SINOTRANS LIMITED

(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 2006

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 2006 together with the comparative figures in 2005, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Note	For the year ended 31 December 2006 *RMB'000*	2005 *RMB'000*
Continuing operations			
Turnover	3	**32,220,860**	28,576,816
Other income		**147,811**	104,640
		32,368,671	28,681,456
Business tax and other surcharges		**(281,654)**	(256,104)
Transportation and related charges		**(25,144,765)**	(21,730,619)
Staff costs		**(1,895,308)**	(1,731,546)
Depreciation and amortisation		**(325,010)**	(270,380)
Repairs and maintenance		**(139,162)**	(125,176)
Fuel		**(831,481)**	(740,790)
Travel and promotional expenses		**(346,075)**	(330,959)
Office and communication expenses		**(196,351)**	(180,179)
Rental expenses		**(1,715,718)**	(1,716,583)
Other operating expenses		**(508,322)**	(374,229)
Operating profit	4	**984,825**	1,224,891
Finance income/(expenses), net	5	**11,321**	(33,186)
		996,146	1,191,705
Share of profit of associates		**22,267**	12,747
Profit before taxation		**1,018,413**	1,204,452
Taxation	6	**(414,989)**	(376,717)

	Note	For the year ended 31 December **2006** ***RMB'000***	2005 *RMB'000*
Profit for the year from continuing operations		**603,424**	827,735
Discontinued operations			
Profit for the year from discontinued operations	9	**259,839**	216,892
Profit for the year		**863,263**	1,044,627
Attributable to:			
Equity holders of the Company		**618,793**	856,913
Minority interests		**244,470**	187,714
		863,263	1,044,627
Dividends	7	**212,450**	322,924
Earnings per share for continuing operations, basic and diluted (RMB)	8	**0.10**	0.16
Earnings per share for discontinued operations, basic and diluted (RMB)	8	**0.05**	0.04

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	**31 December 2006** *RMB'000*	31 December 2005 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,042,292**	2,525,702
Prepayments for acquisition of land use rights		**277,907**	77,040
Land use rights		**630,927**	423,817
Intangible assets		**89,076**	72,897
Investments in associates		**202,093**	166,208
Held-to-maturity financial assets		**62,470**	64,562
Available-for-sale financial assets		**412,000**	—
Other non-current assets		**95,732**	16,834
Deferred tax assets		**243,213**	254,683
		5,055,710	3,601,743
Current assets			
Prepayments, deposits and other current assets		**400,492**	357,783
Inventories		**29,577**	22,757
Trade and other receivables	10	**5,179,997**	4,774,012
Financial assets at fair value through profit or loss		**344**	671
Restricted cash		**36,336**	12,339
Term deposits with initial terms of over three months		**870,449**	827,653
Cash and cash equivalents		**4,370,968**	5,130,115
		10,888,163	11,125,330
Non-current assets classified as held for sale	9	**9,024**	9,024
Total assets		**15,952,897**	14,736,097

	Note	**31 December 2006** *RMB'000*	31 December 2005 *RMB'000*
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital		**4,249,002**	4,249,002
Reserves		**3,176,191**	2,909,044
Proposed final dividends		**84,980**	161,462
Equity holders' equity		**7,510,173**	7,319,508
Minority interests		**1,709,280**	1,193,478
Total equity		**9,219,453**	8,512,986
Non-current liabilities			
Borrowings		**9,000**	9,200
Deferred tax liabilities		**142,904**	33,508
Provisions		**128,252**	59,638
Deferred income arising from discontinued operations	9	**—**	175,227
Other liabilities		**10,220**	7,411
		290,376	284,984
Current liabilities			
Trade payables	11	**3,971,768**	3,619,671
Other payables, accruals and other current liabilities		**532,954**	555,698
Receipts in advance from customers		**747,974**	789,820
Deferred income arising from discontinued operations	9	**316,329**	178,794
Current tax liabilities		**243,551**	235,088
Borrowings		**103,233**	71,695
Salary and welfare payable		**527,259**	487,361
		6,443,068	5,938,127
Total liabilities		**6,733,444**	6,223,111
Total equity and liabilities		**15,952,897**	14,736,097
Net current assets		**4,445,095**	5,187,203
Total assets less current liabilities		**9,509,829**	8,797,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at and for the year ended 31 December 2006

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Statutory public welfare fund** *RMB'000*	**Investment revaluation reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Minority interests** *RMB'000*	**Total equity** *RMB'000*
As at 1 January 2005	4,249,002	1,295,248	144,906	72,453	—	1,006,914	1,035,106	7,803,629
Profit for the year	—	—	—	—	—	856,913	187,714	1,044,627
Dividends paid	—	—	—	—	—	(305,928)	—	(305,928)
Capital injection from minority shareholders of subsidiaries	—	—	—	—	—	—	44,100	44,100
Disposal of a wholly-owned subsidiary	—	—	—	—	—	—	5,132	5,132
Acquisition of subsidiaries	—	—	—	—	—	—	7,987	7,987
Dividends declared to minority shareholders	—	—	—	—	—	—	(86,561)	(86,561)
Transfer to statutory reserves	—	—	80,597	40,298	—	(120,895)	—	—
As at 31 December 2005	4,249,002	1,295,248	225,503	112,751	—	1,437,004	1,193,478	8,512,986
Representing:								
Share capital and reserves	4,249,002	1,295,248	225,503	112,751	—	1,275,542	1,193,478	8,351,524
2005 proposed final dividend	—	—	—	—	—	161,462	—	161,462
As at 31 December 2005	4,249,002	1,295,248	225,503	112,751	—	1,437,004	1,193,478	8,512,986
As at 1 January 2006	**4,249,002**	**1,295,248**	**225,503**	**112,751**	**—**	**1,437,004**	**1,193,478**	**8,512,986**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**618,793**	**244,470**	**863,263**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(288,932)**	**—**	**(288,932)**
Dividends declared to minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**(65,436)**	**(65,436)**
Negative reserve arising from share reform proposal	**—**	**(224,303)**	**—**	**—**	**—**	**—**	**224,303**	**—**
Fair value gain on available-for-sale financial assets, net of taxation	**—**	**—**	**—**	**—**	**85,107**	**—**	**40,853**	**125,960**
Acquisition of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**32,998**	**32,998**
Capital injection from minority shareholders of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**38,614**	**38,614**
Transfer to statutory reserves	**—**	**—**	**171,349**	**(112,751)**	**—**	**(58,598)**	**—**	**—**
As at 31 December 2006	**4,249,002**	**1,070,945**	**396,852**	**—**	**85,107**	**1,708,267**	**1,709,280**	**9,219,453**
Representing:								
Share capital and reserves	**4,249,002**	**1,070,945**	**396,852**	**—**	**85,107**	**1,623,287**	**1,709,280**	**9,134,473**
2006 proposed final dividend	**—**	**—**	**—**	**—**	**—**	**84,980**	**—**	**84,980**
As at 31 December 2006	**4,249,002**	**1,070,945**	**396,852**	**—**	**85,107**	**1,708,267**	**1,709,280**	**9,219,453**

Notes:

1. **Group reorganisation and principal activities**

   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 a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation"). The initial registered capital of the Company is RMB2,624,087,200, consisting of 2,624,087,200 shares of par value of RMB1.00 per share.

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

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

2. **Basis of preparation**

   The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets.

   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) ***Amendments and interpretations to published standards effective in 2006***

   In 2006, the Group adopted the following amendments and interpretation to published standards below, which are relevant to its operations.

   IAS 39 (Amendment), The Fair Value Option, is mandatory for accounting periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss.

   IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts, are mandatory for accounting periods beginning on or after 1 January 2006. These amendments have no material impact to the Group.

   IFRIC Interpretation 4, Determining whether an Arrangement contains a Lease, is mandatory for accounting periods beginning on or after 1 January 2006. The interpretation has no material impact to the Group.

(b) ***Standards, amendments and interpretations effective in 2006 but not relevant***

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

(c) ***Standards, amendments and interpretations to existing standards that are not yet effective***

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods. The Group is assessing the impact and applicability of the standards, interpretations and amendments below to the Group's operations:

- Amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures, effective for accounting periods beginning on or after 1 January 2007;
- IFRS 7, Financial instruments: Disclosure, effective for accounting periods beginning on or after 1 January 2007;
- IFRS 8, Operating Segments, effective for accounting periods beginning on or after 1 January 2009;
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period;
- IFRIC 8, Scope of IFRS 2, effective for accounting periods beginning on or after 1 May 2006. IFRIC 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of IFRS 2; and

- IFRIC 10, Interim Financial Reporting and Impairment, effective for annual periods beginning on or after 1 November 2006. IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

3. Turnover and segment information

(a) *Primary reporting format — business segments*

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

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*	Inter-segment elimination *RMB'000*	Group *RMB'000*
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	71,746	53,055	3,547	295,098	141,430	86,097	(650,973)	—
	24,118,702	558,480	3,038,074	3,379,940	1,190,245	586,392	(650,973)	32,220,860
Segment results	466,670	249,059	451,422	(250,630)	238,286	10,249	—	1,165,056
Unallocated costs								(180,231)
Operating profit								984,825
Finance income, net								11,321
								996,146
Share of profit of associates								22,267
Profit before taxation								1,018,413
Taxation								(414,989)
Profit for the year from continuing operations								603,424
Discontinued operations								
Profit for the year from discontinued operations			259,839					259,839
Profit for the year								863,263
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
Non-current assets classified as held for sale								9,024
Available-for-sale financial assets								412,000
Unallocated assets								1,173,713
Total assets								15,952,897
Liabilities								
Segment liabilities	3,855,672	860,049	963,198	1,026,742	291,842	108,033	(805,886)	6,299,650
Unallocated liabilities								433,794
Total liabilities								6,733,444

	As at and for the year ended 31 December 2005							
	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*	Inter-segment elimination *RMB'000*	Group *RMB'000*
Continuing operations								
Turnover — external	20,760,386	549,311	2,454,287	3,664,320	848,370	300,142	—	28,576,816
Turnover — inter-segment	64,632	18,465	5,623	286,242	88,631	43,301	(506,894)	—
	20,825,018	567,776	2,459,910	3,950,562	937,001	343,443	(506,894)	28,576,816
Segment results	360,598	253,796	349,154	182,194	208,468	2,295	—	1,356,505
Unallocated costs								(131,614)
Operating profit								1,224,891
Finance expenses, net								(33,186)
								1,191,705
Share of profit of associates								12,747
Profit before taxation								1,204,452
Taxation								(376,717)
Profit for the year from continuing operations								827,735
Discontinued operations								
Profit for the year from discontinued operations			216,892					216,892
Profit for the year								1,044,627
Assets								
Segment assets	7,071,764	1,321,219	2,155,054	1,458,677	1,777,812	367,111	(800,400)	13,351,237
Investments in associates								166,208
Non-current assets classified as held for sale								9,024
Unallocated assets								1,209,628
Total assets								14,736,097
Liabilities								
Segment liabilities	3,796,201	911,968	930,615	765,999	216,481	80,941	(800,400)	5,901,805
Unallocated liabilities								321,306
Total liabilities								6,223,111

	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 charge 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 and bad debts written off	**13,088**	**1,609**	**1,288**	**161**	**81**	**1,107**	**(24,707)**	**—**	**(7,373)**

	As at and for the year ended 31 December 2005								
	Freight forwarding	Shipping agency	Express services	Marine transportation	Storage and terminal services	Others	Discontinued operations	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information									
Capital expenditure	225,205	8,542	206,953	31,015	398,789	12,539	—	69,337	952,380
Depreciation	86,403	8,248	82,218	7,853	54,501	8,648	—	11,364	259,235
Amortisation	5,313	163	1,270	43	3,042	2,373	—	4,842	17,046
Operating lease charge on land use rights	3,486	135	834	—	1,996	1,556	—	3,177	11,184
Reversal of impairment loss on property, plant and equipment	(7)	—	—	—	—	—	—	—	(7)
Provision for/(reversal of) impairment loss of receivables and bad debts written off	18,442	(799)	2,526	(422)	25	(202)	26,121	—	45,691

(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

(i) 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 2006					
	Turnover — external *RMB'000*	**Turnover — inter-segment** *RMB'000*	**Total turnover** *RMB'000*	**Segment results** *RMB'000*	**Total assets** *RMB'000*	**Capital expenditures** *RMB'000*
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)**	**—**
	32,220,860	**—**	**32,220,860**	**1,165,056**	**14,156,067**	**1,066,047**
Unallocated costs				**(180,231)**		
Operating profit				**984,825**		
Investments in associates					**202,093**	
Non-current assets classified as held for sale					**9,024**	
Available-for-sale financial assets					**412,000**	
Unallocated assets					**1,173,713**	
Total assets					**15,952,897**	

Discontinued operations

	As at and for the year ended 31 December 2006			
	Turnover — external	**Turnover — inter-segment**	**Total turnover**	**Segment results**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Northern China	**—**	**—**	**—**	**943**
Eastern China	**—**	**—**	**—**	**18,276**
Southern China	**—**	**—**	**—**	**5,488**
	—	**—**	**—**	**24,707**
Unallocated costs				**—**
Operating profit				**24,707**

Continuing operations

	As at and for the year ended 31 December 2005					
	Turnover — external	Turnover — inter-segment	Total turnover	Segment results	Total assets	Capital expenditures
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Northern China	3,242,265	4,077	3,246,342	30,383	3,315,302	290,800
Eastern China	20,982,867	89,067	21,071,934	1,012,159	7,963,417	340,741
Southern China	3,856,136	27,851	3,883,987	332,270	1,980,204	246,613
Other locations	495,548	6,961	502,509	(18,307)	202,975	74,226
Inter-segment elimination	—	(127,956)	(127,956)	—	(110,661)	—
	28,576,816	—	28,576,816	1,356,505	13,351,237	952,380
Unallocated costs				(131,614)		
Operating profit				1,224,891		
Investments in associates					166,208	
Non-current assets classified as held for sale					9,024	
Unallocated assets					1,209,628	
Total assets					14,736,097	

Discontinued operations

	As at and for the year ended 31 December 2005			
	Turnover — external *RMB'000*	Turnover — inter-segment *RMB'000*	Total turnover *RMB'000*	Segment results *RMB'000*
Northern China	12,969	—	12,969	6,333
Eastern China	134,074	—	134,074	65,481
Southern China	51,787	—	51,787	25,292
Other locations	13,414	—	13,414	6,553
	212,244	—	212,244	103,659
Unallocated costs				3,302
Operating profit				106,961

4. Operating profit

Operating profit is stated after crediting and charging the following:

	2006 *RMB'000*	2005 *RMB'000*
Crediting		
Rental income from		
— Buildings	**18,879**	11,195
— Plant and machinery	**34,215**	1,181
Gains on disposal of property, plant and equipment	**10,485**	13,457
Excess of interest in the fair value of net identifiable asset over cost of acquiring subsidiaries, jointly controlled entities and associates	**—**	8,191
Fair value gains on other financial assets at fair value through profit and loss	**311**	129
Reversal of provision for impairment of property, plant and equipment	**276**	7
Reversal of provision for impairment for inventories	**268**	—
Charging		
Depreciation		
— owned property, plant and equipment	**300,547**	246,630
— owned property, plant and equipment leased out under operating leases	**9,270**	6,704
Losses on disposal of property, plant and equipment	**7,560**	5,483
Provision for impairment of receivables and bad debts written off	**17,334**	19,570
Operating leases		
— Land use rights	**13,794**	11,184
— Buildings	**232,581**	157,299
— Plant and equipment	**1,469,343**	1,548,100
Amortisation of intangible assets	**15,193**	17,046

5. Finance income/(expenses), net

	2006	2005
	RMB'000	*RMB'000*
Interest income on bank balances	**84,380**	79,405
Interest expenses on bank loans and overdrafts	**(5,774)**	(9,640)
Exchange losses, net	**(57,451)**	(99,387)
Bank charges	**(9,834)**	(8,435)
	11,321	(38,057)
Representing:		
Finance income/(expenses), net, from continuing operations	**11,321**	(33,186)
Finance expenses, net, from discontinued operations	**—**	(4,871)

6. Taxation

Taxation in the consolidated income statement represents:

	2006	2005
	RMB'000	*RMB'000*
Provision for PRC income tax		
— Current	**430,824**	400,821
— Deferred	**54,815**	22,269
	485,639	423,090
Representing:		
Provision for PRC income tax, from continuing operations	**414,989**	376,717
Provision for PRC income tax, from discontinued operations	**70,650**	46,373

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 2006 and 2005.

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

The provision for PRC current income tax is based on the statutory rate of 33% (2005: 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% (2005: 0% to 30%) based on the relevant PRC tax laws and regulations.

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

7. Profit appropriations

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

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

Until 31 December 2005, in accordance with the relevant PRC regulations and the Articles of Association of the Company, every year the Company was required to transfer between 5% and 10% of the profit after taxation determined in accordance with the PRC accounting standards to a statutory public welfare fund. The use of this fund was restricted to capital expenditure for employees' collective welfare facilities, the ownership in respect of which belonged to the Group. The statutory public welfare fund was not available for distribution to shareholders except under liquidation. Once the capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve, a reserve which can be used to reduce any losses incurred or to increase share capital.

Pursuant to the revised PRC regulations which is effective from 1 January 2006 and a circular issued by the Ministry of Finance ("MOF") (Cai Qi [2006] No. 67), the Company shall cease to provide for statutory public welfare fund out of appropriation of profit after taxation. The balance of statutory public welfare fund as at 31 December 2005 is converted into statutory surplus reserve.

For the year ended 31 December 2006, the Board proposed appropriations of 10% of profit after tax (2005: 10%) determined under the PRC accounting standards, of RMB58,598,000 (2005: RMB80,597,000) to the statutory surplus reserve fund.

In accordance with the Articles of Association of the Company, retained earnings available for distribution by the Company will be deemed to be the lower of the amounts determined in accordance with the PRC accounting standards and the amount determined in accordance with IFRS. As at 31 December 2006, the amount of retained earnings available for distribution was approximately RMB1,469,306,000 (2005: RMB1,230,860,000), being the amount determined in accordance with the PRC accounting standards.

(b) *Dividends*

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Interim, paid, of RMB0.030 (2005: RMB0.038) per ordinary share	**127,470**	161,462
Final, proposed, of RMB0.020 (2005: RMB0.038) per ordinary share	**84,980**	161,462
	212,450	322,924

At the Board of Directors' meeting held on 27 March 2007, the directors proposed a final dividend of RMB0.020 per ordinary share for the year ended 31 December 2006. 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 ending 31 December 2007.

8. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit by the number of ordinary shares in issue during the year.

	2006	2005
Continuing operations		
Profit attributable to equity holders of the Company (RMB'000)	**428,534**	700,240
Number of ordinary shares in issue (thousands)	**4,249,002**	4,249,002
Basic and diluted earnings per share (RMB per share)	**0.10**	0.16
Discontinued operations		
Profit attributable to equity holders of the Company (RMB'000)	**190,259**	156,673
Number of ordinary shares in issue (thousands)	**4,249,002**	4,249,002
Basic and diluted earnings per share (RMB per share)	**0.05**	0.04

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 "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 UPS Express Business to terminate or materially reduce their business with UPS, as well as other locations of UPS Express Business operated by the Group for a period until 31 December 2007;

- Transfer of customer lists and the Group's interest in the jointly controlled entity with UPS to UPS;

- Provision by the Group of customer data transition, regulatory assistance, non-solicitation of employees and employment services to facilitate the transition of the UPS Express Business to UPS; 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 non wholly-owned subsidiary, Sinoair, as well as certain wholly-owned subsidiaries of the Company. Accordingly, the Company and Sinoair entered into an agreement on 21 December 2004 which provides for the payment of US$12,090,000 from the above-mentioned base consideration of US$100,000,000 to those wholly-owned subsidiaries of the Company which have conducted the UPS Express Business. Sinoair will keep the remaining amount.

In 2005, 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 has received US$50,000,000 as the initial and progress payments out of the total base consideration of US$100,000,000. In 2006, the Group has received another US$42,903,000 out of the base consideration. In addition, the Group has received US$20,497,000 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 has also estimated an adjustment to the base consideration in the determination of the income from transfer of business and provision of related and transition services. The adjustment is in respect of the uncertainties surrounding the achievement of certain revenue targets and other potential claims under the framework agreement.

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

	2006	2005
	RMB'000	*RMB'000*
Discontinued operations		
Income statement		
Turnover	**—**	212,244
Reversal of provision for impairment of receivables	**24,707**	—
Operating expenses	**—**	(105,283)
Operating profit	**24,707**	106,961
Finance expenses, net	**—**	(4,871)
Profit before taxation	**24,707**	102,090
Taxation	**(4,941)**	(17,362)
	19,766	84,728
Income from transfer of business and provision of related and transition services	**371,951**	226,583
Expenses incurred	**(66,169)**	(65,408)
Tax thereon	**(65,709)**	(29,011)
After-tax income from transfer of business and provision of related and transition services	**240,073**	132,164
Profit for the year from discontinued operations	**259,839**	216,892
Balance sheet		
Non-current assets classified as held for sale	**9,024**	9,024
Deferred income arising from discontinued operations		
— Current	**316,329**	178,794
— Non-current	**—**	175,227
Cash flow statement		
Net cash inflow from operating activities	**—**	44,489
Net cash inflow from transfer of business and provision of related and transition services	**334,258**	580,604

10. *Trade and other receivables*

	2006	2005
	RMB'000	*RMB'000*
Trade receivables	**4,710,283**	4,274,071
Bills receivables	**63,328**	37,797
Other receivables	**240,074**	216,614
Due from related parties	**166,312**	245,530
	5,179,997	4,774,012

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:

	2006	2005
	RMB'000	*RMB'000*
RMB	**3,453,393**	3,297,854
US$	**1,640,228**	1,404,387
HK$	**83,172**	60,881
Others	**3,204**	10,890
	5,179,997	4,774,012

(a) *Trade receivables*

	2006	2005
	RMB'000	*RMB'000*
Trade receivables	**4,786,535**	4,389,037
Less: Provision for impairment of receivables	**(76,252)**	(114,966)
	4,710,283	4,274,071

Aging analysis of the above trade receivables is as follows:

	2006	2005
	RMB'000	*RMB'000*
Within 6 months	**4,644,212**	4,233,254
Between 6 and 12 months	**72,975**	64,555
Between 1 and 2 years	**38,902**	41,998
Between 2 and 3 years	**15,111**	24,672
Over 3 years	**15,335**	24,558
	4,786,535	4,389,037

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

(b) ***Due from related parties***

	2006	2005
	RMB'000	*RMB'000*
Trade receivables:	**138,797**	215,799
Less: Provision for impairment of receivables	**(4,522)**	(3,351)
	134,275	212,448
Other receivables:	**32,069**	33,082
Less: Provision for impairment of receivables	**(32)**	—
	32,037	33,082
	166,312	245,530

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, fellow subsidiaries, jointly controlled entities, associates and other related parties, which are trading in nature, is summarised as follows:

	2006	2005
	RMB'000	*RMB'000*
Within 6 months	**122,203**	208,189
Between 6 and 12 months	**11,361**	4,499
Between 1 and 2 years	**3,095**	1,250
Between 2 and 3 years	**431**	1,543
Over 3 years	**1,707**	318
	138,797	215,799

Other receivables from related parties are generally unsecured, non-interest bearing and repayable on demand.

11. Trade payables

	2006	2005
	RMB'000	*RMB'000*
Trade payables	**3,841,725**	3,500,696
Due to related parties	**130,043**	118,975
	3,971,768	3,619,671

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

	2006	2005
	RMB'000	*RMB'000*
RMB	**2,870,942**	2,656,430
US$	**1,018,432**	887,635
HK$	**71,865**	59,896
Others	**10,529**	15,710
	3,971,768	3,619,671

(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:

	2006	2005
	RMB'000	*RMB'000*
Within 6 months	**3,528,163**	3,136,545
Between 6 and 12 months	**131,373**	206,440
Between 1 and 2 years	**79,891**	84,399
Between 2 and 3 years	**50,154**	54,733
Over 3 years	**52,144**	18,579
	3,841,725	3,500,696

(b) ***Due to related parties***

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:

	2006	2005
	RMB'000	*RMB'000*
Within 6 months	**105,257**	100,356
Between 6 and 12 months	**8,393**	12,764
Between 1 and 2 years	**12,721**	1,819
Between 2 and 3 years	**786**	1,773
Over 3 years	**2,886**	2,263
	130,043	118,975

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong

Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

II. MANAGEMENT DISCUSSION AND ANALYSIS

Please also refer to the consolidated financial statements and the notes thereto of the Company and its subsidiaries (collectively the "Group") as set out in detail under other sections of the annual report of the Company when you read the following discussion and analysis.

Continuing Operations

Turnover

The Group's turnover amounted to RMB32,220.9 million in 2006, up by 12.75% from RMB28,576.8 million for the corresponding period in 2005. The increase was primarily attributable to the Group's further integration of marketing resources and development of new products, improvement of network plans, strengthening construction of business processes standardisation, implementation of unified marketing and sale and ability enhancement of the extension of value-added service of products, as well as enforcement of investment strengths. Each business volume of the Group maintained its rapid growth, which in turn led to the upsurge of the Group's turnover.

Freight Forwarding

Turnover from the Group's freight forwarding services amounted to RMB24,118.7 million in 2006, rose 15.82% from RMB20,825.0 million in 2005.

Volume of sea freight forwarding containers gained 5.3 million TEUs in 2006, jumped 13.73% from 4.66 million TEUs in 2005 and cargo tonnage of air freight forwarding services achieved 0.3695 million tonnes, rose 2.52% from 0.3604 million tonnes in 2005.

Such growth is mainly due to the Group's strengthening in marketing and sales, leading us to maintain a faster pace of business development in the growth of economy. The reasons for the higher increase in such segment's turnover than that in the business volume were the optimization of cargo structure and the increase of weight in full freight forwarding services.

Express Services

During 2006, turnover of continuing operations from express services posted RMB3,038.1 million, increased 23.51% from RMB2,459.9 million in 2005.

Number of documents and packages handled through express services of the Group was 15.49 million units, a surge of 32.73% over 11.67 million units made in 2005.

Such a growth was mainly for the reinforcing in marketing and sales by the Group, which resulting a sustainable higher speed of business development in the growth of economy.

Shipping Agency

For 2006, turnover from our shipping agency services reached RMB558.5 million, representing a decrease of 1.64% from RMB567.8 million for the corresponding period in 2005.

Number of containers handled in shipping agency business of the Group was 10.06 million TEUs in 2006, an increase of 10.31% from 9.12 million TEUs in 2005. Net registered tonnage of vessels handled by the shipping agency services reached 399.4 million tones in 2006, a 19.05% increase from 335.5 million tonnes in 2005. Number of vessel calls managed also grew 2.73% to 66,318 in 2006, compared with 64,558 in 2005.

Through actively expanding markets, launching unified marketing activities, as well as enforcing strategic cooperation with shipping companies by the Group, the growth of business volume in this segment was geared up. However, the intensifying market competition in shipping agency market and the agency downward rates, all made the turnover had a slight reduction.

Storage and Terminal Services

In 2006, the turnover from storage and terminal services amounted to RMB1,190.2 million, representing a 27.02% growth from RMB937.0 million in 2005.

The Group's warehouses handled 8.2 million tonnes of bulk cargo, representing a 6.49% increase from 7.7 million tonnes for the corresponding period in 2005; containers handled grew to 6.3 million TEUs from 4.7 million TEUs for the corresponding period in 2005, an increase of 34.04%; containers handled in terminals grew to 2.055 million TEUs from 1.415 million TEUs for the corresponding period in 2005, an increase of 45.23%. The volume of bulk cargo handled at terminals grew to 2.8 million tonnes from 2.7 million tonnes for the corresponding period in 2005, an increase of 3.70%.

Turnover and business volume growth of storage and terminal services was mainly attributable to the enhancement of overall operating capability through the addition and expansion of some container yards and terminals by the Group.

Marine Transportation

Turnover from marine services of the Group in 2006 amounted to RMB3,379.9 million, dropped 14.45% from RMB3,950.6 million in 2005.

Number of containers shipped by the Group rose to 1.525 million TEUs in 2006, up by 11.23% from 1.371 million TEUs in 2005.

Such a growth was primarily attributable to the new launch of supreme routes by the Group's making adjustments on the capacities structure, strengthening in marketing and sales and enhanced utilization of its own vessel spaces. However, the increase in revenues is not comparable to the corresponding year, which is attributed to the cycling float in freight rates of international marine transportation.

Other Services

Turnover from other services (mainly from trucking business) in 2006 amounted to RMB586.4 million, soared 70.76% from RMB343.4 million in 2005.

The Group's trucking of bulk cargo in 2006 was 1,412 thousand tones, edged up 118.58% from 646 thousand tones in the corresponding period of 2005. Volume of terminal containers recorded 867 thousand TEUs, surged 66.41% from 521 thousand TEUs. The reason of such increase is mainly the growth of capacities.

Transportation and Related Charges

In 2006, transportation and related charges grew by 15.71% to RMB25,144.8 million, compared with RMB21,730.6 million in 2005. This increase was mainly attributed to the growth in business volume.

Depreciation and Amortization

Depreciation and amortization amounted to RMB325.0 million in 2006, representing an increase of 20.19% from RMB270.4 million in 2005, primarily as a result of increases in the Group's property, plant and equipment due to network and business expansion.

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

The Group's operating costs (excluding transportation and related charges, depreciation and amortization, business tax and surcharges) were RMB5,632.4 million in 2006, a 8.33% increase from RMB5,199.5 million in 2005.

The increase in operating costs (excluding transportation and related charges, depreciation and amortization, principal business tax and surcharges) was primarily due to rising staff costs, fuel expenses and other operating expenses.

The increase in staff costs was primarily due to the increase in headcount for business expansion of the Group. The rise in international crude oil prices resulted in fuel costs increase of 12.24% in 2006 and other increase of operating costs was mainly attributable to provision for onerous contracts made by the Group for this period.

Operating Profit

The Group's operating profit was RMB984.8 million in 2006, representing a decrease of 19.60% from RMB1,224.9 million in 2005, mainly as a result of the operating losses in marine transportation. For 2006, operating profit as a percentage of total revenue decreased to 3.04% from 4.27% in 2005. For 2006, operating profit as a percentage of net revenue (total revenue less transportation and related charges) decreased to 13.63% from 17.62% in 2005, primarily as a result of the increase in the Group's transportation and related charges and various operating expenses.

Taxation

In 2006, taxation of the Group amounted to RMB415.0 million, representing a increase of 10.17% from RMB376.7 million in 2005. Taxation as a percentage of profit before taxation increased to 40.75% from 31.27% for 2005, primarily as a result of the income tax arising from the income tax rate differences in respect of the net profit of the Company's subsidiaries and jointly controlled entities owing to the changes in the tax regulations, and the losses from marine transportation business of the Group.

Discontinued Operations

Turnover of discontinued operations of the Group (UPS related express business) for the year ended 31 December 2006 was nil. Operating profit was RMB24.71 million (corresponding period of 2005: RMB106.96 million), representing a decrease of 76.90%. Income from transferring the UPS related express business and the provision of related and transition services for the year ended 31 December 2006 was RMB372.0 million (corresponding period of 2005: RMB226.6 million).

Minority Interests

Minority interests for 2006 amounted to RMB244.5 million, up by 30.26% from RMB187.7 million for 2005, which was primarily as a result of the increase in operating profit of Sinoair, a non-wholly owned subsidiary of the Group.

Profit Attributable to Equity Holders of the Company

Profit after taxation from the Group's continuing operations for the year ended 31 December 2006 amounted to RMB603.4 million, representing a decrease of 27.10% from RMB827.7 million for the same period in 2005.

Profit after taxation from the Group's discontinued operations for the year ended 31 December 2006 amounted to RMB259.8 million, representing a growth of 19.78% from RMB216.9 million for same period in 2005.

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2006 amounted to RMB618.8 million, representing a decrease of 27.79% from RMB856.9 million for the same period in 2005.

Liquidity and Capital Resources

Liquidity of the Group mainly derives from the cash of our operations.

The following table summarises the Group's cash flows for each of the two years ended 31 December 2006 and 2005 indicated:

	For the year ended 31 December	
	2006	2005
	(in million RMB)	
Net cash inflow from operating activities	**999.0**	1,585.3
Net cash used in from investing activities	**(1,400.7)**	(771.9)
Net cash used in financing activities	**(357.4)**	(406.0)
Cash and cash equivalents as at year end	**4,371.0**	5,130.1

Operating Activities

Net cash from operating activities for 2006 amounted to RMB999.0 million, down by 36.98% compared with RMB1,585.3 million in 2005. The reduction of net cash from operating activities was primarily as a result of the profit for 2006 of RMB863.3 million (corresponding period in 2005: RMB1,044.6 million), an increase of RMB315.3 million in trade payables (corresponding period in 2005: increase of RMB485.6 million), which were partially offset by an increase of RMB353.3 million in trade and other receivables for 2006 (corresponding period in 2005: increase of RMB629.1 million), a decrease of RMB41.85 million in receipts in advance from customers for 2006 (corresponding period in 2005: increase of RMB188.97 million) and a decrease of RMB86.88 million in receipts in other payables, accruals and other current liabilities (corresponding period in 2005: decrease of RMB222.24 million). The average turnover days of trade receivables for 2005 and 2006 were 57 days and 57 days respectively.

Investing Activities

For the year ended 31 December 2006, net cash used in investing activities of RMB1,400.7 million primarily comprised net cash outflow of 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 a rise of RMB42.8 million in term deposits over three months. For the year ended 31 December 2005, net cash used in investing activities of RMB771.9 million primarily comprised net cash outflow of RMB827.5 million for the addition of property, plant and equipment, RMB17.4 million for the acquisition of intangible assets, RMB107.5 million for the acquisition of land use rights and RMB20.2 million for the investments in associated companies and a decrease of term deposits over three months of RMB97.22 million.

Financing Activities

Net cash used in the Group's financing activities amounted to RMB357.4 million for 2006, compared with net cash outflow from financing activities of RMB406.0 million for 2005.

Bank borrowings repayments for 2006 amounted to RMB481.4 million, compared to RMB486.1 million in 2005, dividends paid amounted to RMB351.2 million compared to RMB391.4 million in 2005, which were partially offset by new bank loans amounting to RMB460.7 million (corresponding period in 2005: RMB342.3 million).

Capital Expenditure

For 2006, the Group's capital expenditure amounted to RMB1,066.0 million, primarily consisting of RMB666.5 million for acquisition of property, plant and equipment and RMB13.71 million for the acquisition of intangible assets and RMB385.8 million for purchase of land use rights, among which RMB740.8 million was used for the renovation and construction of terminals, warehouses, logistics centers and container yards, RMB207.6 million for the purchase of vehicles and equipment and RMB82.67 million for IT investment and refurbishment and purchase of office equipment.

Contingencies and Guarantees

As at 31 December 2006, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business, which amounted to RMB20.65 million (2005: RMB22.89 million).

As at 31 December 2006, the amount of guarantee the Group issued for the jointly controlled entities is 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 of its jointly controlled entities.

Gearing Ratio

As at 31 December 2006, the gearing ratio of the Group was 52.92% (2005: 50.33%), which was arrived at by dividing the sum of liabilities and minority interests as at 31 December 2006 by total assets of the Group.

Foreign Exchange Rate Risks

A substantial portion of the Group's turnover and transportation and related charges is denominated in US dollars. In July 2005, the policy of exchange rate was shifted to a relatively floating rate linking with a basket of currencies from the previous relatively stable exchange rate. It is expected that Renminbi will face an uplift trend in the long run and the net assets in foreign currencies held by the Group will be subject to under certain exposure of foreign exchange risks.

Credit Risk

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

Employees

At the end of 2006, the number of employees of the Group (those of the Company and its subsidiaries) was 18,641.

The Group established and implemented the unified position, remuneration and performance management systems, including a long term incentive scheme. Taking advantage of the construction of such three main unified systems, an effective stimulation and binding mechanism was formed and the culture of "performance in priority" was advanced. The mechanism also encouraged the employees to continuously enhance their capabilities and performance and procured the healthy and sustainable development of the Company; Meanwhile, the Group reinforced the employees' training and development and understood the importance of their career advancement and planning in order to expand the room for their individual growth.

The Group strongly believed the philosophy of people orientation and employees caring. With reasonable allocation of human resources, the employees were provided with good working environment and development opportunities and the team spirit and creativity of employees were stimulated, the harmonized development between the Company and the employees were facilitated.

Acquisitions and Disposals

On 25 January 2006, the Group acquired a 100% equity interest in Man Shun Shipping Company Limited ("Man Shun Shipping") for a cash consideration of RMB32,433,000.

On 28 February 2006, the Group acquired a 47.08% equity interest in Sinotrans Foshan Warehouse & Terminal Company Limited in which 40% was held through acquisition of Man Shun Shipping. The cash consideration for the direct 7.08% equity interest was RMB2,301,000.

On 26 July 2006, the Group acquired a 50% equity interest in Ningbo Dagang New Century Container Company Limited for a cash consideration of RMB40,440,000.

On 31 July 2006, the Group acquired a 80% equity interest in Shandong Lishen Hoisting and Transporting Company Limited for a cash consideration of RMB54,227,000.

On 1 January 2006, Sinotrans Eastern Company Limited, a wholly-owned subsidiary of the Group, obtained the effective control of Shanghai Sinotrans Chemical International Logistics Company Limited ("Shanghai Chemical") as a result of the changes to the composition of the Board of Directors. The Group appointed 6 directors out of 9 directors on the Board (as at 31 December 2005, 5 directors out of 8). Accordingly, the Group has the power to govern the financial and operating policies of Shanghai Chemical as the Group has two-thirds of the voting rights in Shanghai Chemical. With effect from 1 January 2006, the Group has accounted for Shanghai Chemical as a consolidated subsidiary in its consolidated financial statements.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries or jointly controlled entities or associated companies of the Group for the year ended 31 December 2006.

III. OUTLOOK AND PROSPECTS

The Group will seize the historic opportunities of the rapid economic growth of China, continuously accelerate the fast pace of adjustment and innovate the development patterns:

— to optimise the operating mode of freight forwarding business and strengthen the core competitiveness.

— to upgrade the unified marketing platform of shipping agency so as to consolidate the Group's pioneer position in the market.

— to accelerate the construction of network of and the optimization of process of the express services and realise and develop speed advancement.

— to formulate and implement the development planning of marine transportation and make well-prepared the resources integration, as well as realise the positive development.

— to persist the professional services direction and further reinforce the promotion and development of the businesses such as project logistics, exhibitions logistics, contractual logistics and warehouse financing, domestic container transportation, etc.

— to continuously increase the strategic contributions and highlight the optimised allocation of resources and the effect of strategic direction; meanwhile, to actively utilise the methods of merger and acquisition to integrate logistics resources and facilitate the Group's outer extension and multi-segment development.

We are fully confident that leveraging on such efforts, the businesses of the Group will be kept under a stable, healthy and sustainable growth and the level of corporate governance will be further upgraded. As a result, the Group will be able to create a greater value for the shareholders upon its reinforced competitive edge.

IV. DIVIDENDS

The Board recommended the payment of a final dividend of RMB0.02 per share, subject to passing of the resolution in respect of the recommendation, declaration and payment of the final dividend for 2006 by the shareholders at the Annual General Meeting to be held on Monday, 11 June 2007. Please refer to the "Notice of the Annual General Meeting" which will be provided to shareholders together with the 2006 annual report of the Company.

It is expected that the final dividend will be paid on or before Friday, 29 June 2007 to shareholders whose names appear on the register of members on Friday, 11 May 2007. The register of members of the Company will be closed from Friday, 11 May 2007 to Monday, 11 June 2007 (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 that the Board is to be held accountable to the Company and the shareholders and proposing and engaging 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 accounts of the Group and this final results announcement for the year ended 31 December 2006 were reviewed by the Audit Committee on the meeting held on 26 March 2007 and were submitted to the Board for approval.

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.

Supervisory Committee

The Supervisory Committee comprises three members, one of whom is the independent supervisor while the other two are supervisors representing the staff and shareholders respectively. 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. In 2006, the Supervisory Committee examined the financial position and the legal compliance of the operations of the Company and conducted the due diligence review of the senior management through convening Supervisory Committee's meetings and attending Board meetings, meetings of the Audit Committee and general meetings, and undertook various duties in a proactive and diligent manner under the principle of due care and good faith.

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 2006.

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 2006.

By order of the Board
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, 27 March 2006

The Board comprises:
Executive Directors
Zhao Huxiang
Zhang Jianwei
Tao Suyun
Li Jianzhang

Non-executive Directors
Yang Yuntao
Liu Jinghua
Jerry Hsu
Ken Torok
Peter Landsiedel

Independent non-executive Directors
Sun Shuyi
Lu Zhangfei
Miao Yuexin

Please also refer to the published version of this announcement in ***China Daily.***