	4,722,702
		<b>11,609,612</b>	10,218,297
Non-current assets classified as held for sale	16	9,024	9,024
Total assets		<b>14,833,000</b>	13,083,258

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2005

	Note	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Restated) Note 2
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital		4,249,002	4,249,002
Reserves		2,712,263	2,375,055
Proposed dividend		161,462	144,466
Equity holders' equity		7,122,727	6,768,523
Minority interests		1,114,455	1,035,106
Total equity		8,237,182	7,803,629
Non-current liabilities			
Borrowings	13	4,400	13,750
Deferred tax liabilities		6,746	1,526
Provisions		78,389	60,583
Deferred income arising from transfer of business and provision of related and transition services	16	362,104	—
Other liabilities		9,223	8,720
		460,862	84,579
Current liabilities			
Trade payables	12	3,896,060	3,074,557
Other payables, accruals and other current liabilities		830,068	723,632
Receipts in advance from customers		612,721	598,268
Current tax liabilities		227,353	196,633
Borrowings	13	136,899	194,540
Salary and welfare payable		431,855	407,420
		6,134,956	5,195,050
Total liabilities		6,595,818	5,279,629
Total equity and liabilities		14,833,000	13,083,258

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

		For the six months ended 30 June	
	Note	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Continuing operations</b>			
Net cash inflow from operating activities		367,349	243,034
Net cash (used in)/provided from investing activities	17(a)	(488,156)	119,721
Net cash used in financing activities	17(b)	(164,978)	(34,789)
Net (decrease)/increase in cash and cash equivalents		(285,785)	327,966
<b>Discontinued operations</b>			
Net cash inflow from operating activities		59,853	52,566
Net cash provided from investing activities		3,432	902
Net cash inflow from transfer of business and provision of related and transition services		462,330	—
Net increase in cash and cash equivalents		525,615	53,468
<b>Total net increase in cash and cash equivalents</b>		<b>239,830</b>	381,434
<b>Cash and cash equivalents at 1 January</b>		<b>4,722,702</b>	4,882,817
<b>Cash and cash equivalents at 30 June</b>		<b>4,962,532</b>	5,264,251

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	For the six months ended 30 June 2005 (unaudited)						
	Attributable to equity holders of the Company						
	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2005, as previously reported	4,249,002	1,295,248	144,906	72,453	1,019,320	1,035,106	7,816,035
Opening adjustment for the adoption of IFRS 2 and IFRS 3 (Note 2)	—	—	—	—	(12,406)	—	(12,406)
As at 1 January 2005, as restated	4,249,002	1,295,248	144,906	72,453	1,006,914	1,035,106	7,803,629
Profit for the period	—	—	—	—	498,670	102,991	601,661
2004 final dividend	—	—	—	—	(144,466)	—	(144,466)
Capital injection from minority shareholders of subsidiaries	—	—	—	—	—	44,100	44,100
Disposal of a wholly-owned subsidiary	—	—	—	—	—	5,132	5,132
Acquisition of subsidiaries	—	—	—	—	—	9,722	9,722
Dividends declared to minority shareholders	—	—	—	—	—	(82,596)	(82,596)
Transfer to statutory reserves (Note 7(a))	—	—	47,612	23,806	(71,418)	—	—
As at 30 June 2005	4,249,002	1,295,248	192,518	96,259	1,289,700	1,114,455	8,237,182
Representing:							
Share capital and reserves	4,249,002	1,295,248	192,518	96,259	1,128,238	1,114,455	8,075,720
2005 proposed interim dividend	—	—	—	—	161,462	—	161,462
As at 30 June 2005	4,249,002	1,295,248	192,518	96,259	1,289,700	1,114,455	8,237,182

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2005

For the six months ended 30 June 2004 (unaudited and restated)							
Attributable to equity holders of the Company							
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2004, as previously reported	4,249,002	1,295,248	68,935	34,468	585,397	776,487	7,009,537
Opening adjustment for the adoption of IFRS 2 (Note 2)	—	—	—	—	(15,697)	—	(15,697)
As at 1 January 2004, as restated	4,249,002	1,295,248	68,935	34,468	569,700	776,487	6,993,840
Profit for the period	—	—	—	—	376,251	74,117	450,368
2003 final dividend	—	—	—	—	(127,470)	—	(127,470)
Dividends declared to minority shareholders	—	—	—	—	—	(24,289)	(24,289)
Transfer to statutory reserves (Note 7(a))	—	—	35,584	17,792	(53,376)	—	—
As at 30 June 2004	4,249,002	1,295,248	104,519	52,260	765,105	826,315	7,292,449
Representing:							
Share capital and reserves	4,249,002	1,295,248	104,519	52,260	637,635	826,315	7,164,979
2004 proposed interim dividend	—	—	—	—	127,470	—	127,470
As at 30 June 2004	4,249,002	1,295,248	104,519	52,260	765,105	826,315	7,292,449

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## NOTES TO THE UNAUDITED 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. The Company and its subsidiaries are hereinafter referred to as the "Group".

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.

The principal activities of the Group include freight forwarding, shipping agency, express services, marine transportation, storage and terminal services and trucking and other services.

### 2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim 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.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2005 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised International Financial Reporting Standards ("IFRS") which are effective for accounting periods commencing on or after 1 January 2005.

In 2005, the Group adopted the new/revised IFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payments
IFRS 3	Business Combinations
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 2. Basis of Preparation and Accounting Policies (Continued)

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 32, 33, 38, 39 and IFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- IAS 1 has affected the presentation of minority interests and other disclosures;
- IAS 2, 8, 10, 16, 17, 21, 27, 28, 32, 33, 38 and 39 had no material effect on the Group's policies;
- IAS 24 has affected the identification of related parties and some other related-party disclosures;
- IFRS 5 has affected the presentation of discontinued operations and other disclosures.

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, liabilities incurred on employee services received in exchange for cash-settled share-based payments are recognised based on the difference between the market price of the Company's ordinary shares at each balance sheet date and the respective exercise prices under the cash-settled share-based payment arrangements. Upon adoption of IFRS 2, employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability incurred and are expensed when consumed. This change in the accounting policy has been accounted for retrospectively.

The adoption of IFRS 3, IAS 36 and IAS 38 resulted in a change in the accounting policy for goodwill and negative goodwill and the assessment by management of asset impairment. Until 31 December 2004:

- Goodwill and negative goodwill was amortised on a straight line basis over its estimated useful life up to a maximum period of 10 years; and
- Goodwill was assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3:

- The Group ceased amortisation of goodwill and negative goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill and negative goodwill; and
- From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment while negative goodwill was derecognised at 1 January 2005, with a corresponding adjustment to the opening balance of retained profits.

In accordance with the provisions of IAS 36:

- Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
- An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All of the new/revised standards adopted by the Group require retrospective application other than IFRS 3 (prospectively after 31 March 2004).



# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 2. Basis of Preparation and Accounting Policies (Continued)

### (i) The adoption of IFRS 2 resulted in:

	As at	
	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Restated)
Increase in salary and welfare payable	12,843	14,583
Decrease in retained profits	12,843	14,583

	For the six months ended	
	30 June 2005 RMB'000 (Unaudited)	30 June 2004 RMB'000 (Unaudited and restated)
Decrease in staff costs	1,740	1,940

The above adoption has been accounted for retrospectively and the relevant comparatives have been restated.

### (ii) The adoption of IFRS 3 resulted in:

	As at	
	30 June 2005 RMB'000 (Unaudited)	1 January 2005 RMB'000 (Restated)
Increase in goodwill	1,978	—
Decrease in negative goodwill	4,222	2,177
Increase in retained profits	6,200	2,177

  

	For the six months ended 30 June 2005 RMB'000 (Unaudited)
Decrease in amortisation	1,718
Increase in other revenue	2,305

There was no impact on opening retained earnings at 1 January 2004 from the adoption of IFRS 3.

The above adoption of IFRS 2 and IFRS 3 has no material impact on the basic/diluted earnings per share.

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 3. 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. None of them is of a sufficient size to be reported separately.

	For the six months ended 30 June 2005 (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	
<b>Continuing operations</b>								
Turnover — external	9,503,457	255,691	1,081,301	1,730,646	380,612	122,268	—	13,073,975
Turnover — inter-segment	33,751	13,950	2,067	147,679	53,565	29,852	(280,864)	—
	9,537,208	269,641	1,083,368	1,878,325	434,177	152,120	(280,864)	13,073,975
Segment results	204,947	124,617	172,768	124,627	97,787	4,035	—	728,781
Unallocated costs								(74,499)
Operating profit								654,282
Finance income, net								12,596
								666,878
Share of profit of associates								6,565
Profit before taxation								673,443
Taxation								(176,084)
Profit for the period from continuing operations								497,359
<b>Discontinued operations</b>								
Profit for the period from discontinued operations			104,302					104,302
Profit for the period								601,661

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 3. Turnover and Segment Information (Continued)

### (a) Primary reporting format — business segments (Continued)

For the six months ended 30 June 2004 (unaudited and restated)								
	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	Group RMB'000
<b>Continuing operations</b>								
Turnover — external	7,106,984	215,367	816,530	1,273,047	281,428	61,056	—	9,754,412
Turnover — inter-segment	51,518	16,195	2,339	107,865	23,205	5,615	(206,737)	—
	7,158,502	231,562	818,869	1,380,912	304,633	66,671	(206,737)	9,754,412
Segment results	155,303	110,901	166,585	87,490	59,469	(715)	—	579,033
Unallocated costs								(45,833)
Operating profit								533,200
Finance income, net								22,567
								555,767
Share of profit of associates								6,579
Profit before taxation								562,346
Taxation								(153,727)
Profit for the period from continuing operations								408,619
<b>Discontinued operations</b>								
Profit for the period from discontinued operations			41,749					41,749
Profit for the period								450,368

### (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.

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 3. Turnover and Segment Information (Continued)

### (b) Secondary reporting format — geographical segments (Continued)

- (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 2005 (unaudited)			
	Turnover — external RMB'000	Turnover — inter-segment RMB'000	Total turnover RMB'000	Segment results RMB'000
<b>Continuing operations</b>				
Northern China	1,349,527	2,183	1,351,710	63,562
Eastern China	9,687,775	50,172	9,737,947	562,199
Southern China	1,719,910	19,018	1,738,928	94,957
Other locations	316,763	6,131	322,894	8,063
Inter-segment elimination	—	(77,504)	(77,504)	—
	<b>13,073,975</b>	<b>—</b>	<b>13,073,975</b>	<b>728,781</b>
Unallocated costs				(74,499)
Operating profit				<b>654,282</b>
<b>Discontinued operations</b>				
Northern China	6,858	—	6,858	1,780
Eastern China	105,783	—	105,783	27,460
Southern China	60,179	—	60,179	15,622
Other locations	5,539	—	5,539	1,438
	<b>178,359</b>	<b>—</b>	<b>178,359</b>	<b>46,300</b>
Unallocated costs				—
Operating profit				<b>46,300</b>

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 3. Turnover and Segment Information (Continued)

### (b) Secondary reporting format — geographical segments (Continued)

	For the six months ended 30 June 2004 (unaudited and restated)			
	Turnover — external RMB'000	Turnover — Inter-segment RMB'000	Total turnover RMB'000	Segment results RMB'000
<b>Continuing operations</b>				
Northern China	1,106,486	14,709	1,121,195	53,825
Eastern China	7,130,811	41,733	7,172,544	417,706
Southern China	1,390,636	14,209	1,404,845	104,003
Other locations	126,479	72	126,551	3,499
Inter-segment elimination	—	(70,723)	(70,723)	—
	9,754,412	—	9,754,412	579,033
Unallocated costs				(45,833)
Operating profit				533,200
<b>Discontinued operations</b>				
Northern China	12,110	—	12,110	3,865
Eastern China	67,094	—	67,094	21,410
Southern China	70,633	—	70,633	22,541
Other locations	4,956	—	4,956	1,580
	154,793	—	154,793	49,396
Unallocated costs				—
Operating profit				49,396

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 4. Operating Profit

Operating profit is stated after crediting and charging the following:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited and restated)
<b>Crediting</b>		
Rental income from		
— land and buildings	6,290	3,829
— plant and machinery	849	95
Gain on disposal of property, plant and equipment	1,995	2,227
<b>Charging</b>		
Depreciation		
— owned property, plant and equipment	116,967	97,080
— owned property, plant and equipment leased out under operating leases	3,826	2,383
Loss on disposal of property, plant and equipment	536	775
Provision for impairment of receivables and bad debts written off	12,832	9,044
Operating leases		
— land and buildings	83,453	76,549
— plant and equipment	651,000	473,181
Amortisation of intangible assets	8,189	8,218

## 5. Finance Income, Net

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Interest income on bank balances	33,948	33,026
Interest income on held-to-maturity investments	1,920	3,236
Interest expenses on bank loans	(5,886)	(5,000)
Exchange losses, net	(9,902)	(2,189)
Bank charges	(4,052)	(2,844)
	16,028	26,229
Representing:		
Finance income, net, from continuing operations	12,596	22,567
Finance income, net, from discontinued operations	3,432	3,662

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 6. Taxation

Taxation in the unaudited condensed consolidated income statement represents:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Provision for PRC income tax		
— current	229,505	162,025
— deferred taxation charge	(9,632)	3,483
	<b>219,873</b>	165,508
Representing:		
Provision for PRC income tax, from continuing operations	176,084	153,727
Provision for PRC income tax, from discontinued operations	43,789	11,781

No provision for Hong Kong profits tax has been made as there were no estimated Hong Kong assessable profits for the period ended 30 June 2005 and 2004.

Taxation has been provided on the tax laws and regulations applicable to the 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% (2004: 33%) of the assessable income of each of the companies comprising the Group as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries or jointly controlled entities which are taxed at preferential rates ranging from 0% to 30% (2004: 0% to 30%) based on the relevant PRC tax laws and regulations.

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates which are enacted or substantively enacted by the balance sheet date.

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.

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 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 International Financial Reporting Standards ("IFRS"), a deferred tax asset of RMB221,678,000 was recognised and credited into capital reserve in 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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## 7. Profit Appropriations

### (a) Statutory surplus reserve and statutory public welfare fund

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

In accordance with the relevant PRC regulations and the Articles of Association of the Company, every year the Company is required to transfer between 5% to 10% of the profit after taxation determined in accordance with the PRC accounting standards to a statutory public welfare fund. The use of this fund is restricted to capital expenditure for employees' collective welfare facilities, the ownership in respect of which belongs to the Group. The statutory public welfare fund is not available for distribution to shareholders except under liquidation. Once the capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve, a reserve which can be used to reduce any losses incurred or to increase share capital.

For the six months ended 30 June 2005, approximately RMB47,612,000 and RMB23,806,000 (corresponding period in 2004: RMB35,584,000 and RMB17,792,000), representing 10% and 5% of profit after tax (corresponding period in 2004: 10% and 5%) respectively determined under the PRC accounting standards, have been appropriated to the statutory surplus reserve fund and the statutory public welfare fund.

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 2005, the amount of retained profits available for distribution was approximately RMB1,126,523,000 (30 June 2004: RMB650,469,000), being the amount determined in accordance with the PRC accounting standards.

### (b) Dividend

At the Board of Directors' meeting held on 26 August 2005, the directors declared an interim dividend of RMB0.038 per ordinary share for the six months ended 30 June 2005. The total dividend declared is approximately RMB161,462,000 for 4,249,002,200 shares, being the number of ordinary shares issued and outstanding on 30 June 2005. This declared dividend is not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2005.

## 8. Earnings per Share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders by the number of ordinary shares in issue during the six months period.

	For the six months ended 30 June	
	2005 (Unaudited)	2004 (Unaudited and restated)
<b>Continuing operations</b>		
Profit attributable to equity holders of the Company (RMB '000)	425,288	346,878
Number of ordinary shares in issue (thousands)	4,249,002	4,249,002
Basic and diluted earnings per share (RMB per share)	0.10	0.08
<b>Discontinued operations</b>		
Profit attributable to equity holders of the Company (RMB '000)	73,382	29,373
Number of ordinary shares in issue (thousands)	4,249,002	4,249,002
Basic and diluted earnings per share (RMB per share)	0.02	0.01

As there are no potentially dilutive securities, there is no difference between basic and diluted earnings per share.



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## 9. Property, Plant and Equipment

	Unaudited								
	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
<b>Cost</b>									
At beginning of the period	886,321	74,204	93,908	23,342	531,011	702,640	420,720	297,403	3,029,549
Additions	12,403	7,502	—	147	32,612	45,824	23,083	246,345	367,916
Acquisition of a subsidiary and jointly controlled entities	48,089	—	—	—	13,796	10,117	1,701	3,087	76,790
Disposals	(766)	—	—	—	(4,391)	(15,667)	(6,649)	—	(27,473)
Transfer upon completion	78,973	—	38,830	—	85,202	5,462	1,161	(209,628)	—
At end of the period	1,025,020	81,706	132,738	23,489	658,230	748,376	440,016	337,207	3,446,782
<b>Accumulated depreciation and impairment losses</b>									
At beginning of the period	(200,567)	(42,150)	(46,228)	(17,896)	(197,919)	(393,944)	(234,117)	—	(1,132,821)
Depreciation for the period	(21,612)	(4,181)	(3,697)	(772)	(25,476)	(40,651)	(29,820)	—	(126,209)
Acquisition of a subsidiary and jointly controlled entities	(6,992)	—	—	—	(2,640)	(4,369)	(566)	—	(14,567)
Disposals	569	—	—	—	3,890	13,805	6,561	—	24,825
At end of the period	(228,602)	(46,331)	(49,925)	(18,668)	(222,145)	(425,159)	(257,942)	—	(1,248,772)
<b>Net book value</b>									
At end of the period	796,418	35,375	82,813	4,821	436,085	323,217	182,074	337,207	2,198,010
At beginning of the period	685,754	32,054	47,680	5,446	333,092	308,696	186,603	297,403	1,896,728

## 10. Held-To-Maturity Investments

Held-to-maturity investments as at 30 June 2005 represented term deposits denominated in the US dollar at a bank with maturity of 10 years from 2004. The interest rates are variable with reference to US dollar London InterBank Offered Rate and the weighted average effective interest rate for the period ended 30 June 2005 was 4.43%. The bank has early repayment options under the deposit agreements. The derivatives embedded in these deposits are not separately accounted for because their risks and characteristics are considered to be closely related to the deposits.

## 11. Trade and Other Receivables

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Trade receivables, net	4,733,989	3,813,886
Bills receivable	21,047	31,867
Other receivables, net	250,349	227,836
	5,005,385	4,073,589

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## 11. Trade and Other Receivables (Continued)

	<b>30 June 2005 RMB'000 (Unaudited)</b>	31 December 2004 RMB'000 (Audited)
Trade receivables	<b>4,836,626</b>	3,891,726
Less: Provision for impairment of receivables	<b>(102,637)</b>	(77,840)
Trade receivables, net	<b>4,733,989</b>	3,813,886

As at 30 June 2005 and 31 December 2004, the aging analysis of trade receivables is as follows:

	<b>30 June 2005 RMB'000 (Unaudited)</b>	31 December 2004 RMB'000 (Audited)
Within 6 months	<b>4,651,343</b>	3,629,790
Between 6 and 12 months	<b>78,645</b>	170,658
Between 1 and 2 years	<b>69,233</b>	53,511
Between 2 and 3 years	<b>14,216</b>	11,511
Over 3 years	<b>23,189</b>	26,256
	<b>4,836,626</b>	3,891,726

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

	<b>30 June 2005 RMB'000 (Unaudited)</b>	31 December 2004 RMB'000 (Audited)
Other receivables	<b>273,049</b>	246,503
Less: Provision for impairment of receivables	<b>(22,700)</b>	(18,667)
Other receivables, net	<b>250,349</b>	227,836

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## 12. Trade Payables

The normal credit period for trade payables generally ranges from 1 to 3 months. Aging analysis of trade payables at the respective balance sheet dates is as follows:

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Within 6 months	3,296,974	2,722,551
Between 6 and 12 months	332,421	130,995
Between 1 and 2 years	199,299	181,848
Between 2 and 3 years	43,590	15,743
Over 3 years	23,776	23,420
	<b>3,896,060</b>	<b>3,074,557</b>

## 13. Borrowings

(a) Borrowings represent bank borrowings which are analysed as follows:

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Current:		
Bank borrowings	132,099	186,690
Current portion of non-current borrowings	4,800	7,850
	<b>136,899</b>	<b>194,540</b>
Non-current:		
Bank borrowings	4,400	13,750
Total borrowings	<b>141,299</b>	<b>208,290</b>
Borrowings:		
Unsecured	37,075	24,066
Secured and guaranteed	104,224	184,224
	<b>141,299</b>	<b>208,290</b>

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## 13. Borrowings (Continued)

(b) The non-current bank borrowings as at 30 June 2005 were repayable within 2 years.

(c) Securities and guarantees

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Deposits pledged	62,710	97,430
Net book value of property, plant and equipment pledged	69,968	43,458
Net book value of land use rights pledged	66,576	77,362
Guarantees provided by companies within the Group	31,520	18,279
Guarantees provided by third parties	8,000	8,000
Corresponding borrowings	104,224	184,224

## 14. Cash-Settled Share-Based Payment

As at 30 June 2005, the Group had cash-settled share-based payment arrangements, also known as Share Appreciation Rights plan ("SARs plan") with key employees and directors.

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

The eligible grantees under the SARs Plan are members of the board of directors of the Company and the supervisory committee (excluding independent directors and independent supervisors), the president, vice president, company secretary, assistant to the president, chief financial officer, heads of departments and managers and assistant managers of departments, branches and subsidiaries and special talented personnel. Special talented personnel are those key personnel who make important contributions to the Group's development or operations and include senior technical experts and market development personnel who make remarkable contributions to the Group. As at balance sheet date, the Company has granted SARs to a total of 5 directors, 1 supervisor and 124 senior employees of the Group. The directors and the supervisor have received 2,740,000 SARs. 124 senior employees of the Group have received 25,030,000 SARs.

The number of SARs to be granted to the eligible grantees under the SARs Plan and any other share option scheme of the Company will not exceed 10% of the total number of issued share capital of the Company.

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

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## 14. Cash-Settled Share-Based Payment (Continued)

Movements in the number of SARs outstanding and their related weighted average exercise prices are as follows:

	2005 Average exercise price in HK\$ per share	SARs (thousands)	2004 Average exercise price in HK\$ per share	SARs (thousands)
At 1 January	2.19	27,770	2.19	27,770
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Lapsed	—	—	—	—
At 30 June/31 December	2.19	27,770	2.19	27,770

Out of the 27,770,000 outstanding SARs (31 December 2004: 27,770,000 SARs), 18,513,000 SARs (31 December 2004: 9,257,000 SARs) were exercisable. No SARs were exercised since the date of grant.

As at 30 June 2005, information on outstanding SARs is summarised as follows:

	Date of grant	Expiry date	Exercise price in HK\$ per share	30 June 2005 (Thousands)	31 December 2004 (Thousands)
Tranche I	20 January 2003 (Note (a))	20 January 2013	2.19	23,710	23,710
Tranche II	24 June 2003 (Note (b))	24 June 2013	2.18	4,060	4,060
				27,770	27,770

(a) The fair value of SARs granted under Tranche I during the six months ended 30 June 2005 determined using the Black-Scholes valuation model was HK\$0.66 (30 June 2004: HK\$1.13). The significant inputs into the model were share price of HK\$2.43 (30 June 2004: HK\$2.80), exercise price shown above, expected life of SARs of 3.55 years (2004: 4.05 years), expected dividend rate of 2.54% (2004: 2.05%) and risk-free interest rate ranging from 3.21% to 3.26% (2004: ranging from 2.21% to 2.66%). The expected volatility is estimated based on historical daily share price of comparable companies listed in Hong Kong.

(b) The fair value of SARs granted under Tranche II during the six months ended 30 June 2005 determined using the Black-Scholes valuation model was HK\$0.69 (30 June 2004: HK\$1.16). The significant inputs into the model were share price of HK\$2.43 (30 June 2004: HK\$2.80), exercise price shown above, expected life of SARs of 3.98 years (2004: 4.48 years), expected dividend rate of 2.54% (2004: 2.05%) and risk-free interest rate ranging from 3.21% to 3.26% (2004: ranging from 2.21% to 2.66%). The expected volatility is estimated based on historical daily share price of comparable companies listed in Hong Kong.

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For the six months ended 30 June 2005

## 14. Cash-Settled Share-Based Payment (Continued)

The amounts recognised in the financial statements (before taxes) for SARs can be summarised as follows:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Staff costs charged/(credited)	2,076	(5,356)
	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Unaudited)
Salary and welfare payable	18,349	16,273

The intrinsic value of SARs vested at 30 June 2005 is HK\$0.24 per share for Tranche I and HK\$0.25 per share for Tranche II respectively.

## 15. Additional Financial Information on Balance Sheet

As at 30 June 2005, the net current assets of the Group amounted to RMB5,474,656,000 (31 December 2004: RMB5,023,247,000), and the total assets less current liabilities of the Group were RMB8,698,044,000 (31 December 2004: RMB7,888,208,000).

## 16. Discontinued Operations

A distinguishable component of the Group's express services business has been conducted by the Group through an agreement for international express package delivery services with UPS World Forwarding Inc. ("UPS") and its affiliates, as well as the operation of a jointly controlled entity with UPS (collectively referred to as "UPS Express Business"). On 1 December 2004 and 12 January 2005, the Group entered into a framework agreement and a transition services agreement, respectively, with UPS to transfer the UPS Express Business to UPS over a period until 31 December 2007. The base consideration for this business transfer is US\$100,000,000, subject to certain adjustments depending primarily on the achievement of certain revenue targets of the UPS Express Business and fulfillment of the Group's performance obligations during the transition period. Moreover, additional consideration may be payable depending on the timing of completion of transfer of identified locations and whether certain property and equipment are to be acquired by UPS. The base consideration covers the transfer of the following:

- Agreement by the Group not to permit or cause the customers of UPS Express Business to terminate or materially reduce its business with UPS, as well as other locations of UPS Express Business operated by the Group for a period until 31 December 2007;
- Transfer of customer lists and the Group's interest in the jointly controlled entity with UPS to UPS;
- Provision by the Group of customer data transition, regulatory assistance, non-solicitation of employees and employment services to facilitate the transition of the UPS Express Business to UPS;
- Transfer of locations and other assets and rights related to the UPS Express Business to UPS.

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## 16. Discontinued Operations (Continued)

The above-mentioned UPS Express Business was conducted by a non wholly-owned subsidiary, Sinoair, as well as certain wholly-owned subsidiaries of the Company. Accordingly, the Company and Sinoair entered into an agreement on 21 December 2004 which provides for the payment of US\$12,090,000 from the above-mentioned base consideration of US\$100,000,000 to those wholly-owned subsidiaries of the Company which have conducted the UPS Express Business. Sinoair will keep the remaining amount.

On 1 February 2005, the Group transferred 5 major locations and customer lists to UPS and began to provide related and transition services to UPS. In accordance with the terms of framework agreement, the Group has received US\$40,000,000 as the initial payment out of the total base consideration of US\$100,000,000. The remaining installments of US\$10,000,000 and US\$50,000,000 are due on 31 December 2005 and 31 December 2006 respectively, subject to certain conditions and adjustments. In addition, the Group has received US\$16,000,000 as part of an additional consideration based on the timing of the completion of transfer of the identified locations.

The Group has estimated an adjustment to the base consideration in determination of the income from transfer of business and provision of related and transition services. The adjustment is in respect of the uncertainties surrounding the achievement of certain revenue targets and other potential claims under the framework agreement.

An analysis of the profit for the period from discontinued operations is as follows:

		For the six months ended 30 June	
	Note	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Discontinued operations</b>			
<b>Income statement</b>			
Turnover	3(b)	178,359	154,793
Operating expenses		(132,059)	(105,397)
Operating profit		46,300	49,396
Finance income, net	5	3,432	3,662
		49,732	53,058
Share of profit of associates		—	472
Profit before taxation		49,732	53,530
Taxation	6	(11,330)	(11,781)
		38,402	41,749
Income from transfer of business and provision of related and transition services		98,359	—
Tax thereon	6	(32,459)	—
After-tax income from transfer of business and provision of related and transition services		65,900	—
<b>Profit for the period from discontinued operations</b>	3(a)	<b>104,302</b>	41,749
<b>Balance sheet</b>			
Non-current assets classified as held for sale		9,024	9,024
Deferred income arising from transfer of business and provision of related and transition services		362,104	—

# Unaudited Condensed Consolidated Interim Financial Statements

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## 17. Supplementary Information to Unaudited Condensed Consolidated Cash Flow Statement

### Continuing operations

#### (a) Major investing activities:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Interest income received	28,530	26,313
Purchase of property, plant and equipment	(367,916)	(268,696)
(Increase)/decrease in term deposits with initial term of over three months	(88,771)	633,326
Net cash outflow — acquisition of a subsidiary and jointly controlled entities	(43,289)	—
Acquisition of associates	(17,795)	(4,887)
Purchase of intangible assets	(9,603)	(5,108)
Prepayments for acquisition of land use rights	(4,078)	(71,128)
Purchase of land use rights	—	(6,676)
Purchase of held-to-maturity investments	—	(206,915)
Disposal of held-to-maturity investments	—	42,500

#### (b) Major financing activities:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
New bank borrowings	176,935	155,562
Repayments of bank borrowings	(255,526)	(110,552)
Dividends to minority shareholders in subsidiaries	(77,682)	(24,289)
Payment of dividends	(60,772)	(53,622)
Capital injection from minority shareholders of subsidiaries	44,100	—



# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 17. Supplementary Information to Unaudited Condensed Consolidated Cash Flow Statement (Continued)

### Continuing operations (Continued)

#### (c) Acquisition of a subsidiary and jointly controlled entities

On 29 January 2005, the Group acquired certain equity interests in five companies from Sinotrans Group Company for a cash consideration of RMB60,757,000. The acquisition is accounted for using the purchase method of accounting. The name of the companies and the percentage of interest acquired are listed as follows:

Company name	Percentage of interest
<b>Subsidiary:</b>	
China Taicang Marine Shipping Agency Co., Ltd. ("CTMSA")	100%
<b>Jointly controlled entities:</b>	
Jiangsu Nissin Sinotrans International Transportation Co., Ltd.	50%
Ningbo Dagang Container Co., Ltd.	50%
Xuzhou Sinotrans Maruzen Transportation Co., Ltd.	50%
Sinotrans Hi-Tech Logistics (Suzhou) Co., Ltd.	30%

Details of the assets and liabilities acquired are as follows:

	Fair value RMB'000 (Unaudited)	Acquiree's carrying amount RMB'000 (Unaudited)
Assets/liabilities acquired (at 100% interest for CTMSA and at respective proportionate interest in jointly controlled entities)		
Total assets	123,053	100,216
Total liabilities	(62,434)	(55,763)
Minority interests	(327)	(327)
Net assets acquired	60,292	44,126
Fair value of net assets acquired	60,292	
Goodwill on acquisition	465	
Total purchase consideration	60,757	
Net cash outflow in respect of the acquisition is analysed as follows:		
Cash and cash equivalents	17,468	
Purchase consideration settled in cash	(60,757)	
Cash outflow on acquisition	(43,289)	

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## 18. Contingent Liabilities

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

	Note	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Guarantees provided by the Group for the benefit of jointly controlled entities		25,500	29,100
Guarantees provided by the Group for the benefit of joint venture partner		—	8,800
Pending lawsuits	(i)	4,732	21,282
		<b>30,232</b>	59,182

- (i) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provisions as set out in unaudited 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.
- (ii) In addition, in the ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amounts to the General Administration of Civil Aviation of China for the benefit of certain jointly controlled entities to enable those entities to obtain the required air freight forwarding operating licenses.

## 19. Capital Commitments

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

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Authorised and contracted for	274,888	264,300
Authorised but not contracted for	372,050	356,152
	<b>646,938</b>	620,452

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## 19. Capital Commitments (Continued)

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

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Acquisition of land use rights	187,850	159,400
Acquisition of property, plant and equipment	178,502	56,456
Construction commitments	227,500	272,696
Purchase of software	7,186	4,000
Investment in subsidiaries, jointly controlled entities, associates	45,900	127,900
	<b>646,938</b>	620,452

## 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 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Land and buildings		
— Not later than one year	165,347	95,655
— Later than one year but not later than five years	194,836	128,663
— Later than five years	138,261	133,008
Vessels, containers and other property, plant and equipment		
— Not later than one year	848,822	528,792
— Later than one year but not later than five years	994,403	243,698
— Later than five years	113,486	3,486
	<b>2,455,155</b>	1,133,302

# Unaudited Condensed Consolidated Interim Financial Statements

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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 as follows:

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
Land and buildings		
— Not later than one year	13,365	10,237
— Later than one year but not later than five years	13,345	11,191
— Later than five years	9,130	5,736
Plant and machinery		
— Not later than one year	533	—
	36,373	27,164

## 21. Related Party Transactions

Related parties include Sinotrans Group Company and its subsidiaries, other majority state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence in making financial and operating decisions and key management personnel of the Company and Sinotrans Group Company as well as their close family members.

The Group is part of a larger group of companies under Sinotrans Group Company and has extensive transactions and relationships with members of the Sinotrans Group Company and its subsidiaries. Because of these relationships, it is possible that the terms of the transactions between the Group and members of the Sinotrans Group Company and its subsidiaries are not the same as those that would result from transactions with or among other related parties or wholly unrelated parties.

Sinotrans Group Company itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2003), "Related Party Disclosure", state-owned enterprises and their subsidiaries, other than Sinotrans Group Company and its subsidiaries, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

A portion of the Group's business activities are conducted with other state-owned enterprises. The Group believes that these transactions are carried out on normal commercial terms that are consistently applied to all customers. For the purpose of related party transactions disclosure, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises based on their immediate ownership structure. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. In addition, a portion of the Group's services provided are of a retail nature to end users, which include transactions with the employees of state-owned enterprises on corporate business, their key management personnel and close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the vast volume and the pervasiveness of these transactions, the Group is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from provision of services disclosed below does not include retail transactions with these related parties. However, the Group believes that meaningful information relating to related party disclosures has been adequately disclosed.

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 21. Related Party Transactions (Continued)

In addition to the related party information shown elsewhere in the unaudited condensed consolidated interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions:

### (a) Income statement items

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Transactions with Sinotrans Group Company</b>		
<i>Revenue</i>		
Revenue from provision of services	2,832	—
<i>Expenses</i>		
Service fees	(5,262)	(1,312)
Rental expenses for office buildings	(3,555)	(3,355)
Rental expenses for motor vehicles	(345)	(701)

In addition to the above, the Sinotrans Group Company has assumed the Group's obligations to make benefits payments to certain of the Group's former employees and retirees and agreed to bear any further one-off cash housing subsidies in excess of the amount of RMB74,560,000 provided for in the financial statements of the Group at the time of the Reorganisation.

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Transactions with subsidiaries of Sinotrans Group Company</b>		
<i>Revenue</i>		
Revenue from provision of services	252,682	194,160
<i>Expenses</i>		
Service fees	(112,153)	(111,464)
Rental expenses for office buildings	(11,377)	(13,997)
Rental expenses for containers	(24,541)	(16,558)
Rental expenses for vessels	(33,546)	(23,266)
Rental expenses for motor vehicles	(88)	(849)

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 21. Related Party Transactions (Continued)

### (a) Income statement items (Continued)

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Transactions with associates of the Group</b>		
<i>Revenue</i>		
Revenue from provision of services	200	5,293
<i>Expenses</i>		
Service fees	(1,037)	(1,636)
<b>Transactions with jointly controlled entities (after elimination of the Group's proportionate interests in those jointly controlled entities)</b>		
<i>Revenue</i>		
Revenue from provision of services	50,303	37,936
<i>Expenses</i>		
Service fees	(20,194)	(22,618)

As at 30 June 2005, the Group provided RMB25,500,000 guarantees for certain jointly controlled entities (30 June 2004: RMB6,500,000). In addition, in the ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amounts to the General Administration of Civil Aviation of China for the benefit of certain jointly controlled entities to enable those entities to obtain the required air freight forwarding operating licenses (Note 18).

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Transactions with other state-owned enterprises</b>		
<i>Revenue</i>		
Revenue from provision of services	102,663	48,169
Interest income from bank deposits	33,948	33,026
<i>Expenses</i>		
Service fees	(227,144)	(181,489)

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 21. Related Party Transactions (Continued)

### (b) Balance sheet items

As at 30 June 2005 and 31 December 2004, balances with related parties comprised:

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000 (Audited)
<b>Balances with Sinotrans Group Company</b>		
Trade and other receivables	3,571	134
Trade payables	(3,298)	(759)
Other payables, accruals and other current liabilities	(262,951)	(174,775)
<b>Balances with subsidiaries of Sinotrans Group Company</b>		
Trade and other receivables	151,514	206,494
Provision for impairment of receivables	(10,210)	(11,402)
Prepayment, deposit, and other current assets	4,586	—
Trade payables	(91,621)	(81,484)
Other payables, accruals and other current liabilities	(165,655)	(174,102)
Receipt in advance from customers	(3,349)	—
<b>Balances with jointly controlled entities</b>		
Trade and other receivables	54,358	66,332
Provision for impairment of receivables	(357)	(775)
Prepayment, deposit, and other current assets	657	—
Trade payables	(5,355)	(6,584)
Other payables, accruals and other current liabilities	(1,394)	(14,398)
Receipt in advance from customers	(342)	—
<b>Balances with associates of the Group</b>		
Trade and other receivables	5,497	7,334
Trade payables	(779)	(1,885)
Other payables, accruals and other current liabilities	(27)	(8,010)
<b>Balances with other state-owned enterprises</b>		
Held-to-maturity investments	66,212	66,212
Restricted cash	89,462	97,430
Term deposits with initial term of over three months	1,013,640	924,869
Cash and cash equivalents	4,579,789	4,581,877
Trade and other receivables	129,383	105,597
Provision for impairment of receivables	(6,093)	(4,599)
Trade payables	(96,216)	(69,703)
Other payables, accruals and other current liabilities	(3,783)	(2,757)

Other receivables from related parties are generally unsecured, non-interest bearing and repayable on demand. For the six months ended 30 June 2005, the expense recognised in respect of bad or doubtful debts due from related parties were approximately RMB3,889,000 (corresponding period in 2004: RMB2,620,000).

# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 21. Related Party Transactions (Continued)

### (b) Balance sheet items (Continued)

The amounts due to related parties are generally unsecured, non-interest bearing and have no fixed repayment terms, other than the amount payable to Sinotrans Group Company of RMB165,858,000 (included in "Other payables, accruals and other current liabilities") as at 30 June 2005 arising from the assumption by Sinotrans Group Company of the Group's obligations to make early retirement, termination and supplementary pension benefits to certain former employees of the Group. Such amount is unsecured, non-interest bearing and payable on 31 December 2005.

### (c) Purchase of property, plant and equipment

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Transactions with other state-owned enterprises	62,554	16,411

### (d) Loans

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
<b>Loans from state-owned banks</b>		
At beginning of the period	208,290	89,333
Proceeds from loans	154,350	155,562
Repayment of loans	(237,895)	(110,200)
Interest charged	5,629	5,000
Interest paid	(5,629)	(5,000)
At end of the period	124,745	134,695

The weighted average effective interest rate of the borrowings was 4.68% for the six months ended 30 June (corresponding period in 2004: 3.14%).



# Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2005

## 21. Related Party Transactions (Continued)

### (e) Key management personnel compensation

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	1,640	1,561
Discretionary bonuses	2,859	2,885
Contributions to pension plans	85	78
	4,584	4,524

## 22. SUBSEQUENT EVENT

- (a) At the Board of Directors' meeting held on 26 August 2005, the directors declared an interim dividend of RMB0.038 per ordinary share for the six months ended 30 June 2005.
- (b) An increase of investment in a subsidiary of Sinoair amounted to RMB90 million was approved on 24 August 2005 by the Board of Directors of Sinoair. Upon the completion of this transaction, Sinoair's interest in this subsidiary will be increased from 90% to 99%.