中國外運股份有限公司
SINOTRANS LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0598)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

I. GROUP RESULTS

The board of directors (the "Board") of Sinotrans Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 together with the comparative figures in 2010, which have been prepared in accordance with International Financial Reporting Standards as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

		For the year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**43,747,457**	42,546,773
Other income		**195,666**	249,290
Business tax and other surcharges		**(313,779)**	(272,875)
Transportation and related charges		**(36,100,333)**	(35,482,292)
Staff costs		**(2,450,675)**	(2,138,415)
Depreciation and amortisation		**(440,874)**	(414,286)
Repairs and maintenance		**(175,600)**	(156,832)
Fuel		**(1,495,316)**	(1,159,289)
Travel and promotional expenses		**(342,260)**	(292,780)
Office and communication expenses		**(194,555)**	(179,437)
Rental expenses		**(1,191,531)**	(1,419,261)
Other gains/(losses), net	*4*	**70,285**	(75,191)
Other operating expenses		**(442,335)**	(428,707)
Operating profit	*5*	**866,150**	776,698
Finance income	*6*	**116,111**	56,736
Finance costs	*6*	**(370,308)**	(280,057)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	For the year ended 31 December **2011** *RMB'000*	2010 *RMB'000*
		611,953	553,377
Share of profit of jointly controlled entities		**510,001**	432,920
Share of profit of associates		**58,167**	69,767
Profit before income tax		**1,180,121**	1,056,064
Income tax expense	7	**(308,184)**	(224,006)
Profit for the year		**871,937**	832,058
Profit attributable to:			
Owners of the Company		**642,513**	616,424
Non-controlling interests		**229,424**	215,634
		871,937	832,058
Earnings per share for profit attributable to owners of the Company, basic *(RMB)*	9	**0.15**	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**871,937**	832,058
Other comprehensive income:		
Fair value (losses)/gains on available-for-sale financial assets, net of tax		
— (Losses)/gains arising during the year	**(672,058)**	273,213
— Less: reclassification adjustments for gains included in profit for the year	**—**	(33,340)
Share of other comprehensive income of jointly controlled entities	**266**	—
Share of other comprehensive income of associates	**1,383**	2,544
Currency translation differences	**(22,096)**	2,502
Other comprehensive (losses)/income for the year, net of tax	**(692,505)**	244,919
Total comprehensive income for the year	**179,432**	1,076,977
Total comprehensive income attributable to:		
— Owners of the Company	**195,817**	773,697
— Non-controlling interests	**(16,385)**	303,280
	179,432	1,076,977

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**2,155,885**	1,989,411
Prepayments for acquisition of land use rights		**68,849**	127,217
Property, plant and equipment		**5,622,457**	4,752,252
Intangible assets		**95,523**	97,299
Investments in jointly controlled entities		**1,766,972**	1,895,443
Investments in associates		**1,015,603**	848,119
Deferred income tax assets		**91,130**	88,607
Available-for-sale financial assets	*10*	**1,392,166**	2,155,079
Other non-current assets		**21,990**	59,208
		12,230,575	12,012,635
Current assets			
Prepayments and other current assets		**1,491,200**	903,165
Inventories		**83,182**	36,068
Trade and other receivables	*11*	**6,708,178**	6,421,248
Financial assets at fair value through profit or loss		**—**	5,276
Restricted cash		**349,639**	199,755
Term deposits with initial terms of over three months		**418,473**	313,968
Cash and cash equivalents		**5,521,045**	5,202,508
		14,571,717	13,081,988
Total assets		**26,802,292**	25,094,623
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,249,002**	4,249,002
Reserves		**5,493,223**	5,424,876
Proposed final dividends	*8*	**42,490**	84,980
		9,784,715	9,758,858
Non-controlling interests		**2,200,154**	2,281,131
Total equity		**11,984,869**	12,039,989

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**27,080**	251,329
Provisions		**112,922**	135,772
Borrowings		**204,458**	1,144,442
Long-term bonds		**543,489**	—
Other non-current liabilities		**62,337**	39,394
		950,286	1,570,937
Current liabilities			
Trade payables	*12*	**4,842,567**	4,420,758
Other payables, accruals and other current liabilities		**1,283,301**	1,068,722
Receipts in advance from customers		**2,650,819**	2,155,994
Current income tax liabilities		**121,641**	174,013
Borrowings		**2,126,599**	3,110,142
Short-term bonds		**2,338,120**	—
Derivative financial instruments		—	106,647
Salary and welfare payables		**504,090**	447,421
		13,867,137	11,483,697
Total liabilities		**14,817,423**	13,054,634
Total equity and liabilities		**26,802,292**	25,094,623
Net current assets		**704,580**	1,598,291
Total assets less current liabilities		**12,935,155**	13,610,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New or revised standards, interpretations and amendments adopted by the Group

In the current year, the Group has applied, for the first time, the following new or revised standards, interpretations and amendments issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly called the International Financial Reporting Interpretations Committee, abbreviated as "IFRIC") of the IASB, which are effective for the Group's financial year beginning on 1 January 2011:

- IFRSs (Amendments) — Improvements to IFRSs issued in 2010, except for the amendments to IFRS 1 as part of annual improvements project for deemed cost exemption
- IAS 24 (as revised in 2009) — Related Party Disclosures, except for the partial exemption in paragraphs 25 to 27 for government-related entities
- IAS 32 (Amendments) — Classification of Rights Issues
- IFRIC 14 (Amendments) — Prepayments of a Minimum Funding Requirement
- IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments

IAS 24, *Related Party Disclosures (as revised in 2009)* has been revised on the following two aspects:

(a) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities; and

(b) IAS 24 (as revised in 2009) has changed the definition of a related party.

The Group is a government-related entity. In its annual consolidated financial statements for the year ended 31 December 2010, the Group had early applied the partial exemption from the disclosure requirements for government-related entities.

In the current year, the Group has applied for the first time the revised definition of a related party as set out in IAS 24 (as revised in 2009).

The application of the above new or revised standards and interpretations in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

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

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

- IFRS 1 (Amendments) — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
- IFRS 1 (Amendments) — Government Loans[2]
- IFRS 7 (Amendments) — Disclosures — Transfers of Financial Assets[1]
- IFRS 7 (Amendments) — Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
- IFRS 9 — Financial instruments[3]
- IFRS 9 (Amendments) and IFRS 7 (Amendments) — Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
- IFRS 10 — Consolidated Financial Statements[2]
- IFRS 11 — Joint Arrangements[2]
- IFRS 12 — Disclosure of Interests in Other Entities[2]
- IFRS 13 — Fair Value Measurement[2]
- IAS 1 (Amendments) — Presentation of Items of Other Comprehensive Income[5]
- IAS 12 (Amendments) — Deferred Tax: Recovery of Underlying Assets[4]
- IAS 19 (Revised in 2011) — Employee Benefits[2]
- IAS 27 (Revised in 2011) — Separate Financial Statements[2]
- IAS 28 (Revised in 2011) — Investments in Associates and Joint Ventures[2]
- IAS 32 (Amendments) — Offsetting Financial Assets and Financial Liabilities[6]
- IFRIC 20 — Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

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

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

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

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

- IFRS 9 — Financial Instruments

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

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

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

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

  Key requirements of these five standards are described below.

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

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

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

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

  These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

  The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors are in the process of assessing the potential impact of the adoption of the package of the five standards.

The directors of the Company anticipate that the application of the other new and revised standards, interpretations and amendments will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The chief operating decision-maker ("management") reviews the Group's internal reporting in order to assess performance and allocate resources. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports.

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

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

The Group's segment assets exclude financial assets at fair value through profit or loss, investments in jointly controlled entities and associates, available-for-sale financial assets, related dividend and investment income receivables, as well as goodwill because the Group's entire investing activities are managed on a central basis as corporate assets. Deferred income tax assets and other corporate assets are also excluded. In addition, segment assets exclude interests receivable, of which is not considered when assessing segment results. These are part of the reconciliation to total assets to the consolidated statement of financial position. The assets of each reportable segment are before the inter-segment elimination adjustments related to receivables and payables. No information on segment liabilities is provided to the management, and, accordingly, information on segment liabilities is not presented.

Sales among segments are carried out on terms equivalent to those that prevail in arm's length transactions. Revenue from external parties reported to management is measured in a manner consistent with that in the consolidated income statement.

Segment revenues and results

	Freight forwarding *RMB'000*	Shipping agency *RMB'000*	Marine transportation *RMB'000*	Storage and terminal services *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
For the year ended 31 December 2011								
Revenue — external	**36,210,940**	**669,326**	**3,752,548**	**1,699,113**	**1,415,530**	**43,747,457**	**—**	**43,747,457**
Revenue — inter-segment	**406,226**	**146,567**	**1,329,104**	**235,223**	**167,429**	**2,284,549**	**(2,284,549)**	**—**
Total revenue	**36,617,166**	**815,893**	**5,081,652**	**1,934,336**	**1,582,959**	**46,032,006**	**(2,284,549)**	**43,747,457**
Segment results	**674,672**	**297,145**	**(313,742)**	**317,587**	**6,142**	**981,804**	**—**	**981,804**
Other gains, net								**70,285**
Corporate expenses								**(185,939)**
Operating profit								**866,150**
Finance costs, net								**(254,197)**
Share of profit of jointly controlled entities	**20,213**	**16,158**	**—**	**39,518**	**434,112***	**510,001**	**—**	**510,001**
Share of profit of associates								**58,167**
Profit before income tax								**1,180,121**
Income tax expense								**(308,184)**
Profit for the year								**871,937**

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

	Freight forwarding *RMB'000*	Shipping agency *RMB'000*	Marine transportation *RMB'000*	Storage and terminal services *RMB'000*	Others *RMB'000*	Segment total *RMB'000*	Inter-segment elimination *RMB'000*	Group *RMB'000*
For the year ended 31 December 2010								
Revenue — external	35,587,948	632,100	3,530,567	1,463,959	1,332,199	42,546,773	—	42,546,773
Revenue — inter-segment	308,621	143,167	800,273	233,037	172,179	1,657,277	(1,657,277)	—
Total revenue	35,896,569	775,267	4,330,840	1,696,996	1,504,378	44,204,050	(1,657,277)	42,546,773
Segment results	499,770	270,870	(104,149)	299,547	16,435	982,473	—	982,473
Other losses, net								(75,191)
Corporate expenses								(130,584)
Operating profit								776,698
Finance costs, net								(223,321)
Share of profit of jointly controlled entities	25,625	19,857	—	29,824	357,614**	432,920	—	432,920
Share of profit of associates								69,767
Profit before income tax								1,056,064
Income tax expense								(224,006)
Profit for the year								832,058

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

Segment assets

	Freight forwarding	Shipping agency	Marine transportation	Storage and terminal services	Others	Segment total	Inter-segment elimination	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011								
Segment assets	**13,636,281**	**1,489,520**	**1,767,441**	**5,136,673**	**899,043**	**22,928,958**	**(1,483,762)**	**21,445,196**
Investments in jointly controlled entities	**262,310**	**36,581**	**—**	**572,941**	**895,140**	**1,766,972**	**—**	**1,766,972**
Investments in associates								**1,015,603**
Available-for-sale financial assets								**1,392,166**
Deferred income tax assets								**91,130**
Interests and dividends receivable								**57,558**
Corporate assets								**1,033,667**
Total assets								**26,802,292**
As at 31 December 2010								
Segment assets	**12,075,669**	**1,476,619**	**1,365,925**	**4,835,193**	**941,288**	**20,694,694**	**(1,127,230)**	**19,567,464**
Financial assets at fair value through profit or loss								**5,276**
Investments in jointly controlled entities	**234,841**	**36,849**	**—**	**556,416**	**1,067,337**	**1,895,443**	**—**	**1,895,443**
Investments in associates								**848,119**
Available-for-sale financial assets								**2,155,079**
Deferred income tax assets								**88,607**
Interests and dividends receivable								**33,216**
Corporate assets								**501,419**
Total assets								**25,094,623**

Other segment information

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

	For the year ended 31 December 2010						
	Freight forwarding	Shipping agency	Marine transportation	Storage and terminal services	Others	Corporate	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure***	412,871	10,491	217,985	486,552	82,568	35,110	1,245,577
Depreciation	136,289	10,098	49,942	135,313	51,769	11,559	394,970
Amortisation	3,411	247	31	870	646	14,111	19,316
Operating lease charges on land use rights	12,352	368	65	35,239	2,041	—	50,065
Provision for impairment loss of receivables	11,863	477	158	229	1,802	—	14,529

*** The capital expenditure stands for the total cash paid for purchase of non-current segment assets for the year ended 31 December 2011 and 2010.

The Company is domiciled in the PRC. The result of the Group's revenue from external customers in China (excluding Hong Kong, Macao and Taiwan) for the year ended 31 December 2011 is RMB42,059,880,000 (2010: RMB40,531,272,000), and the result of the Group's revenue from external customers from other regions is RMB1,687,577,000 (2010: RMB2,015,501,000).

As at 31 December 2011, the total of non-current assets other than financial instruments and deferred tax assets located in China (excluding Hong Kong, Macao and Taiwan) is RMB10,425,896,000 (As at 31 December 2010:RMB9,690,791,000), and the total of these non-current assets located in other regions is RMB321,383,000 (As at 31 December 2010: RMB78,158,000).

4. OTHER GAINS/(LOSSES), NET

	2011	2010
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss:		
— fair value (losses)/gains	**(290)**	60
Gain on disposal of available-for-sale financial assets	**—**	44,454
Derivative financial instruments		
— fair value gains on foreign exchange forward contracts	**106,647**	15,959
Provision for claims from customers and losses on accident after taking into consideration of estimated insurance claims	**(41,025)**	(140,783)
Change in fair values of SAR	**4,953**	5,119
	70,285	(75,191)

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2011 *RMB'000*	2010 *RMB'000*
Crediting		
Rental income from		
— Buildings	**27,828**	24,880
— Plant and machinery	**56,039**	95,512
Gains on disposal of property, plant and equipment	**12,591**	18,238
Dividend income on available-for-sale financial assets	**14,101**	3,039
Reversal of impairment losses of receivables	**1,788**	9,038
Income from property management	**6,242**	10,654
Charging		
Depreciation		
— Owned property, plant and equipment	**414,357**	387,637
— Owned property, plant and equipment leased out under operating leases	**7,634**	7,333
Losses on disposal of property, plant and equipment	**9,313**	23,777
Auditor's remuneration		
— Audit fee	**4,200**	4,800
— Audit-related and other services fee	**2,600**	3,000
Impairment losses of property, plant and equipment	**54,946**	—
Impairment losses of receivables	**—**	23,567
Operating lease charges on		
— Land use rights	**52,403**	50,065
— Buildings	**247,501**	215,672
— Plant and equipment	**891,627**	1,153,524
Amortisation of intangible assets	**18,883**	19,316
Charges on property management and facilities	**97,187**	89,771
Other tax expenses	**58,004**	51,921
Provision for onerous contract	**11,172**	46,474
Charges on IT support	**44,530**	35,236
Cost on material sales	**—**	2,073
Provision for outstanding claims	**15,270**	7,265

6. FINANCE COSTS, NET

	2011 *RMB'000*	2010 *RMB'000*
Finance income		
— Interest income on bank balances	**116,111**	56,736
Finance cost		
— Interest expenses wholly repayable within five years		
Including: Borrowings	**(164,834)**	(122,617)
Bonds	**(50,041)**	—
— Exchange losses, net	**(136,920)**	(139,900)
— Bank charges	**(18,513)**	(17,540)
	(370,308)	(280,057)
Finance costs, net	**(254,197)**	(223,321)

7. TAXATION

Income tax expense in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current income tax:		
— Hong Kong	**634**	585
— PRC Enterprise income tax	**310,303**	318,004
Deferred PRC income tax	**(2,753)**	(94,583)
	308,184	224,006

The Group provides for corporate 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 corporate income tax purposes.

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

PRC income tax expense has been provided on the estimated assessable profit for the year according to the tax laws and regulations applicable to the PRC enterprises. The provision for PRC current income tax is based on the statutory rate of 25% (2010: 25%) of the assessable income of each of the companies comprising the Group in the Mainland, China as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 12.5% to 24% (2010: 12.5% to 22%) based on the relevant PRC tax laws and regulations.

8. DIVIDENDS

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Interim, paid, of RMB0.02 (2010: RMB0.02) per ordinary share	**84,980**	84,980
Final, proposed, of RMB0.01 (2010: RMB0.02) per ordinary share	**42,490**	84,980
	127,470	169,960

At the Board of Directors' meeting held on 21 March, 2012, the directors proposed a final dividend of RMB0.01 per ordinary share totaling RMB42,490,000.This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2012.

9. EARNINGS PER SHARE

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

	The Group	
	2011	2010
Profit attributable to owners of the Company *(RMB'000)*	**642,513**	616,424
Number of ordinary shares in issue *(thousands)*	**4,249,002**	4,249,002
Basic earnings per share *(RMB per share)*	**0.15**	0.15

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Listed equity securities (a)	**1,004,046**	1,900,123
Unlisted equity investments, at cost less impairment (b)	**388,120**	254,956
Available-for-sale financial assets	**1,392,166**	2,155,079

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
At beginning of year	**1,900,123**	1,289,053
Addition	**—**	303,000
Disposal	**—**	(11,760)
Fair value (losses)/gains	**(896,077)**	319,830
At end of year	**1,004,046**	1,900,123
Market value of listed securities	**1,004,046**	1,900,123

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

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

As at 31 December 2011 and 2010, the entire available-for-sale financial assets were denominated in RMB and none of them were impaired or pledged.

11. TRADE AND OTHER RECEIVABLES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables (a)	**5,812,116**	5,527,044
Bills receivables (b)	**209,057**	218,623
Other receivables (c)	**533,924**	499,493
Due from related parties (d)	**153,081**	176,088
	6,708,178	6,421,248

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
RMB	**5,017,838**	4,617,703
US$	**1,429,659**	1,652,662
HK$	**250,206**	135,485
Others	**10,475**	15,398
	6,708,178	6,421,248

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

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

(a) Trade receivables

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**5,853,573**	5,577,429
Less: Allowance for impairment of receivables	**(41,457)**	(50,385)
Trade receivables, net	**5,812,116**	5,527,044

Aging analysis of the above gross trade receivables is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**5,750,798**	5,471,334
Between 6 and 12 months	**58,118**	59,531
Between 1 and 2 years	**27,061**	22,552
Between 2 and 3 years	**10,286**	18,007
Over 3 years	**7,310**	6,005
	5,853,573	5,577,429

(b) Bills receivables are bills of exchange with maturity dates of within 6 months.

(c) Other receivables

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Deposits receivables	**192,190**	167,106
Receivables from payments on behalf of customers	**196,647**	123,128
Compensation receivables	**7,703**	86,708
Interest receivable	**51,294**	27,557
Others	**94,645**	120,029
	542,479	524,528
Less: Allowance for impairment of receivables	**(8,555)**	(25,035)
	533,924	499,493

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables:		
Ultimate holding company and fellow subsidiaries	**28,560**	25,882
Jointly controlled entities	**20,487**	25,772
Associates	**21,839**	20,544
	70,886	72,198
Less: Allowance for impairment of receivables	**—**	(6)
	70,886	72,192
Other receivables:		
Ultimate holding company and fellow subsidiaries	**54,361**	69,072
Jointly controlled entities	**24,150**	34,814
Associates	**4,487**	30
	82,998	103,916
Less: Allowance for impairment of receivables	**(803)**	(20)
	82,195	103,896
	153,081	176,088

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

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**70,634**	71,865
Between 6 and 12 months	**150**	324
Between 1 and 2 years	**96**	—
Between 2 and 3 years	**—**	—
Over 3 years	**6**	9
	70,886	72,198

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

12. TRADE PAYABLES

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Trade payables (a)	**4,728,399**	4,277,764
Due to related parties (b)	**114,168**	142,994
	4,842,567	4,420,758

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
RMB	**3,769,690**	3,328,963
US$	**965,315**	942,195
HK$	**94,969**	113,839
Others	**12,593**	35,761
	4,842,567	4,420,758

(a) Trade payables

The normal credit period for trade payables generally ranges from 1 to 3 months. Aging analysis of trade payables at the end of each reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**4,332,467**	3,858,375
Between 6 and 12 months	**174,421**	205,585
Between 1 and 2 years	**143,564**	129,412
Between 2 and 3 years	**50,655**	68,929
Over 3 years	**27,292**	15,463
	4,728,399	4,277,764

(b) Due to related parties

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Ultimate holding company and fellow subsidiaries	**94,005**	114,730
Jointly controlled entities	**12,337**	19,372
Associates	**7,826**	8,892
	114,168	142,994

The normal credit period for trade payables due to related parties generally ranges from 1 to 3 months. The aging of these amounts due to the ultimate holding company and fellow subsidiaries, jointly controlled entities, and associates is summarised as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**96,972**	128,978
Between 6 and 12 months	**2,519**	2,530
Between 1 and 2 years	**3,720**	610
Between 2 and 3 years	**213**	157
Over 3 years	**10,744**	10,719
	114,168	142,994

13. SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2011:

(a) In relation to the fulfillment of the share reform undertaking of Sinoair, the Company sent out "the Preliminary Plan of fulfillment of the share reform undertaking" (the "Preliminary Plan") to Sinoair. According to the proposed Preliminary Plan, the Company intends to transfer 100% equity of Foshan Sinotrans Express Management Services Co., Limited as well as the air freight forwarding business held by the four branches of Sinotrans Changjiang Corporation Limited which are located in Suzhou, Wuxi, Changzhou, ZhangJiagang to Sinoair. The Preliminary Plan needs to be negotiated with Sinoair and further refined, which will be subject to approval by the board of directors and shareholders of Sinoair. According to the Preliminary Plan, this transfer is not expected to have a significant impact on the assets, revenue and profits of the Company and Sinoair.

(b) On 5 September 2011, the Company received the approval from the National Association of Financial Market Institutional Investors of issuing the unsecured Medium-term notes amounting to RMB2.5 billion by tranche. The issuance of the second tranche of Medium-term notes with par value of RMB100 each totaling RMB2.0 billion was completed on 19 March 2012.

(c) At the Board of Directors' meeting held on 21 March 2012, the Directors proposed a final dividend of RMB0.01 per ordinary share totaling RMB0.03 for the year ended 31 December 2011.

II. MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

2011 was the beginning of the Group's five-year plan, a year in which we sought to progress while maintaining stability. Based on the Group's idea for its work, being "guided by the 5-Year Plan, targeting at the transformation, capturing the opportunities, deepening the adjustments, speeding up the development, to realize the jump in development and build up a leading integrated logistics platform", the Group proactively acted upon the adversity of market environment and delivered good results of operations in joint efforts with the staff members of the Group. In 2011, the Group's work focused on the following:

— We made an effort in formulating the five-year development plan for the Group and defined the positioning of the Group in its future development.

— We got breakthrough in the consolidation of integrated logistics resources. The consolidation of the Group's integrated logistics segment was progressing in full gear. The integration of resources along the Yangtze River achieved ground-breaking progress. Development in various business aspects progressed smoothly and the integration was gradually taking effect. Chemical logistics business evolved in the direction of becoming more professional and intensive.

— Adjustment of the business structure of the Group continued to improve. Domestic trade logistics business continued to develop rapidly. The business scale of space-booking platform continued to expand, generating stable revenue during a period of market downturn. We also continued to adhere to the implementation of our major-customer strategy, further improving the customer structure. While various businesses under our strategic cooperation agreement was put to implementation, we continued to explore the depth and breadth of our cooperation with customers and probe into the potential demand from customers.

— We worked around the construction of professional capability and the network layout for the deployment of resources. In tandem with our business development, we increased our resources deployment, proactively push ahead investment in our logistics infrastructure and the construction of container vessels. Breakthrough was made in our merger and acquisition exercises, both domestic and international, providing strong support to the development of our professional logistics business.

— We also proactively push ahead business innovation and optimization. We explored new modes for business development, and at the same time proactively explored the innovation of traditional business.

— We continued to enhance our basic corporate management level. We further enhanced our team building and personnel exchanges; continued to push ahead financial management, strengthening risk management and credit management, and strictly controlling our costs and expenses; and refined our IT construction, in support of the rapid development of our core businesses.

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2011

Turnover

In 2011, the Group's turnover amounted to RMB43,747.5 million, up by 2.8% from RMB42,546.8 million in 2010.

Freight Forwarding

Turnover from the Group's freight forwarding services increased by 2.0% to RMB36,617.2 million in 2011, compared to RMB35,896.6 million in 2010.

Volume of sea freight forwarding containers was 7.979 million TEUs in 2011, increasing by 14.9% from 6.944 million TEUs in 2010. Cargo tonnage of air freight forwarding services was 0.3972 million tonnes in 2011, increasing by 3.4% from 0.3841 million tonnes in 2010.

The increase in revenue from freight forwarding in 2011 was lower than the increase in business volume, mainly attributable to the decrease in international freight rates.

China's export container freight rate index in 2011 decreased by 12.6% from last year.

Shipping Agency

In 2011, turnover from our shipping agency services was RMB815.9 million, representing an increase of 5.2% from RMB775.3 million in 2010.

Number of containers handled in shipping agency business of the Group was 12.81 million TEUs in 2011, representing a rise of 4.5% from 12.26 million TEUs in 2010. Volume of bulk cargo handled was 179.6 million tonnes in 2011, representing a rise of 4.8% when compared with 171.3 million tonnes in 2010. Net registered tonnage handled by the shipping agency services reached 657.3 million tonnes in 2011, representing an increase of 7.9% from 608.9 million tonnes in 2010. Number of vessel calls increased by 1.0% to 60,658 times in 2011, compared with 60,047 times in 2010.

Increases in turnover of shipping agency business and business volume were mainly due to the Group's proactive market expansion leveraging upon its network advantage, and strengthening of strategic cooperation with shipping companies.

Storage and Terminal Services

In 2011, turnover from storage and terminal services amounted to RMB1,934.3 million, representing a 14.0% growth from RMB1,697.0 million in 2010.

The Group's warehouses handled 13.30 million tonnes of bulk cargo in 2011, representing a 10.8% increase from 12.00 million tonnes in 2010. Containers handled were at similar level as 8.60 million TEUs recorded in in 2010. Containers handled through terminals increased 3.4% to 3.047 million TEUs from 2.947 million TEUs in 2010. The volume of bulk cargo handled at terminals increased 16.7% to 2.10 million tonnes from 1.80 million tonnes in 2010.

The growth in the turnover and business volume of storage and terminal services was mainly attributable to the Group's proactive market expansion and strengthening of strategic cooperation with shipping companies and the further enhancement in its overall operating capability.

Marine Transportation

Turnover from marine transportation of the Group in 2011 amounted to RMB5,081.7 million, up by 17.3% from RMB4,330.8 million in 2010.

The number of containers shipped by the Group rose to 2.573 million TEUs in 2011, up by 16.4% from 2.210 million TEUs in 2010.

The increase in turnover and business volume of marine services was mainly attributable to the enhancement of capacity utilization by proactively exploring the market under the drastic freight price fluctuation in the shipping market. The deployment of capacity platforms for domestic business along major coastal transportation routes was further expanded.

Other Services

Turnover from other services (mainly from trucking transportation and express services) in 2011 amounted to RMB1,583.0 million, representing an increase of 5.2% from RMB1,504.4 million in 2010.

Volume of containers handled by the Group's trucking services in 2011 was 0.702 million TEUs, representing a drop of 4.6% from 0.736 million TEUs in 2010. The number of documents and packages handled in express services increased 21.2% from 1.51 million units in 2010 to 1.83 million units in 2011.

Growth in the turnover of other services was mainly due to the increase in the proportion of long-haul transportation in the trucking transportation of the Group and the growth of business volume of international express business.

The Group's jointly controlled entities recorded an investment gain of RMB612.5 million from the operations of express services, representing an increase of 67.6% compared with the corresponding period of the previous year. The number of documents or packages handled in international express services of the jointly controlled entities was up by 1.8% from 14.34 million units in 2010 to 14.60 million units in 2011.

Transportation and Related Charges

Transportation and related charges were up by 1.7% to RMB36,100.3 million in 2011, compared with RMB35,482.3 million in 2010. Such increase in transportation and related charges was mainly attributable to the increasing business volume of the Group.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB440.9 million in 2011, representing an increase of 6.4% from RMB414.3 million in 2010, mainly as a result the Group's increased investment in property and equipment.

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

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges and other gains/(losses), net) were RMB6,292.3 million in 2011, representing a 9.0% increase from RMB5,774.7 million in 2010.

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

The increase in staff costs was mainly due to the increase in headcount due to expansion of business scale and the increase in average wage per head and the rise in general price level.

The increase in fuel cost was primarily because of the increase in international crude oil prices and the increase in the number of shipping routes.

Other gains/(losses), Net

"Other gains/(losses), net" changed to gain of RMB70.3 million in 2011 from loss of RMB75.2 million in 2010, primarily due to the change in fair value of financial derivatives held by the Group.

To hedge against the risks of exchange rate fluctuations, the Group held certain forward Japanese Yen/USD exchange contracts. For the year ended 31 December 2011, the gain from changes in fair value of the contracts was RMB106.6 million (2010: RMB16.0 million).

Operating Profit

The Group's operating profit was RMB866.1 million in 2011, representing a growth of 11.5% from RMB776.7 million in 2010. Operating profit as a percentage of total revenue for 2011 increased to 1.98% in 2011 from 1.83% in 2010, or to 11.33% from 11.0 % as a percentage of net revenue (total revenue less transportation and related charges), primarily as a result of the growth in business volume.

Income tax expense

In 2011, income tax expense of the Group amounted to RMB308.2 million, representing an increase of 37.6% from RMB224.0 million in 2010. This was primarily attributable to the increase in operating profit for the year, and the partial elimination of income tax expense by the loss from the transfer of equity of the Group's non wholly-owned subsidiary occurred in the prior year, which was deductible before tax with the approval granted by the taxation authority. Income tax expense as a percentage of profit before income tax expense in 2011 changed to 26.1% from 21.2 % in 2010.

PROFIT AFTER INCOME TAX EXPENSE

For the year ended 31 December 2011, the Group recorded profit after income tax expense of RMB871.9 million, representing an increase of 4.8% when compared to RMB832.1 million in 2010.

NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST

In 2011, net profit attributable to non-controlling interest amounted to RMB229.4 million, representing an increase of 6.4% as compared with RMB215.6 million in 2010, which was mainly because of the increase in profit for the year of Sinotrans Air Transportation Development Company Limited, a non-wholly owned subsidiary controlled by the Group.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2011 amounted to RMB642.5 million, representing an increase of 4.2% from RMB616.4 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

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

The following table summarises the Group's cash flows for the each of the two years ended 31 December 2011 and 2010:

	For the year ended 31 December	
	2011	2010
	RMB in millions	*RMB in millions*
Net cash generated from operating activities	**1,118.1**	957.9
Net cash used in investing activities	**(1,519.9)**	(887.5)
Net cash generated from financing activities	**761.0**	967.6
Exchange losses on cash and cash equivalents	**(40.6)**	(32.5)
Net increase in cash and cash equivalents	**318.6**	1,005.5
Cash and cash equivalents as at year end	**5,521.1**	5,202.5

Operating Activities

Net cash generated from operating activities for 2011 amounted to RMB1,118.1 million, up by 16.7% compared with RMB957.9 million in 2010. The increase in net cash flow from operating activities primarily attributable to the Company's profit attributable to equity holders for 2011 of RMB642.5 million (2010: RMB616.4 million), an increase in trade payables of RMB421.8 million (2010: increase of RMB513.0 million), an increase in receipts in advance from customers of RMB494.8 million (2010: increase of RMB658.0 million), an increase in income tax liabilities of RMB310.1 million (2010: increase of RMB315.4 million), partly offset by an increase in trade and other receivables of RMB243.1 million (2010: increase of RMB1,004.1 million), an increase in prepayments and other current assets of RMB373.1 million (2010: increase of RMB307.0 million). Average age of trade receivables for 2011 and 2010 were 54 days and 50 days respectively.

Investing Activities

For the year ended 31 December 2011, net cash used in investing activities amounted to RMB1,519.9 million, primarily comprised RMB1,341.1 million for the purchase of property and equipment, RMB171.7 million for the acquisition of land use rights and intangible assets, RMB316.6 million paid for additional investments in subsidiaries, associates and jointly controlled entities and prepayment acquisition of subsidiaries, RMB133.2 million for acquisition of available-for-sale financial assets, RMB234.0 million for the acquisition of other current asset, and an increase of RMB238.5 million in restricted cash and term deposits with initial terms of over three months, which were partially offset by RMB803.7 million dividends received from the associates and jointly controlled entities, RMB63.3 million interest income received. For the year ended 31 December 2010, net cash used in investing activities was RMB887.5 million, mainly comprised of RMB992.4 million for the purchase of property, plant and equipment, RMB253.2 million for the acquisition of land use rights and intangible assets, RMB54.9 million for additional investments in subsidiaries, associates and jointly controlled entities and advanced payment for the acquisition of subsidiaries RMB408.9 million for addition of available-for-sale financial assets and RMB99.6 million for repayment of investment proceeds advanced from the ultimate holding company, which were partially offset by a decrease of RMB196.7 million in term deposits with initial terms of over three months, RMB467.0 million dividends received from the associates and jointly controlled entities, RMB20.3 million received from disposal of associates and jointly controlled entities, RMB34.1 million interest income received, and proceeds of RMB56.2 million from the disposal of available-for-sale financial assets.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB761.0 million for 2011, compared with net cash generated from financing activities of RMB967.6 million for 2010.

New bank borrowings in 2011 amounted to RMB2,087.7 million (2010: new bank borrowings amounting to RMB2,227.7 million) and the issue of medium-term notes and short-term commercial papers contributed to the receipt of cash in the amount of RMB2,850 million, which were partially offset by repayments of bank borrowings of RMB2,458.5 million (2010: RMB960.9 million), repayment of borrowings advanced by ultimate holding company and fellow subsidiaries of RMB1,795 million (2010: nil), dividend payment of RMB365.5 million (2010: RMB245.9 million) and payment of loan interest of RMB129.1 million (2010: RMB96 million) in 2011.

Capital Expenditure

For 2011, the Group's capital expenditure amounted to RMB1,535.1 million, consisting primarily of RMB1,341.1 million for acquisition of property, plant and equipment, RMB17.6 million for the acquisition of intangible assets, RMB154.1 million for the purchase of land use rights, among which, RMB1,090.8 million were used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB273.9 million for the purchase of vehicles and equipment and RMB82.6 million for IT investment and refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2011, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business amounting to RMB63.015 million (2010: RMB71.55 million).

As at 31 December 2011, the amount of guarantees provided by the Group in favour of its jointly controlled entities was RMB294.1 million (2010: the amount of guarantees provided by the Group for its jointly controlled entities and customers was RMB206.8 million).

In addition, in the common business practice, certain subsidiaries of the Group issued related letters of guarantee, to the Civil Aviation Administration of China to ensure the jointly controlled entities and associates would obtain the operating licenses of air freight forwarding. Such letters of guarantee contains no specific amount, among which, the longest will terminate in 2013.

BORROWINGS

As at 31 December 2011, the Group's total borrowings amounted to RMB2,331.1 million (31 December 2010: RMB4,254.6 million), which comprised bank borrowings of RMB1,331.1 million denominated as to RMB294.2 million in Renminbi, RMB900 million in US dollars, RMB89.2 million in Japanese Yen and RMB47.7 million in Hong Kong dollars. Of the total bank borrowings, RMB12.0 million were repayable within one to two years. The weighted average annual interest rate for the above borrowings was 3.76%. The weighted average annual interest rate for the entrusted loan obtained from the ultimate holding company was 3.26%.

SECURED AND GUARANTEED BORROWINGS

As at 31 December 2011, the Group pledged restricted cash amounting to approximately RMB85.6 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB66.2 million) and land use rights (with net book value of approximately RMB34.2 million) for borrowings.

GEARING RATIO

As at 31 December 2011, the gearing ratio of the Group was 55.3% (2010: 52.0%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2011.

FOREIGN EXCHANGE RATE RISK

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

CREDIT RISK

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

EMPLOYEES

At the end of 2011, the Group had 26,352 (2010: 24,431) employees.

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

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

ACQUISITION AND DISPOSAL

1. In June 2011, the 165 million new ordinary shares of InterBulk (whose shares are listed on AIM), which have been issued to Sinotrans Hong Kong Logistics Limited, a wholly owned subsidiary of Sinotrans, at the Placing Price to raise gross proceeds of £18.15 million, The Group became the largest shareholder of interbulk

2. On 1 November 2011, Sinotrans Air Transportation, a subsidiary of the Group, acquired assets and business undertakings related to freight forwarding from Tianjin Tianhua Hongyun Logistics Co., Ltd. (天津天華宏運物流有限公司), which is mainly engaged in freight forwarding in the PRC.. The total cash consideration is RMB32,091,000.

III. OUTLOOK OF BUSINESS DEVELOPMENT

2012 is likely to be an even more difficult year for the logistics industry as a whole. From an economic perspective, in 2012, as consumption will continue to shrink due to the sovereign debt crisis and high unemployment rate in the European and US market, global economic recovery will slow down and external demand will lack growth momentum. The international trade environment will become more complicated. Renminbi appreciation and volatile exchange rate fluctuation will dampen the growth potential for exports of China. Thus, the pace of economic growth in China will also slow down.

From an industry perspective, the global shipping industry has slipped into recession. As the logistics industry will also be adversely affected, a prolonged period of intense competition and sluggish market will be experienced since market demand is unlikely to pick up in the near future. However, on the up side, overall demand for logistics in the society is expected to grow, as a result of positive factors such as expansion of domestic consumption and consumer spending, acceleration of social security housing construction and urbanization, gradual adjustment to macroeconomic policies and economic growth brought by industry transfer from Eastern regions to Western regions in China. The "Eight New Measures", "Nine New Measures" and "12th Five-Year Plan for Development of Trade in Services" rolled out by the government will encourage and promote the development of the logistics industry in China.

In 2012, the Group will be more alert and forward-thinking about future development and become fully aware of the adverse macroeconomic landscape in 2012. It will be more cautious about risks and will endeavour to safeguard itself against risks. In addition, it will grasp market opportunities and take a proactive approach so as to ensure that the Group will operate in a steady manner under such complicated environment. Based on its analysis and judgment on changes in internal and external environment, in 2012, the key ideas of the Group's work will be: To adjust and optimize itself, grow in a healthy manner, invest moderately, and safeguard itself against risks.

Business development

— Traditional business will be continuously consolidated and optimized, and the economy of scale of cargo-space booking platform will be brought into play. Freight forwarding businesses will be continuously developed in terms of characteristics, logistics and scale, service chains will be extended and integrated service capability will be enhanced. The breadth and depth of integrated sales and marketing of shipping agency businesses will be expanded, steady business growth will be maintained and market share will be expanded by making the most out of its network strengths. Business scale and revenue of cargo-space booking platform will be further expanded and intensive operation of the cargo-space booking business will be fostered. Functions of cargo-space booking service will be optimized through enhancing information integration and customer service quality of the cargo-space booking platform.

— Development of the domestic trade logistics business will be speeded up. Synergies between the trade capacity platform and freight platform will be maximized, cautiousness against risks will be enhanced and the trade capacity platform will be appropriately developed. Point-to-point domestic trading services will be provided through extending its service chain and making the most out of its network strengths, thereby boosting continuous growth of the domestic trading business. A variety of modes of transportation for domestic trade logistics business will be developed.

— New and specialized logistics will be actively developed. The Group will continue to strengthen the development of project logistics, energy logistics, contract logistics, chemical products logistics and financial logistics. It will also maintain its leading market position by means of expansion of business scale and provision of innovative value-added services.

— Consolidation of integrated logistics resources will be vigorously promoted. The Group will press ahead resource consolidation along the riverside area and chemical products logistics, actively participate in society resource restructuring, mergers and acquisitions, optimize financing and fund raising efforts and improve accessibility to financing.

— Refined corporate management capability will be enhanced. Building of corporate capability, talent nurturing and team construction will be strengthened. Cost management will be further strengthened and cost control measures will be intensified. Construction of informatization will be fostered to raise the overall level of informatization of the Group.

Resources consolidation

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

IV. FINAL DIVIDEND AND BOOK CLOSURE PERIODS

The Board has recommended the payment of a final dividend of RMB 0.01 per share, subject to passing of the resolution authorizing the Board to propose, declare or pay the final dividend for 2011 by shareholders at the Annual General Meeting to be held in 2012 (the "AGM"). The recommended final dividend will be paid on or before 27th July, 2012 to the shareholders as registered at the close of business on 15th June, 2012. Please refer to the "Notice of Annual General Meeting" for further details.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7th May, 2012 to 7th June, 2012, both days inclusive. In order to be eligible to attend and voted at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 4th May 2012, for registration.

The record date for the recommended final dividend is at the close of business on 15th June, 2012. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 13th June, 2012 to 15th June, 2012, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12th June, 2012, for registration.

Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (14 March 2012 to 21 March 2012) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.814190. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.012282.

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

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

V. REVIEW OF AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2011.

VI. CORPORATE GOVERNANCE

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

The Company has reviewed and adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as our code on corporate governance practices. The Company has complied with all the code provisions set out in the CG Code throughout the reporting period for 2011.

VII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The directors have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the reporting period for 2011.

VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

So far as was known to the directors of the Company, there was no purchase, sale or redemption of H Shares by any member of the Group during the year ended 31 December 2011.

IX. PUBLICATION OF ANNUAL RESULTS AND 2011 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinotrans.com). The 2011 Annual Report will be dispatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, 21 March, 2012

As at the date of this announcement, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors of the Company; Yang Yuntao, Liu Jinghua, Jerry Hsu and Mok Chi Ming Victor are non-executive directors of the Company; and Sun Shuyi, Lu Zhengfei and Liu Kegu are independent non-executive directors of the Company.