



SINOTRANS LIMITED
中國外運股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code 598)

ANNOUNCEMENT OF GROUP RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

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 2007 together with the comparative figures in 2006, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

		For the year ended	
		31 December	
	<i>Note</i>	2007	2006
		RMB'000	RMB'000
Continuing operations			
Revenue	3	38,876,916	32,220,860
Other income		285,471	147,811
Business tax and other surcharges		(316,242)	(281,654)
Transportation and related charges		(31,593,726)	(25,144,765)
Staff costs		(2,208,676)	(1,895,308)
Depreciation and amortisation		(371,891)	(325,010)
Repairs and maintenance		(141,350)	(139,162)
Fuel		(778,295)	(831,481)
Travel and promotional expenses		(386,816)	(346,075)
Office and communication expenses		(231,251)	(196,351)
Rental expenses		(1,348,503)	(1,715,718)
Other operating expenses		(544,757)	(508,322)

		For the year ended	
		31 December	
	Note	2007	2006
		RMB'000	RMB'000
Operating profit	4	1,240,880	984,825
Finance (costs)/income, net	5	<u>(15,446)</u>	<u>11,321</u>
		1,225,434	996,146
Share of profit of associates		<u>20,270</u>	<u>22,267</u>
Profit before income tax		1,245,704	1,018,413
Income tax expense	6	<u>(366,574)</u>	<u>(414,989)</u>
Profit for the year from continuing operations		879,130	603,424
Discontinued operations			
Profit for the year from discontinued operations	9	<u>229,524</u>	<u>259,839</u>
Profit for the year		<u>1,108,654</u>	<u>863,263</u>
Attributable to:			
Equity holders of the Company		803,679	618,793
Minority interests		<u>304,975</u>	<u>244,470</u>
		<u>1,108,654</u>	<u>863,263</u>
Dividends	7	<u>254,940</u>	<u>212,450</u>
Earnings per share for profit from continuing operations attributable to the equity holders of the Company, basic and diluted (<i>RMB</i>)	8	<u>0.15</u>	<u>0.10</u>
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company, basic and diluted (<i>RMB</i>)	8	<u>0.04</u>	<u>0.05</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	As at 31 December	
		2007	2006
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		957,980	630,927
Prepayments for acquisition of land use rights		317,471	277,907
Property, plant and equipment		3,788,723	3,042,292
Investments in associates		295,395	202,093
Prepayment of consideration for acquisition		550,000	—
Held-to-maturity financial assets		58,437	62,470
Intangible assets		87,076	89,076
Available-for-sale financial assets	10	2,195,200	412,000
Deferred income tax assets		180,505	243,213
Other non-current assets		72,708	95,732
		<u>8,503,495</u>	<u>5,055,710</u>
Current assets			
Prepayments, deposits and other current assets		571,279	400,492
Inventories		27,756	29,577
Trade and other receivables	11	6,204,828	5,179,997
Financial assets at fair value through profit or loss		1,257	344
Restricted cash		295,970	36,336
Term deposits with initial terms of over three months		418,826	870,449
Cash and cash equivalents		4,278,182	4,370,968
		<u>11,798,098</u>	<u>10,888,163</u>
Non-current assets classified as held for sale	9	—	9,024
Total assets		<u>20,301,593</u>	<u>15,952,897</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		4,249,002	4,249,002
Reserves		4,500,085	3,176,191
Proposed final dividends	7	127,470	84,980
		<u>8,876,557</u>	<u>7,510,173</u>
Minority interests in equity		2,478,967	1,709,280
Total equity		<u>11,355,524</u>	<u>9,219,453</u>

		As at 31 December	
	Note	2007	2006
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		504,207	142,904
Provisions		138,120	128,252
Borrowings		—	9,000
Other liabilities		7,813	10,220
		<u>650,140</u>	<u>290,376</u>
Current liabilities			
Trade payables	12	4,432,232	3,971,768
Other payables, accruals and other current liabilities		714,100	532,954
Receipts in advance from customers		1,169,862	747,974
Deferred income arising from discontinued operations		—	316,329
Current tax liabilities		254,661	243,551
Borrowings		1,309,063	103,233
Salary and welfare payable		416,011	527,259
		<u>8,295,929</u>	<u>6,443,068</u>
Total liabilities		<u>8,946,069</u>	<u>6,733,444</u>
Total equity and liabilities		<u>20,301,593</u>	<u>15,952,897</u>
Net current assets		<u>3,502,169</u>	<u>4,445,095</u>
Total assets less current liabilities		<u>12,005,664</u>	<u>9,509,829</u>

Notes:

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”).

The principal activities of the Company and its subsidiaries (together, the “Group”) include freight forwarding, shipping agency, express services, marine transportation, storage and terminal services and trucking and other services in the PRC.

These consolidated results are presented in thousands of units of Renminbi (RMB’000), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of Sinotrans Limited have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(a) Standards, amendments and interpretations effective in 2007 that are relevant

In 2007, the Group adopted the following standard, amendment and interpretation which are relevant to the Group’s operations.

- IFRS 7, “Financial instruments: Disclosures”, and the complementary amendment to IAS 1, “Presentation of financial statements — Capital disclosures”, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments, or the disclosures relating to taxation and trade and other payables; and
- IFRIC — Int 10, “Interim financial reporting and impairment”, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group’s consolidated financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group’s operations:

- IFRIC — Int 7, “Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies”;
- IFRIC — Int 8, “Scope of IFRS 2”; and
- IFRIC — Int 9, “Reassessment of embedded derivatives”.

(c) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following standard, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but the Group has not early adopted them. The Group is assessing the applicability and impact of these standards, amendments and interpretations to the Group's financial statements:

- IAS 1 (Revised), "Presentation of financial statements", effective from 1 January 2009. The amendment requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.
- Amendment to IAS 23, "Borrowing costs", effective for accounting periods beginning on or after 1 January 2009. The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.
- IAS 27 (Revised), "Consolidated and separate financial statements", effective for accounting periods beginning on or after 1 July 2009. The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.
- Amendments to IAS 32 and IAS 1, "Puttable financial instruments and obligations arising on liquidation", effective from 1 January 2009. The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.
- IFRS 3 (Revised), "Business combinations", effective for business combinations with acquisition date on or after the beginning of the first accounting period beginning on or after 1 July 2009. The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

- IFRS 8, “Operating segments”, effective for accounting periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 and requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes.
- IFRIC — Int 11, “IFRS 2 — Group and treasury share transactions”, effective for accounting periods beginning on or after 1 March 2007. IFRIC — Int 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.
- IFRIC — Int 12, “Service concession arrangements”, effective for annual periods beginning on or after 1 January 2008. IFRIC — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.
- IFRIC — Int 13, “Customer loyalty programmes”, effective for annual periods beginning on or after 1 July 2008. IFRIC — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.
- IFRIC — Int 14, “IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction”, effective for annual periods beginning on or after 1 January 2008. IFRIC — Int 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

3 SEGMENTAL INFORMATION

(a) Primary reporting format — business segments

The Group is organised into 5 main business segments:

(i) *Freight forwarding*

The Group’s freight forwarding services primarily involve, at the instruction of its customers, arranging transportation of goods to designated consignees at other locations within specified time limits. Other ancillary services include arranging for customs declaration and clearance, preparation of documentation, consolidation and distribution, drayage and warehousing.

(ii) *Shipping agency*

The Group provides shipping agency services to shipping companies which include:

- attending to the formalities for a vessel’s entry into or departure from ports;
- arranging piloting, berthing, loading and discharging of vessels;
- arranging cargo space booking and shipping documentation on behalf of carriers;
- signing bills of lading;
- arranging shipments and transshipment of cargoes and containers;
- managing container control; and

- collecting freight and settling payment on behalf of carriers.

(iii) Express services

The Group's express services comprise express delivery of documents, packages and heavy weight freight, as well as small parcel shipments with guaranteed delivery times.

(iv) Marine transportation

The Group's marine transportation services primarily comprise liner services to and from the West Coast of North America, within Asia, as well as coastal and river feeder services in the Yangtze River Area and Pearl River Delta in the PRC.

(v) Storage and terminal services

The Group's storage and terminal services comprise the following operations:

- warehousing — providing cargo handling and storage services;
- container yards — providing container handling and space management services;
- container freight stations — providing services in connection with storage and vanning/devanning of containers; and
- terminals — providing berthing, loading/unloading and warehousing 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.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

As at and for the year ended 31 December 2007

	Freight forwarding <i>RMB'000</i>	Shipping agency <i>RMB'000</i>	Express services <i>RMB'000</i>	Marine transportation <i>RMB'000</i>	Storage and terminal services <i>RMB'000</i>	Others <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Continuing operations								
Turnover								
— external	30,516,229	609,888	3,307,473	2,657,082	1,232,025	554,219	—	38,876,916
Turnover								
— inter-segment	119,885	32,207	6,242	301,944	149,380	128,017	(737,675)	—
	<u>30,636,114</u>	<u>642,095</u>	<u>3,313,715</u>	<u>2,959,026</u>	<u>1,381,405</u>	<u>682,236</u>	<u>(737,675)</u>	<u>38,876,916</u>
Segment results	572,830	289,113	350,102	(147,913)	296,005	20,519	—	1,380,656
Unallocated costs								<u>(139,776)</u>
Operating profit								1,240,880
Finance costs, net								<u>(15,446)</u>
								1,225,434
Share of profit of associates								<u>20,270</u>
Profit before income tax								1,245,704
Income tax expense								<u>(366,574)</u>
Profit for the year from continuing operations								879,130
Discontinued operations								
Profit for the year from discontinued operations			229,524					<u>229,524</u>
Profit for the year								<u>1,108,654</u>
Assets								
Segment assets	8,833,365	1,301,482	2,805,277	1,254,148	2,544,842	482,230	(818,902)	16,402,442
Investments in associates								295,395
Available-for- sale financial assets (Note 10)								2,195,200
Unallocated assets								<u>1,408,556</u>
Total assets								<u>20,301,593</u>
Liabilities								
Segment liabilities	4,796,855	871,079	1,040,876	986,369	324,908	112,341	(818,902)	7,313,526
Unallocated liabilities								<u>1,632,543</u>
Total liabilities								<u>8,946,069</u>

As at and for the year ended 31 December 2006

	Freight forwarding <i>RMB'000</i>	Shipping agency <i>RMB'000</i>	Express services <i>RMB'000</i>	Marine transportation <i>RMB'000</i>	Storage and terminal services <i>RMB'000</i>	Others <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Group <i>RMB'000</i>
Continuing operations								
Turnover								
— external	24,046,956	505,425	3,034,527	3,084,842	1,048,815	500,295	—	32,220,860
Turnover								
— inter-segment	<u>71,746</u>	<u>53,055</u>	<u>3,547</u>	<u>295,098</u>	<u>141,430</u>	<u>86,097</u>	<u>(650,973)</u>	<u>—</u>
	<u>24,118,702</u>	<u>558,480</u>	<u>3,038,074</u>	<u>3,379,940</u>	<u>1,190,245</u>	<u>586,392</u>	<u>(650,973)</u>	<u>32,220,860</u>
Segment results	466,670	249,059	451,422	(250,630)	238,286	10,249	—	1,165,056
Unallocated costs								<u>(180,231)</u>
Operating profit								984,825
Finance income, net								<u>11,321</u>
								996,146
Share of profit of associates								<u>22,267</u>
Profit before income tax								1,018,413
Income tax expense								<u>(414,989)</u>
Profit for the year from continuing operations								603,424
Discontinued operations								
Profit for the year from discontinued operations			259,839					<u>259,839</u>
Profit for the year								<u>863,263</u>
Assets								
Segment assets	7,448,603	1,277,642	2,602,441	1,232,291	2,003,028	397,948	(805,886)	14,156,067
Investments in associates								202,093
Available-for- sale financial assets (Note 10)								412,000
Non-current assets classified as held for sale (Note 9)								9,024
Unallocated assets								<u>1,173,713</u>
Total assets								<u>15,952,897</u>
Liabilities								
Segment liabilities	3,855,672	860,049	963,198	1,026,742	291,842	108,033	(805,886)	6,299,650
Unallocated liabilities								<u>433,794</u>
Total liabilities								<u>6,733,444</u>

As at and for the year ended 31 December 2007

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Discontinued operations RMB'000	Unallocated RMB'000	Group RMB'000
Other information									
Capital expenditure	515,441	5,612	161,115	21,715	464,308	32,857	—	37,370	1,238,418
Depreciation	108,455	9,469	80,822	15,738	90,818	32,764	—	15,462	353,528
Amortisation	2,032	61	4,278	—	241	30	—	11,721	18,363
Operating lease charges on land use rights	7,028	202	435	429	8,414	1,638	—	—	18,146
Provision for impairment loss on property, plant and equipment	—	—	—	—	2	—	—	—	2
Provision for/(reversal of) impairment loss of inventories	(3)	—	—	—	—	76	—	—	73
Provision for impairment loss of investments in associates	—	—	—	—	—	—	—	390	390
Provision for/(reversal of) impairment loss of receivables	10,123	4,043	1,239	771	(168)	(26)	(3,732)	—	12,250

As at and for the year ended 31 December 2006

	Freight forwarding RMB'000	Shipping agency RMB'000	Express services RMB'000	Marine transportation RMB'000	Storage and terminal services RMB'000	Others RMB'000	Discontinued operations RMB'000	Unallocated RMB'000	Group RMB'000
Other information									
Capital expenditure	371,973	10,720	175,594	46,427	354,593	83,565	—	23,175	1,066,047
Depreciation	109,872	9,451	71,435	15,137	67,546	22,568	—	13,808	309,817
Amortisation	1,556	—	3,974	—	367	527	—	8,769	15,193
Operating lease charges on land use rights	5,612	331	—	462	4,918	2,471	—	—	13,794
Reversal of impairment loss on property, plant and equipment	(276)	—	—	—	—	—	—	—	(276)
Provision for/(reversal of) impairment loss of receivables	13,088	1,609	1,288	161	81	1,107	(24,707)	—	(7,373)

(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 Company Limited (“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; and

- (iv) Other locations — Including primarily the air freight forwarding and express services operated by Sinoair and certain jointly controlled entities of the Group in locations other than the above.

Continuing operations

	As at and for the year ended 31 December 2007					Capital expenditure RMB'000
	Turnover — external RMB'000	Turnover — inter- segment RMB'000	Total turnover RMB'000	Segment results RMB'000	Total assets RMB'000	
Northern China	6,299,646	19,186	6,318,832	38,386	4,610,375	247,107
Eastern China	27,158,475	189,990	27,348,465	878,652	8,630,990	430,421
Southern China	4,889,130	29,206	4,918,336	459,474	2,665,521	341,476
Other locations	529,665	33	529,698	4,144	616,662	219,414
Inter-segment elimination	—	(238,415)	(238,415)	—	(121,106)	—
	<u>38,876,916</u>	<u>—</u>	<u>38,876,916</u>	<u>1,380,656</u>	<u>16,402,442</u>	<u>1,238,418</u>
Unallocated costs				<u>(139,776)</u>		
Operating profit				<u>1,240,880</u>		
Investments in associates					295,395	
Available-for-sale financial assets (Note 10)					2,195,200	
Unallocated assets					<u>1,408,556</u>	
Total assets					<u>20,301,593</u>	

Discontinued operations

	For the year ended 31 December 2007			
	Turnover — external RMB'000	Turnover — inter- segment RMB'000	Total turnover RMB'000	Segment results RMB'000
Northern China	—	—	—	773
Eastern China	—	—	—	2,681
Southern China	—	—	—	278
	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,732</u>
Unallocated costs				<u>—</u>
Operating profit (Note 9)				<u>3,732</u>

Continuing operations

As at and for the year ended 31 December 2006

	Turnover — external <i>RMB'000</i>	Turnover — inter- segment <i>RMB'000</i>	Total turnover <i>RMB'000</i>	Segment results <i>RMB'000</i>	Total assets <i>RMB'000</i>	Capital expenditure <i>RMB'000</i>
Northern China	4,052,233	7,072	4,059,305	64,156	3,805,404	190,522
Eastern China	23,199,111	76,504	23,275,615	700,989	7,992,609	502,492
Southern China	4,407,355	27,844	4,435,199	395,464	2,108,485	253,657
Other locations	562,161	—	562,161	4,447	361,164	119,376
Inter-segment elimination	—	(111,420)	(111,420)	—	(111,595)	—
	<u>32,220,860</u>	<u>—</u>	<u>32,220,860</u>	1,165,056	14,156,067	<u>1,066,047</u>
Unallocated costs				<u>(180,231)</u>		
Operating profit				<u>984,825</u>		
Investments in associates					202,093	
Available-for-sale financial assets (<i>Note 10</i>)					412,000	
Unallocated assets					1,173,713	

Discontinued operations

Northern China	—	—	—	943		
Eastern China	—	—	—	18,276		
Southern China	—	—	—	5,488		
	<u>—</u>	<u>—</u>	<u>—</u>	24,707		
Unallocated costs				<u>—</u>		
Operating profit (<i>Note 9</i>)				<u>24,707</u>		
Non-current assets classified as held for sale (<i>Note 9</i>)					<u>9,024</u>	
Total assets					<u>15,952,897</u>	

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007 RMB'000	2006 RMB'000
Crediting		
Rental income from		
— Buildings	24,402	18,879
— Plant and machinery	123,959	34,215
Gains on disposal of property, plant and equipment	3,402	10,485
Excess of interest in the fair value of net identifiable assets over cost of acquiring a jointly controlled entity	108	—
Fair value gains on financial assets at fair value through profit or loss	363	311
Gains on disposal of non-current assets classified as held for sale	6,940	—
Dividend income on available-for-sale financial assets	3,936	—
Reversal of provision for impairment of property, plant and equipment	—	276
Reversal of provision for impairment of receivables	15,466	14,509
Reversal of provision for impairment of inventories	—	268
Charging		
Depreciation		
— owned property, plant and equipment	343,392	300,547
— owned property, plant and equipment leased out under operating leases	10,136	9,270
Losses on disposal of property, plant and equipment	7,705	7,560
Provision for impairment of property, plant and equipment	2	—
Provision for impairment of receivables	31,448	31,843
Provision for impairment of investments in associates	390	—
Provision for impairment of inventories	73	—
Operating lease charges on		
— land use rights	18,146	13,794
— buildings	235,244	232,581
— vessels, containers and other property, plant and equipment	1,095,113	1,469,343
Amortisation of intangible assets	18,363	15,193

5 FINANCE (COSTS)/INCOME, NET

	2007 RMB'000	2006 RMB'000
Interest income on bank balances	77,415	84,380
Interest expenses on bank borrowings	(14,579)	(5,774)
Exchange losses, net	(66,842)	(57,451)
Bank charges	(11,440)	(9,834)
	<u>(15,446)</u>	<u>11,321</u>

6 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2007 RMB'000	2006 RMB'000
Provision for the PRC income tax		
— Current	452,385	430,824
— Deferred	<u>(36,060)</u>	<u>54,815</u>
	<u>416,325</u>	<u>485,639</u>
Representing:		
Provision for the PRC income tax, from continuing operations	366,574	414,989
Provision for the PRC income tax, from discontinued operations	<u>49,751</u>	<u>70,650</u>

No provision for Hong Kong profits tax has been made as there were no estimated Hong Kong assessable profits for the years ended 31 December 2007 and 2006.

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 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.

The provision for the PRC current income tax is based on the statutory rate of 33% (2006: 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% (2006: 0% to 30%) based on the relevant PRC tax laws and regulations.

7 DIVIDENDS

	The Company 2007 RMB'000	2006 RMB'000
Interim, paid, of RMB0.03 (2006: RMB0.03) per ordinary share	127,470	127,470
Final, proposed, of RMB0.03 (2006: RMB0.02) per ordinary share	<u>127,470</u>	<u>84,980</u>
	<u>254,940</u>	<u>212,450</u>

At the Board of Directors' meeting held on 25 March 2008, the directors proposed a final dividend of RMB0.03 per ordinary share totaling RMB0.06 for the year ended 31 December 2007. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

8 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Continuing operations		
Profit attributable to equity holders of the Company (<i>RMB '000</i>)	641,638	428,534
Weighted average number of ordinary shares in issue (<i>thousands</i>)	4,249,002	4,249,002
Basic and diluted earnings per share (<i>RMB per share</i>)	0.15	0.10
Discontinued operations		
Profit attributable to equity holders of the Company (<i>RMB '000</i>)	162,041	190,259
Weighted average number of ordinary shares in issue (<i>thousands</i>)	4,249,002	4,249,002
Basic and diluted earnings per share (<i>RMB per share</i>)	0.04	0.05

As the Company has no dilutive potential shares, there is no difference between basic and diluted earnings per share.

9 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 the "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 by UPS 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 following:

- Agreement by the Group not to permit or cause the customers of the UPS Express Business to terminate or materially reduce their business with UPS, as well as other locations of the UPS Express Business operated by the Group ("non-compete clause") for a period until 31 December 2007 ("non-compete period");
- 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; and
- Transfer of locations and other assets and rights related to the UPS Express Business to UPS.

The above-mentioned UPS Express Business was conducted by a 63.46% 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 would keep the remaining amount.

Before 1 January 2007, the Group transferred all the initially identified 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 had received the above-mentioned base consideration of US\$100,000,000 and another US\$13,400,000 as part of an additional consideration based on the timing of the completion of transfer of the identified locations.

The income from the transfer of business and provision of related and transition services is recognised when the transfer is substantially completed and the services are provided during the transition period based on the estimated fair value of the business and services.

The Group had also estimated an adjustment in determination of the income from transfer of business and provision of related transition services. The adjustment was in respect of the uncertainties surrounding certain potential claims under the framework agreement.

On 31 December 2007, the non-compete period expired. Based on the detailed analysis of the Group's performance under the non-compete clause during that period, management believed that the possibility of further losses arising from such potential claims was remote. Accordingly, no provision was made in respect of such potential claims, although UPS may still raise claims according to the non-compete clause.

An analysis of the result, assets and liabilities of discontinued operations is as follows:

	<i>Note</i>	2007 RMB'000	2006 <i>RMB'000</i>
Discontinued operations			
Revenue		—	—
Reversal of provision for impairment of receivables	3	<u>3,732</u>	<u>24,707</u>
Profit before income tax		<u>3,732</u>	<u>24,707</u>
Income tax expense	6	<u>(784)</u>	<u>(4,941)</u>
Profit after income tax from discontinued operations		<u>2,948</u>	<u>19,766</u>
Income from transfer of business and provision of related and transition services		<u>316,329</u>	<u>371,951</u>
Expenses incurred		<u>(40,786)</u>	<u>(66,169)</u>
Income tax expense thereon	6	<u>(48,967)</u>	<u>(65,709)</u>
After-tax income from transfer of business and provision of related and transition services		<u>226,576</u>	<u>240,073</u>
Profit for the year from discontinued operations		<u>229,524</u>	<u>259,839</u>
Non-current assets classified as held for sale		<u>—</u>	<u>9,024</u>
Deferred income arising from discontinued operations		<u>—</u>	<u>316,329</u>
Net cash inflow from transfer of business and provision of related and transition services		<u>—</u>	<u>334,258</u>

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group 2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
At beginning of year	412,000	—
Additions	—	224,000
Changes of fair value	1,783,200	188,000
At end of year	<u>2,195,200</u>	<u>412,000</u>

The available-for-sale financial assets are Sinoair's subscription of 80 million ordinary shares of RMB2.80 each in China International Aviation Holdings Company Limited ("Air China") upon its initial public offering of A shares on the Shanghai Stock Exchange at a cash consideration of RMB224,000,000 in August 2006. Air China is incorporated in the PRC whose principal activities were air transportation.

As at 31 December 2007, Sinoair held 0.72% (2006: 0.72%) equity interests in Air China. The market value of these listed securities was RMB2,195,200,000 (2006: RMB412,000,000) as at 31 December 2007, which exceeds 10% of total assets of the Group (2006: not exceeding 10% of total assets of the Group).

In 2007 and 2006, there were no disposals of the available-for-sale financial assets. As at 31 December 2007 and 2006, 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 2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Trade receivables	5,637,226	4,710,283
Bills receivables	60,918	63,328
Other receivables	263,105	240,074
Due from related parties	243,579	166,312
	<u>6,204,828</u>	<u>5,179,997</u>

The carrying amounts of trade and other receivables approximate their fair values.

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

	The Group 2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
RMB	4,278,390	3,453,393
US\$	1,866,619	1,640,228
HK\$	55,399	83,172
Others	4,420	3,204
	<u>6,204,828</u>	<u>5,179,997</u>

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.

As at 31 December 2007, the following trade and other receivables were impaired. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Within 6 months	3,214	4,004
Between 6 and 12 months	66,877	79,893
Between 1 and 2 years	69,317	44,471
Between 2 and 3 years	19,033	16,156
Over 3 years	18,913	21,606
	177,354	166,130
Less: Provision for impairment of receivables	(87,170)	(89,671)
	90,184	76,459

12 TRADE PAYABLES

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade payables	4,266,458	3,841,725
Due to related parties	165,774	130,043
	4,432,232	3,971,768

The carrying amounts of the Group's trade payables approximate their fair values and are denominated in the following currencies:

	The Group	
	2007	2006
	RMB'000	RMB'000
RMB	3,066,273	2,870,942
US\$	1,297,792	1,018,432
HK\$	60,475	71,865
Others	7,692	10,529
	4,432,232	3,971,768

(a) 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:

	The Group 2007 RMB'000	2006 RMB'000
Within 6 months	3,922,893	3,528,163
Between 6 and 12 months	143,549	131,373
Between 1 and 2 years	113,249	79,891
Between 2 and 3 years	43,037	50,154
Over 3 years	43,730	52,144
	<u>4,266,458</u>	<u>3,841,725</u>

(b) Due to related parties

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

	The Group 2007 RMB'000	2006 RMB'000
Ultimate holding company and fellow subsidiaries	78,181	59,587
Jointly controlled entities	5,337	3,607
Associates	18,550	15,824
Other PRC state-owned enterprises	63,706	51,025
	<u>165,774</u>	<u>130,043</u>

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

	The Group 2007 RMB'000	2006 RMB'000
Within 6 months	138,007	105,257
Between 6 and 12 months	8,771	8,393
Between 1 and 2 years	5,894	12,721
Between 2 and 3 years	11,147	786
Over 3 years	1,955	2,886
	<u>165,774</u>	<u>130,043</u>

II. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis of Results of Operations and Financial Position

The following discussion and analysis should be read in conjunction with the consolidated results and the notes thereto of the Company and its subsidiaries (collectively the “Group”) detailed in Section I of this announcement.

Continuing Operations

Turnover

The Group’s turnover amounted to RMB38,876.9 million in 2007, up by 20.66% from RMB32,220.9 million for 2006.

Freight Forwarding

Turnover from the Group’s freight forwarding services rose 27.02% to RMB30,636.1 million in 2007, compared to RMB24,118.7 million in 2006.

Volume of sea freight forwarding containers was 6.384 million TEUs in 2007, increasing 20.45% from 5.3 million TEUs in 2006. Cargo tonnage of air freight forwarding services was 0.3926 million tonnes, increasing by 6.25% from 0.3695 million tonnes in 2006.

Growth in revenue from freight forwarding in 2007 reflected rapid expansion of business which was mainly attributable to the Group’s continuous efforts to optimise its freight forwarding business structure, strengthen marketing and sales and develop large-scale projects as well as direct customers.

Express Services

Turnover of continuing operations from express services for 2007 posted RMB3,313.7 million, increasing by 9.07% from RMB3,038.1 million in 2006.

Number of documents and packages handled through express services of the Group was 19.20 million units, a surge of 23.95% over 15.49 million units made in 2006.

Such growth was in tandem with our rapid business development amid economic growth following efforts to enhance marketing and sales and improve the distribution of business outlets in our network. Turnover growth was lower than the growth in business volume because the growth in business volume was significantly higher in the domestic segment compared to the overall growth in business volume.

Shipping Agency

For 2007, turnover from our shipping agency services reached RMB642.1 million, representing an increase of 14.97% from RMB558.5 million for 2006.

Number of containers handled in shipping agency business of the Group was 12.18 million TEUs in 2007, an increase of 21.07% from 10.06 million TEUs in 2006. Net registered tonnage of vessels handled by the shipping agency services reached 485.2 million

tonnes in 2007, a 21.48% increase from 399.4 million tonnes in 2006. Number of vessel calls managed also grew 9.86% to 72,858 times in 2007, compared with 66,318 times in 2006.

Growth in the shipping agency business was driven by the Group's active marketing efforts, development of integrated marketing and servicing platforms and reinforced strategic cooperation with shipping companies.

Storage and Terminal Services

In 2007, turnover from storage and terminal services amounted to RMB1,381.4 million, representing a 16.06% growth from RMB1,190.2 million in 2006.

The Group's warehouses handled 9.40 million tonnes of bulk cargo, representing a 14.63% increase from 8.20 million tonnes for the corresponding period in 2006; containers handled grew to 7.80 million TEUs from 6.30 million TEUs for the corresponding period in 2006, an increase of 23.81%; containers handled in terminals grew to 2.521 million TEUs from 2.055 million TEUs for the corresponding period in 2006, an increase of 22.68%. The volume of bulk cargo handled at terminals grew to 2.90 million tonnes from 2.80 million tonnes for the corresponding period in 2006, an increase of 3.57%.

Growth in turnover and business volume of the Group's storage and terminal services was mainly attributable to enhanced overall operating capacities through the addition and expansion of certain container yards and terminals.

Marine Transportation

Turnover from marine services of the Group in 2007 amounted to RMB2,959.0 million, down 12.45% from RMB3,379.9 million in 2006.

Number of containers shipped by the Group rose to 1.610 million TEUs in 2007, up 5.57% from 1.525 million TEUs in 2006.

Such growth was primarily attributable to the Group's launch of supreme Asian routes by adjusting its capacity mix and enhanced marketing and sales efforts to improve utilisation of its owned vessel spaces. Nonetheless, there was a year-on-year decrease in revenue owing to reduced business volume from the U.S. West Coast route following adjustments to capacities committed to this route.

Other Services

Turnover from other services (mainly from trucking business) in 2007 amounted to RMB682.2 million, an increase of 16.34% from RMB586.4 million in 2006.

The Group's trucking of bulk cargo in 2007 was 2,762 thousand tonnes, a surge of 95.61% from 1,412 thousand tonnes in the corresponding period of 2006. Volume of terminal containers was 923 thousand TEUs, edging up 6.46% from 867 thousand TEUs in 2006. Such growth was mainly the result of our increased capacities.

Transportation and Related Charges

In 2007, transportation and related charges grew by 25.65% to RMB31,593.7 million, compared with RMB25,144.8 million in 2006. Such increase was mainly in line with growth in business volume.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB371.9 million in 2007, representing an increase of 14.43% from RMB325.0 million in 2006, as the Group increased investments in operating and strategic resources to expand its services and market coverage and improve its competitive strengths.

Operating Costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges)

The Group's operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges) were RMB5,639.7 million in 2007, a 0.13% increase from RMB5,632.4 million in 2006.

The slight increase in operating costs (excluding transportation and related charges, depreciation and amortisation, business tax and surcharges) reflected rising staff costs partially offset by reduced rental expenses and fuel costs.

The increase in staff costs was primarily due to the increase in headcounts in line with business expansion of the Group.

Fuel costs decreased by 6.40% comparing to 2006 as the Group made realignments to certain shipping routes to reduce its capacities for risk control reasons.

Rental expenses decreased by 21.40% comparing to 2006 following the non-renewal of certain vessel leases upon expiry as part of the Group's endeavour to realign its shipping capacities.

Operating Profit

The Group's operating profit was RMB1,240.9 million in 2007, representing an increase of 26.01% from RMB984.8 million in 2006, mainly as a result of significant growth in operating profit from its freight forwarding operations and storage and terminal services, coupled with substantial reduction of losses incurred in marine transportation. Operating profit for 2007 increased to 3.17% from 3.04% in 2006 as a percentage of total revenue, or to 16.40% from 13.63% as a percentage of net revenue, primarily as a result of the Group's efforts to exercise stringent control over operating expenses.

Income Tax Expense

In 2007, income tax expense of the Group amounted to RMB366.5 million, representing a decrease of 11.69% from RMB415.0 million in 2006. Income tax expense as a percentage of profit before income tax expense decreased to 29.42% from 40.75% for 2006, primarily as a result of deferred income tax liability reversed in line with lower future tax rates following the implementation of the new corporate income tax law.

Discontinued Operations

Turnover of discontinued operations of the Group (UPS related express business) for the year ended 31 December 2007 was nil. Operating profit was RMB3.73 million (corresponding period of 2006: RMB24.71 million), representing a decrease of 84.90%. Income from transferring the UPS related express business and the provision of related and transition services for the year ended 31 December 2007 was RMB316.3 million (corresponding period of 2006: RMB372.0 million).

Minority Interests

Minority interests for 2007 amounted to RMB305.0 million, up 24.74% from RMB244.5 million for 2006, which was primarily attributable to increased profit of Sinoair.

Profit Attributable to Equity Holders of the Company

Profit after tax from the Group's continuing operations for the year ended 31 December 2007 amounted to RMB879.2 million, representing an increase of 45.71% from RMB603.4 million for the same period in 2006.

Profit after tax from the Group's discontinued operations for the year ended 31 December 2007 amounted to RMB229.5 million, a decrease of 11.66% compared to RMB259.8 million for the same period in 2006.

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2007 amounted to RMB803.7 million, representing an increase of 29.88% from RMB618.8 million for the same period in 2006.

Liquidity and Capital Resources

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

The following table summarises the Group's cash flows for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	2006
	<i>(In RMB million)</i>	
Net cash generated from operating activities	717.6	999.0
Net cash used in investing activities	(1,417.6)	(1,400.7)
Net cash generated from/(used in) financing activities	607.2	(357.4)
Cash and cash equivalents as at year end	4,278.2	4,371.0

Operating Activities

Net cash generated from operating activities for 2007 amounted to RMB717.6 million, down 28.17% compared with RMB999.0 million in 2006. The reduction of net cash flow from operating activities for 2007 reflected primarily an increase of RMB964.7 million in trade and other receivables (corresponding period in 2006: increase of RMB353.3 million), an increase of RMB170.2 million in prepayments, deposits and other current assets (corresponding period in 2006: increase of RMB39.3 million) and a decrease of RMB111.9 million in remuneration payable to employees (corresponding period in 2006: increase of RMB38.4 million), which were partially offset by an increase of RMB803.7 million in profit attributable to shareholders of the Company for 2007 (corresponding period in 2006: RMB618.8 million), an increase of RMB395.6 million in trade payables (corresponding period in 2006: increase of RMB315.3 million) and an increase of RMB34.2 million in other payables, accruals and other current liabilities (corresponding period in 2006: decrease of RMB86.9 million). The average turnover days of trade and other receivables for 2007 and 2006 were 53 days and 57 days respectively.

Investing Activities

For the year ended 31 December 2007, net cash used in investing activities of RMB1,417.6 million primarily comprised RMB988.2 million for the addition of property, plant and equipment, RMB15.47 million for the acquisition of intangible assets, RMB234.7 million for the acquisition of land use rights, RMB164.27 million for the acquisition of subsidiaries, remaining equity interests in subsidiaries and associated companies and RMB550 million for the prepayment of consideration for acquisition, which is partially offset by a decrease of RMB451.6 million in term deposits with initial terms of over three months and the interests received amounting to RMB77.2 million. For the year ended 31 December 2006, net cash used in investing activities of RMB1,400.7 million, comprising primarily RMB666.5 million for the addition of property, plant and equipment, RMB13.71 million for the acquisition of intangible assets, RMB385.8 million for the acquisition of land use rights, RMB113.6 million for the acquisition of subsidiaries and associated

companies and RMB224.0 million for the acquisition of available-for-sale financial assets, as well as an increase of RMB42.80 million in term deposits with initial terms of over three months.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB607.2 million for 2007, compared with net cash used in financing activities of RMB357.4 million for 2006.

New bank borrowings borrowed in 2007 amounted to RMB2,305.9 million (2006: RMB460.7 million) were partially offset by repayments of bank borrowings of RMB1,122.0 million (2006: RMB481.4 million) and dividend payment of RMB353.7 million (2006: RMB351.2 million).

Capital Expenditure

For 2007, the Group's capital expenditure amounted to RMB1,238.4 million, consisting primarily of RMB988.2 million for acquisition of property, plant and equipment, RMB15.47 million for the acquisition of intangible assets and RMB234.7 million for purchase of land use rights. Out of the above, RMB936.1 million was used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB177.7 million for the purchase of vehicles and equipment and RMB83.49 million for IT investment and refurbishment and purchase of office equipment.

Contingencies and Guarantees

As at 31 December 2007, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business, which amounted to RMB10.85 million (2006: RMB20.65 million).

As at 31 December 2007, the amount of guarantees the Group issued for the jointly controlled entities was RMB3 million (2006: RMB27 million). In addition, Sinoair issued certain letters of guarantees relating to businesses and responsibilities with no specified amounts to the General Administration of Civil Aviation of China in the ordinary course of business for purpose of obtaining freight forwarding licenses for certain jointly controlled entities.

Gearing Ratio

As at 31 December 2007, the gearing ratio of the Group was 56.28% (2006: 52.92%), which was arrived at by dividing the sum of liabilities and minority interests by total assets of the Group as at 31 December 2007.

Foreign Exchange Rate Risks

A substantial portion of the Group's turnover and transportation and related charges is denominated in US dollars. Following the change in RMB exchange rate policy announced in July 2005 that linked RMB to a basket of currencies, the RMB exchange rate has

become more of a floating than a fixed rate. As the RMB is expected to appreciate in the long run, the Group's net assets denominated in foreign currencies will be subject to foreign exchange risks.

Credit Risk

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

Employees

At the end of 2007, the Group (the Company together with its subsidiaries) had 21,775 (2006: 18,641) employees.

The Company has formed an integrated system comprising the job position regime, the remuneration regime and the performance management regime. The remuneration regime includes long-term incentive schemes. The three regimes have combined to form an effective incentive and check mechanism compatible with the strategic objectives and business characteristics of the Company to support a corporate culture highlighted by the priority of results and performance. Employees are encouraged to improve their capabilities and performance on an ongoing basis, thereby facilitating the Company's healthy and sustainable development. The Group has also increased its efforts in staff training and development with due emphasis on career advancement and planning 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. By assuring reasonable allocation of human resources, 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.

Acquisitions and Disposals

1. On 28 August 2007, the Company entered into a sale and purchase agreement with Crystalray Holdings Limited pursuant to which the Company agreed to acquire, and Crystray Holdings Limited agreed to sell, 25% equity interests in Trade Sky International Limited, for an aggregate consideration of RMB127.5 million. The acquisition was completed in November 2007.
2. On 11 October 2007, the Company entered into the Framework Acquisition Agreement with Sinotrans Group Company, pursuant to which the Company agreed to acquire Sinotrans Chongqing Co., Ltd., Sinotrans Anhui Co., Ltd., Sinotrans Foshan Co., Ltd., Sinotrans Shangdong Tsingdao International Logistics Co., Ltd., Sinotrans Jiangxi Co., Ltd., Shenzhen Haixing Harbour Development Company Ltd., Sinotrans Ruichi Logistics Co., Ltd., Jingmao International Transportation Co., Ltd.,

Sinotrans Logistics (HK) Company Ltd. and Guangdong Changyun International Freight Forwarding Co., Ltd., from Sinotrans Group Company and its subsidiaries for an aggregate consideration of RMB1,106.0 million. On 21 December 2007, the said acquisition was approved at an extraordinary general meeting of the Company. As at 31 December 2007, the acquisition was still in hand-over process.

3. On 10 December 2007, Sinoair, a non-wholly-owned subsidiary of the Company, entered into the Agreement with DHL EXEL Supply Chain (Hong Kong) Limited, pursuant to which DHL EXEL Supply Chain (Hong Kong) Limited agreed to acquire and Sinoair agreed to sell, 50% equity interests in Exel-Sinotrans Freight Forwarding Co., Ltd., for an aggregate consideration of EUR61,045,281. As at 31 December 2007, the transaction had not been completed.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries, jointly controlled entities or associates by the Group for the year ended 31 December 2007.

III. OUTLOOK OF BUSINESS DEVELOPMENT

While the global economic outlook in 2008 is generally favourable to China's development, there are also growing uncertainties and potential risks, notably in the financial markets in the wake of the U.S. sub-prime crisis and its rippling effect on the world economy. Prices of oil, and food will be on the rise, while economies will yet again resort to trade protectionism and investment protectionism, possibly in greater magnitude. A cut back is expected in China's export activities as the government moves to cancel certain export tax rebates in a significant revamp of its import and export trade policies underpinned by the end of export incentives.

The international logistics and transportations market should remain stable in 2008 in terms of overall demand and supply, although competition will be more intense as global logistics and transportation companies expect rising costs in line with higher international oil prices and general price hikes for primary products as farming produces, mineral ores and coal.

There will be huge demand with ample opportunities in China's logistics market in 2008, although more competition is expected in specialised markets. The focus of competition is shifting towards customer satisfaction, demanding high standards in supply chain management, service quality and the ability to customise.

The Company will continue to increase the pace of business development in 2008. While focusing on development, the Company will also emphasise the quality of its operations, striving to maintain stable, healthy and sustainable growth in all business segments of the Group by making further inroads in structural realignments of our business setup.

- More in-depth realignments to the freight forwarding business. A tier-based marketing regime will be developed with ongoing improvement efforts, together with a incentive system for sales staff. Product mix and product design, such as NVOCC and cargo consolidation, will be substantiated with further improvements. Stronger efforts will be made to explore new import cargo sources with a view to extending the Group's

service chain and enhancing the Group's ability to provide fully integrated services. Our traditional services will be optimised and upgraded, with active efforts to develop and promote the use of online reservation. The Group's overseas network will be further improved by way of organic development, acquisitions and the appointment of agents. Centralised procurement of shipping capacities will remain an important focus, while major efforts will be dispensed to promote the Group's rail services and realign the business pattern of the Group's air cargo freight forwarding services. We will step up planning for the building of an air cargo passage as part of an integrated land-to-air service chain.

- Efforts to integrate businesses, resources and networks along the Yangtze River Region will be enhanced to effect business restructuring in the region aimed at unified operation and management.
- Greater effort will be made to develop domestic trade transportation channels.
- Ongoing efforts will be made to gear up market development and service innovation.
- Strategic investments and project management will be enhanced. The Group will focus on strategic investments with more intensive capital operations and increase the Group's input in Yangtze River, Pearl River Delta Region and Bohai Ring Region.
- Greater effort will be made to enhance financial management and risk control.
- The Group's IT infrastructure will be developed as such to enhance coordination of the Group's business operations.

On the back of these efforts, we are confident that the Group's businesses will maintain stable, healthy and sustainable growth, assuring a stronger position in the market and added value for shareholders.

IV. DIVIDENDS

The Board recommended the payment of a final dividend of RMB0.03 per share, subject to passing of the resolution in respect of the recommendation, declaration and payment of the final dividend for 2007 by the shareholders at the Annual General Meeting to be held on Thursday, 12 June 2008. Please refer to the "Notice of the Annual General Meeting" which will be provided to shareholders together with the 2007 annual report of the Company.

It is expected that the final dividend will be paid on or before Friday, 27 June 2008 to shareholders whose names appear on the register of members on Monday, 12 May 2008. The register of members of the Company will be closed from Monday, 12 May 2008 to Thursday, 12 June 2008 (both days inclusive), during which no transfers will be registered.

V. CORPORATE GOVERNANCE

The Company believes that the incessant enhancement of the standard of corporate governance is the underlying cornerstone for safeguarding the interests of investors and enhancing corporate value. Since its listing in February 2003, the Company, 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 and taking into considerations of its own attributes and requirements, has made huge efforts in enhancing the standard of corporate governance.

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 as our code on corporate governance practices. During the reporting period, the Company has complied with the code provisions of the CG Code.

VI. COMMITTEES

Board Committees

The Board has established two committees, the Audit Committee and the Remuneration Committee, and their respective main duties are published on the Company's website. The Company has no Nomination Committee.

Audit Committee

The principal terms of reference of the Company's Audit Committee include reviewing and supervising the financial reporting system and internal control mechanism of the Company, effectively monitoring and managing the Board, ensuring the accountability of the Board to the Company and the shareholders and making recommendations on the appointment of external auditors.

The Audit Committee is chaired by Mr. Sun Shuyi and its members are Mr. Lu Zhengfei and Mr. Miao Yuexin, being independent non-executive directors, and Ms. Liu Jinghua, being a non-executive director. Most of them possess professional qualifications and experience in finance.

The Audit Committee held two meetings in 2007. Details of the meetings are as follows:

1. The first meeting of the Audit Committee for the year was convened on 26 March 2007. At the meeting, the chief financial controller reported on the results and operations of 2006. The auditors reported on major issues encountered in the year-end audit for 2006 and potential issues of concern for 2007. The auditors identified areas for improvement and made recommendations in respect of the Company's internal control. The auditors also reported on the connected transactions of the Company in 2006. The Audit Committee submitted the work plan for 2007 and required information at the meeting. Candidates for external auditors of the Company for 2007 were reviewed at the meeting. The Audit Committee voted in favor of submission of the financial statements for 2006 to the Board for approval.

2. The second meeting of the Audit Committee for the year was convened on 24 August 2007. The Audit Committee discussed the 2007 interim operating results of the Company and conducted analyses in respect of the operations. The auditors reported on their review of the 2007 interim period and issues encountered during such review, and identified potential issues of concern for the latter half of 2007. The Audit Committee voted in favor of submission of the reviewed interim financial statements for 2007 to the Board for approval.

The Group's annual results for the year ended 31 December 2007 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee of the Company is responsible for reviewing the remuneration policies of the Company, assessing the performance of the directors and senior management of the Company and determining policies in respect to their remuneration packages, so as to ensure that none of the directors can determine his/her own remuneration packages.

The Remuneration Committee is chaired by Mr. Lu Zhengfei and its members include Mr. Sun Shuyi and Mr. Miao Yuexin, being independent non-executive directors, and Ms. Tao Suyun, being an executive director.

The Company has formed an integrated and standardised system comprising the job evaluation regime, the performance management regime and the remuneration regime. The remuneration regime has been developed through the implementation of the remuneration scheme in line the Company's development to allow the Company to maintain its competitive strengths in the market while ensuring fair reward for its employees. Such remuneration regime is founded upon on the job evaluation regime, which is underpinned by a floating income system whereby positions are awarded by way of competition and salaries are determined and vary according to positions held, and supported by the integrated performance management regime. Taken together, an effective incentive and check mechanism has been formed to support a remuneration culture highlighted by the priority of results and performance, with an aim to attract, retain and motivate people with the right calibre and realise the mutual enhancements of personal, corporate and shareholders' values.

The Remuneration Committee held its first meeting of 2007 on 22 March 2007 to discuss the payment of remuneration for 2006 to the directors and senior management of the Company and estimates of their remuneration for 2007. Proposed amendments to the administrative measures on the performance and remuneration of the directors and senior management of the Company were also discussed, and the Human Resources Department was requested to further refine the administrative measures.

Supervisory Committee

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

The Supervisory Committee is responsible for supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. A meeting of the Supervisory Committee was convened on 26 March 2007 to review the 2006 work report of the Supervisory Committee and the 2006 audited financial statements. By convening meetings of the Supervisory Committee and attending Board meetings, meetings of the Audit Committee and the general meetings, the supervisors examined the Company's financial position and legal compliance of its operations and the performance of duties by its senior management, undertaking various duties in a proactive manner with diligence, prudence and integrity.

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 2007.

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 2007.

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, 25 March 2008

The Board comprises:

Executive Directors

Zhao Huxiang

Zhang Jianwei

Tao Suyun

Li Jianzhang

Non-executive Directors

Yang Yuntao

Liu Jinghua

Jerry Hsu

Peter Landsiedel

Independent non-executive Directors

Sun Shuyi

Lu Zhengfei

Miao Yuexin