Annual Report 2007

SINOTRANS

SINOTRANS LIMITED

Stock Code: 598


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中国外运
SINOTRANS
SINOTRANS
TRITON

Mission

Leveraging on our comprehensive integrated logistics network to offer our customers multifaceted value-added services, empowering them to strengthen operational efficiency and enhance market competitiveness.

Capitalising on our successful operations to create a consolidated platform for all our shareholders, customers and employees to drive and build greater success.

Spearheading the growth in China's logistics industry with our corporate development and our dedication and commitment to "Green Logistics" through our community involvement in environmental protection.

Contents

Corporate Information

LEGAL NAME OF THE COMPANY:
SINOTRANS LIMITED

DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:
20 November 2002

REGISTERED ADDRESS AND HEADQUARTERS OF THE COMPANY:
Sinotrans Plaza A
A43, Xizhimen Beidajie
Haidian District
Beijing 100044
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:
21/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

LEGAL REPRESENTATIVE OF THE COMPANY:
Mr. Zhao Huxiang

COMPANY SECRETARY:
Mr. Gao Wei

INVESTOR AND MEDIA RELATIONS:
Securities and Legal Affairs
Department
Tel: (86) 10 6229-6667
Fax: (86) 10 6229-6600
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website: www.sinotrans.com

HONG KONG SHARE REGISTRAR:
Computershare Hong Kong Investor
Services Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARE LISTING:
The Stock Exchange of Hong Kong
Limited

ABBREVIATION OF THE COMPANY'S SHARES:
中國外運 (SINOTRANS)

STOCK CODE:
598

PRINCIPAL BANKERS:
Bank of China
1 Fuxingmennei Street
Xicheng District
Beijing 100818
People's Republic of China

Bank of Communications
33 Fuchengmenwai Financial Street
Xicheng District
Beijing 100032
People's Republic of China

AUDITORS:

International auditor:
PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

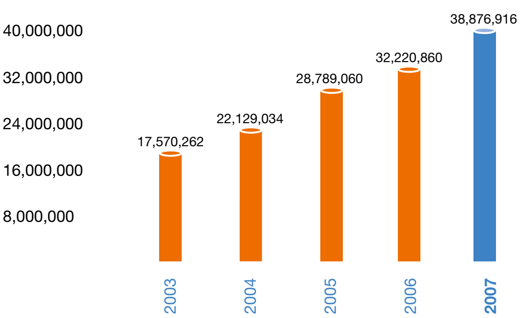
PRC auditor:
PricewaterhouseCoopers
Zhong Tian CPAs Limited Company
11th Floor
PricewaterhouseCoopers Centre
202 Hu Bin Road
Shanghai 200021
People's Republic of China

LEGAL ADVISERS:
Richards Butler
in association with Reed Smith LLP
20th Floor
Alexandra House
Chater Road
Central
Hong Kong

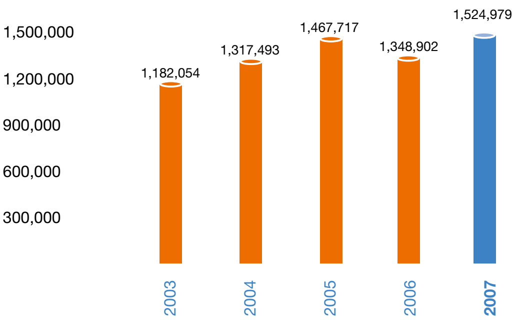
Financial Highlights

Financial Highlights

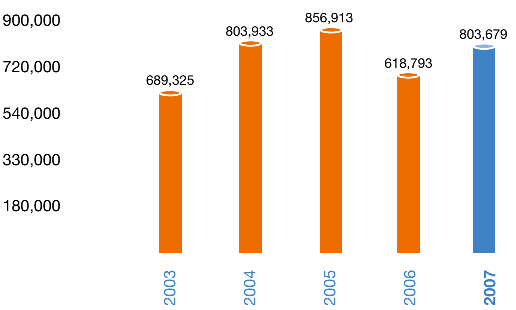
Turnover (RMB'000)



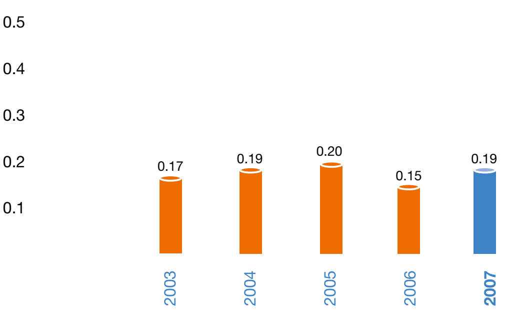
Profit before income tax (RMB'000)



Profit for the year (attributable to equity holders) (RMB'000)



Earnings per share, basic and diluted (RMB)



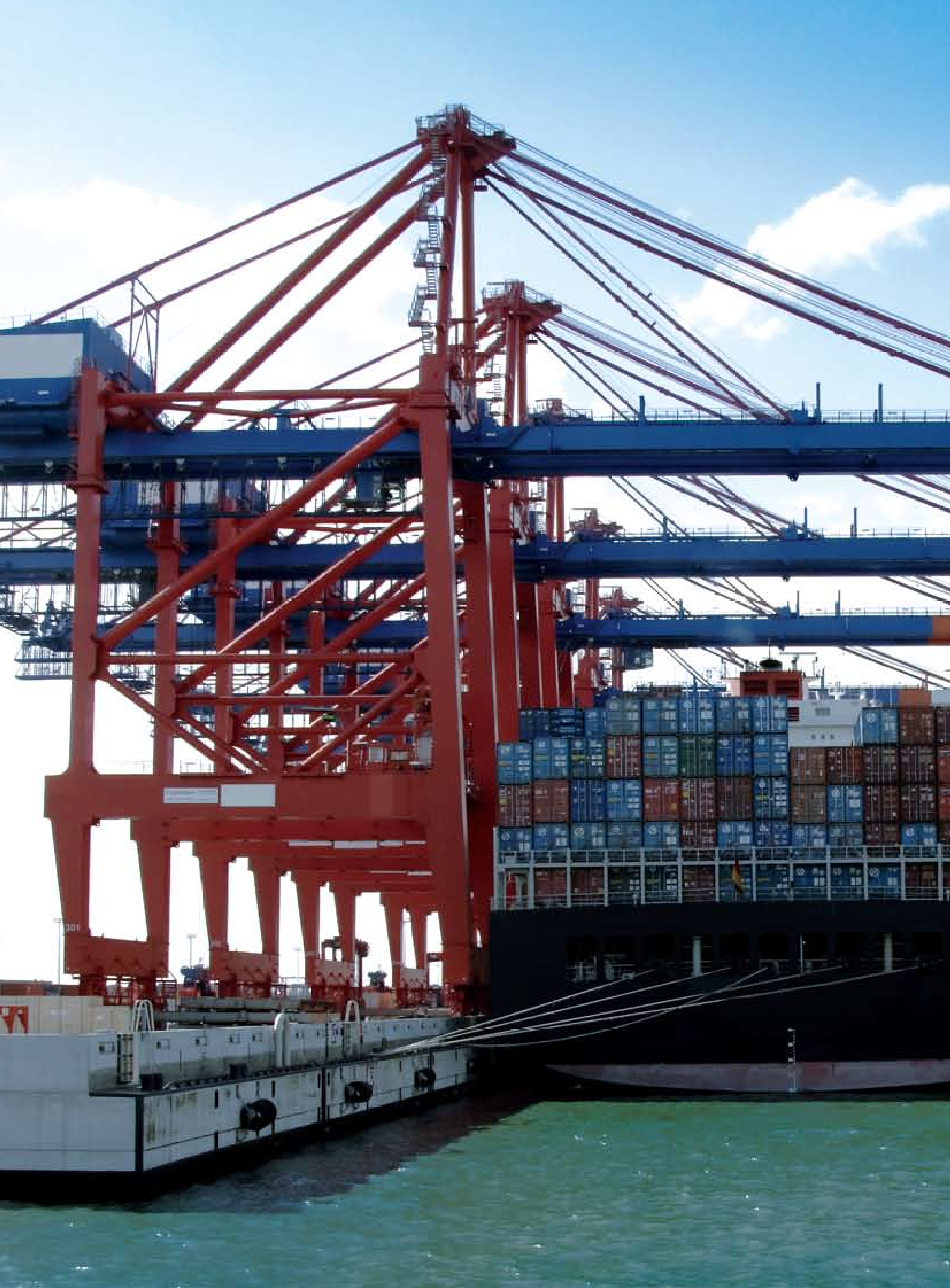
As at 31 December	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000 (Restated)	2003 RMB'000 (Restated)
Total assets	**20,301,593**	15,952,897	14,736,097	13,081,081	11,914,810
Total liabilities	**8,946,069**	6,733,444	6,223,111	5,279,629	4,920,970
Minority interests	**2,478,967**	1,709,280	1,193,478	1,035,106	776,487
Equity holders' equity	**8,876,557**	7,510,173	7,319,508	6,766,346	6,217,353

Note 1: Basic and diluted earnings per share for the five years ended 31 December 2003, 2004, 2005, 2006 and 2007 have been computed by dividing the profit for the year by, respectively, 4,049,057,340 shares, being the weighted average number of shares in issue during the year ended 31 December 2003 and 4,249,002,200 shares, being the weighted average number of shares in issue during the year ended 31 December 2004, 2005, 2006 and 2007. As there are no potentially dilutive securities, there is no difference between basic and diluted earnings per share.

Note 2: Sinotrans Air Transportation Development Company Limited ("Sinoair" stock code: 600270), one of the Company' subsidiaries, issued shares in its initial public offering on the Shanghai Stock Exchange in 2000. Sinoair received net cash proceeds of approximately RMB955,520,000 from the issuance. Following the issuance of shares to the public, the equity interest held by the Company decreased from 94.13% to 70.36%, while the Group's share of net assets of the subsidiary increased from approximately RMB385,333,000 to approximately RMB988,420,000, resulting in a gain of approximately RMB603,087,000. On 18 October 2006, Sinoair passed a share reform proposal, under which the equity interest held by the Company decreased from 70.36% to 63.46%. The capital reserves attributable to the equity holders of the Company decreased by RMB224,303,000 accordingly.

Note 3: Turnover and profit before income tax include both continuing operations and discontinued operations.

Note 4: The restatement in 2003 and 2004 was due to the adoption of IFRS 2.



Chairman's Statement

Chairman's Statement

Zhao Huxiang

Executive Director and Chairman

To: the shareholders

I am pleased to present the annual report of Sinotrans Limited (the "Company") for the financial year ended 31 December 2007 for your review.

REVIEW OF OPERATING RESULTS

China maintained steady and rapid economic growth in 2007. Gross domestic product (the "GDP") grew by 11.4% year-on-year, underpinned by a 23.5% growth in import and export trade. Gross social logistics volume grew 25.5% year-on-year as the nation's logistics market continued to gain momentum.

In 2007, the Company and its subsidiaries (the "Group") capitalised on various opportunities to complete moves in resource integration and structural optimisation. We stepped up with business innovations and enhanced our principal operations. Internal management was strengthened with a view to risk aversion, while strong efforts were made to steer towards a new pattern of business development. Meanwhile, we also diligently performed our social responsibility. All in all, we succeeded in facilitating enhancements in operating scale and efficiency upon new foundations and greater value had been created for shareholders, customers and staff as a result.

In 2007, the Group generated revenue of approximately RMB38.88 billion from its continuing operations, representing an increase of 20.66% when compared to 2006. Substantial growth was registered in the freight forwarding, shipping agency and storage and terminal services segments, while losses incurred by the marine transportation segment were significantly reduced. Operating profit from continuing operations and profit attributable to equity holders rose 26% and 29.88%, as compared to 2006. Earnings per share was RMB0.19 (2006: RMB0.15).

RESOURCE INTEGRATION

In 2007, the Group increased its control over core strategic resources and other scarce resources. Through acquisition of certain assets and operations from our parent company, Sinotrans Group Company, our service network has been extended to Jiangxi, Anhui, Sichuan, Chongqing and Hong Kong, while in Guangdong and Shandong we have basically eliminated the potential competition with the parent company. With a diversified range of services, the Group's servicing capabilities had been significantly enhanced.

We will continue to strength cooperation with Sinotrans Group Company to integrate the parent company's resources in Shanghai, Jiangsu, Zhejiang, Hebei, Guangxi, Tianjin, Liaoning and Fujian and also actively expand our overseas network with a view to providing more diversified services to our customers with an enhanced service network.

We would like to thank our shareholders who have provided strong backing for us in this regard and trust that we could continue to count on their support.

DIVIDENDS

The Board has proposed to recommend the payment of a final dividend of RMB0.03 per share at the forthcoming annual general meeting to reward shareholders for their continuous support of the Group, taking into account of the Company's sound financial position. Together with the interim dividend of RMB0.03 per share, the total dividend for the year was RMB0.06 per share.

SOCIAL RESPONSIBILITY

We believe that the diligent performance of social responsibilities represents an essential quality for any worthy company, which is very important in terms of both the community's future and the sustainable development of the Company.

In 2007, the Company formulated procedures for identifying, assessing and controlling environmental factors in accordance with requirements of the ISO 9000/ISO 14001/OHSAS 18001 quality and EHS management systems. Suitability assessment and tracking of relevant laws and regulations on safety and environment was conducted and controllable environmental factors in the operating activities and relevant services of the Company that might have an impact were fully, adequately and effectively identified, assessed and updated. We ensured that necessary attention be given to significant environmental factors and effective control be exercised to minimise adverse impact on the environment.

INVESTOR RELATIONS

With a strong emphasis on investor relations, the Group has always sought to ensure effective communications between investors and the management. Latest updates on the Group's business development and operations are released in a timely manner through a variety of means, and information is being accurately disclosed in accordance with corporate governance principles.

I am convinced that effective communications with investors will enhance the Company's management transparency and corporate governance standards, thus creating greater values for shareholders.

PROSPECTS

Looking to 2008, we expect a generally favourable environment for our operations. The domestic economy is expected to maintain swift growth amid calls for coordination in development, while economic restructuring will present new opportunities. Meanwhile, uncertainties do exist as a cut back in China's export growth is expected in the wake of the slowdown in global economic growth, fine-tuning of export rebate policies, international trade discord and ongoing RMB appreciation, making rapid growth in the Group's operating results a challenging task to achieve. Meanwhile, cyclical movements of the shipping market and unrelenting international fuel prices will bring pressure in terms of cost control.

In view of the above, we will further improve the layout of the Group's operations and the coverage of its network. We will continue to strengthen our back-up resources and further improve resource allocation to reinforce foundations for our development. Meanwhile, the overall quality of the Company has been significantly enhanced with growing core competitive strengths following accelerated realignments to our business model and structure in recent years, giving us confidence to realise future goals for development. We will focus on development as one single theme underpinned by the dual approach of specialisation and intensification to enhance our capabilities in business innovation, marketing to large customers and network coordination, with a view to the healthy and sustainable development of the Company. To achieve this goal, we intend to carry on our efforts in development, realignment and innovation in 2008 by: 1) identifying further potentials in our core business for ongoing realignments and innovations in business model while continuing to improve the scale and quality of operations; 2) resorting to more active capital operations as a means to facilitate the Company's development; 3) increasing investment in domestic emerging markets related to our core business; and 4) enhancing innovations in management.

APPRECIATION

Last but not least, I would like to express sincere gratitude to the directors, supervisors, management and staff, whose dedicated and ceaseless effort has been the unfailing driving force behind the Group's continuous development. I am also deeply grateful to all our business partners and shareholders, whose trust and support will drive us ever forward for greater success in future.

Zhao Huxiang
Chairman

Beijing, 25 March 2008

Management Discussion and Analysis of Results of Operations and Financial Position

Zhang Jianwei
Executive Director and President

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto of the Company and its subsidiaries (collectively the "Group") detailed in other sections of the annual report of the Company.

BUSINESS OVERVIEW

The Group is a leading logistics service provider in the PRC whose principal activities include freight forwarding, express services and shipping agency, complemented by ancillary operations in storage and terminal services, marine transportation and other truck-based transportation services.

The geographical areas covered by the Group's businesses operation include Guangdong, Fujian, Shanghai, Zhejiang, Jiangsu, Hubei, Lianyungang, Shandong, Tianjin and Liaoning, etc., being coastal regions under rapid growth and other strategic locations in the mainland. We also have an extensive domestic service network, as well as a large overseas agency network. Through acquisitions of business networks and assets from the parent company, the geographical coverage of our business has been extended to Anhui, Jiangxi, Sichuan, Chongqing and Hong Kong.

With comprehensive service networks and the means and capabilities to provide integrated services, the Group has become a leading provider of integrated logistics services in the market.

REVIEW OF OPERATIONS

In 2007, the Group was engaged in full-scale development with active moves to realign business structures and optimise resource allocation:

— We continued with efforts to optimise our freight forwarding business with enhanced promotion and management of the NVOCC products. Centralised procurement of shipping capacities was underpinned by the building of a centralised space booking platform. Inroads were being made in our domestic trade container freight forwarding business. Efforts were being made to optimise our customer mix with increased marketing towards large-scale customers and direct customers.

— Enhanced efforts were made to develop an integrated sales and servicing platform for the shipping agency segment.

— We achieved progress in large projects such as contractual logistics, engineering logistics, and convention and exhibition logistics, while groundbreaking moves were also being in segment markets such as tires, vehicles, chemical products and large-scale engineering logistics.

— We continued with efforts to optimise the operating structure of our marine transportation business by realigning the shipping routes and strengthening cost controls.

— Our strategic investments continued to progress as scheduled with enhanced management of significant projects.

— Our network coverage was substantially improved with the completion of the first tranche of asset acquisition from the parent company, giving us an important edge over our competitors.

— The development of fundamental management was enhanced.

OPERATING STATISTICS

The table below sets forth certain operating statistics of the Group for the years indicated analysed by business segments:

	For the year ended 31 December 2007	2006
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	**6.0**	8.6
Container cargo (in ten thousands of TEUs)	**638.4**	530.0
Air freight forwarding (in millions of kilograms)	**392.6**	369.5
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	**0.5**	0.8
Container cargo (in ten thousands of TEUs)	**5.0**	3.6
Road freight forwarding		
Bulk cargo (in millions of tonnes)	**0.3**	0.1
Container cargo (in ten thousands of TEUs)	**3.5**	3.0
Express services		
Packages — continuing operations (in millions of units)	**19.20**	15.49
Shipping agency		
Net registered tonnes (in millions of tonnes)	**485.2**	399.4
Vessel calls (number of times)	**72,858**	66,318
Containers (in millions of TEUs)	**12.18**	10.06
Storage and terminal services		
Warehouses operating volume		
Bulk cargo (in millions of tonnes)	**9.4**	8.2
Containers (in millions of TEUs)	**7.8**	6.3
Terminal throughput		
Bulk cargo (in millions of tonnes)	**2.9**	2.8
Containers (in ten thousands of TEUs)	**252.1**	205.5
Marine transportation		
TEUs	**1,609,854**	1,524,788
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	**276.2**	141.2
Trucking of terminal containers (in ten thousands of TEUs)	**92.3**	86.7

OPERATING RESULTS

The table below presents selected financial information of the Group for the years indicated:

	For the year ended 31 December	
	2007	2006
	(In RMB million except for earnings per share and number of shares)	(In RMB million except for earnings per share and number of shares)
Continuing operations:		
Revenue	**38,876.9**	32,220.9
Other income	**285.5**	147.8
Business tax and other surcharges	**(316.2)**	(281.7)
Transportation and related charges	**(31,593.7)**	(25,144.8)
Depreciation and amortisation	**(371.9)**	(325.0)
Cost of operation (excluding transportation and related charges, depreciation and amortisation):		
— Staff costs	**(2,208.7)**	(1,895.3)
— Repairs and maintenance	**(141.4)**	(139.2)
— Fuel	**(778.3)**	(831.5)
— Travel and promotional expenses	**(386.8)**	(346.1)
— Office and communication expenses	**(231.3)**	(196.4)
— Rental expenses	**(1,348.5)**	(1,715.7)
— Other operating expenses	**(544.7)**	(508.2)
Operating profit	**1,240.9**	984.8
Financial (costs)/income, net	**(15.5)**	11.3
	1,225.4	996.1
Share of profit of associates	**20.3**	22.3
Profit before income tax	**1,245.7**	1,018.4
Income tax expense	**(366.5)**	(415.0)
Profit for the year from continuing operations	**879.2**	603.4
Discontinued Operations:		
Profit for the year from discontinued operations	**229.5**	259.9
Profit for the year	**1,108.7**	863.3
Attributable to:		
Equity holders of the Company	**803.7**	618.8
Minority interests	**305.0**	244.5
Dividends	**254.9**	212.5
Earnings per share for continuing operations, basic and diluted	**RMB0.15**	RMB0.10
Earnings per share for discontinued operations, basic and diluted	**RMB0.04**	RMB0.05
Weighted average number of shares during the year (in millions of shares)	**4,249.0**	4,249.0
Number of shares at end of year (in millions of shares)	**4,249.0**	4,249.0

The table below sets out turnover from continuing operations of all of the Group's business segments before inter-segment elimination and the percentage for the share of total turnover before inter-segment elimination for the years indicated:

	Turnover by business segment (In RMB Million)			
	For the year ended 31 December			
	2007		2006	
Freight forwarding	**30,636.1**	**77.3%**	24,118.7	73.4%
Express services	**3,313.7**	**8.4%**	3,038.1	9.2%
Shipping agency	**642.1**	**1.6%**	558.5	1.7%
Marine transportation	**2,959.0**	**7.5%**	3,379.9	10.3%
Storage and terminal services	**1,381.4**	**3.5%**	1,190.2	3.6%
Other services	**682.2**	**1.7%**	586.4	1.8%

The table below sets forth turnover from continuing operations in each region before inter-segment elimination and the percentage for the share of turnover before inter-segment elimination for the years indicated:

	Turnover by geographical region (In RMB Million)			
	For the year ended 31 December			
	2007		2006	
Eastern China	**27,348.5**	**69.9%**	23,275.6	72.0%
Southern China	**4,918.3**	**12.6%**	4,435.2	13.7%
Northern China	**6,318.8**	**16.2%**	4,059.3	12.6%
Other locations	**529.7**	**1.3%**	562.2	1.7%

Notes:

(1) Eastern China includes 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.

(2) Southern China includes core strategic locations in Guangdong and Hubei, as well as the operations of Sinoair in Hubei, Hunan, Guangdong, Guangxi, Hainan, Guizhou and Yunnan.

(3) Northern China includes core strategic locations in Liaoning, Tianjin, as well as the operations of Sinoair in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and Henan.

(4) Other locations include 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.

For the year ended 31 December 2007, eastern China in the segments accounted for 69.9% of total turnover before inter-segment elimination, as eastern China was economically the most developed region in the PRC.

The table below sets forth the operating profit/(loss) (in millions of RMB) generating from the continuing operations of all segments of the Group. Result of each segment is defined as turnover of such category less its direct operating expenses but before deduction of unallocated costs. Segment results are presented by amounts of the combined segment results of the Group during the indicative periods:

	For the year ended 31 December	
	2007	2006
Freight forwarding	**572.8**	466.7
Express services	**350.1**	451.4
Shipping agency	**289.1**	249.1
Marine transportation	**(147.9)**	(250.6)
Storage and terminal services	**296.0**	238.3
Other services	**20.5**	10.2

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2007

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 income 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 income 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 (In RMB million)	2006 (In RMB million)
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 total liabilities and minority interests by total assets of the Group as at 31 December 2007.

Foreign Exchange 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.

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 transportation 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 such 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 an 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 so as 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.

Report on Corporate Governance

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

CONTINUOUS IMPROVEMENT ON CORPORATE GOVERNANCE PRACTICES

The Company has reviewed and adopted the Code on Corporate Governance Practices issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code on corporate governance practices.

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.

BOARD OF DIRECTORS

The Board is accountable to the general meetings under its commitment to pursue the best interests of the Company. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of shareholders and spare no efforts in the performance of their duties as a director. The Company's independent directors are professionals in the field of accounting, finance and management with extensive experience in accounting or financial management and other professional areas. They act in diligent manner to uphold the interests of the Company and the shareholders by expressing independent opinions and performing independent duties in the review of the Company's connected transactions and significant events, and by providing professional advice on the stable and disciplined operation and long-term development of the Company.

As at 31 December 2007, the Board of the Company comprised 11 directors, of whom 4 were executive directors, 4 were non-executive directors and 3 were independent non-executive directors, whose names are as follows:

Chairman: Mr. Zhao Huxiang;

Executive directors: Mr. Zhao Huxiang, Mr. Zhang Jianwei, Ms. Tao Suyun and Mr. Li Jianzhang;

Non-executive directors: Mr. Yang Yuntao, Ms. Liu Jinghua, Mr. Jerry Hsu and Mr. Peter Landsiedel;

Independent non-executive directors: Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Miao Yuexin.

The main duties of the Board include determining the operating plans and investment proposals of the Company, convening general meetings and executing the resolutions passed at general meetings, formulating the Company's profit distribution proposals and formulating and amending the Articles of Association of the Company.

The Board delegates the authority of the management of the Company's daily operation to the management, whose scope of authority is set out in the Articles of Association of the Company.

The directors acknowledge that it is their responsibility to prepare the Group's financial statements and warrant that the financial statements are prepared in accordance with the requirements of laws and regulations and applicable accounting standards. The directors also warrant the timely publication of the Group's financial statements.

The Chairman ensures the proper performance of duties by the directors and maintains the effective operation of the Board. He also ensures that all material matters are being brought forth to the directors for discussion as appropriate in a timely manner.

The Company provides sufficient information to the directors in a timely manner to enable understanding of the Company's state of affairs. Appropriate means have been adopted to maintain effective communications with shareholders to ensure that their views are brought to the attention of the Board.

So far as is known to the Company, there are no financial, business, family or other material relationships among the Board members of the Company. Save as disclosed herein, there is no such relationship between the chairman of the Board and president of the Company.

The Company has received from each of the independent non-executive directors a written confirmation of his/her independence to the Company in accordance with the requirements of the Listing Rules. The Company is of the view that all independent non-executive directors are independent of the Company.

In order to illustrate its focus on the Company's business management, the Board sets out the attendance of meetings of the Board and its subordinated committees in 2007 in the table below:

	Attendance/No. of meetings		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Independent non-executive directors			
Mr. Sun Shuyi	5/5[1]	2/2	1/1
Mr. Lu Zhengfei	5/5[1]	2/2	1/1
Mr. Miao Yuexin	5/5	2/2	1/1
Non-executive directors			
Mr. Yang Yuntao	5/5		
Ms. Liu Jinghua	5/5[1]	1/2[1]	
Mr. Jerry Hsu	5/5[1]		
Mr. Peter Landsiedel	5/5[2]		
Mr. Ken Torok	1/5[3]		
Executive directors			
Mr. Zhao Huxiang	5/5[1]		
Mr. Zhang Jianwei	5/5		
Ms. Tao Suyun	5/5		1/1[1]
Mr. Li Jianzhang	5/5		

Note: Except for those indicated with a note under the column of attendance, the meetings were attended by the directors in person.

1. One meeting was attended by way of proxy.

2. Three meetings were attended by way of proxy.

3. Mr. Ken Torok resigned after attending the 20th Board meeting of the Company and had not attended any Board meeting thereafter.

The 21st and 24th Board meetings of the Company in 2007 were convened by way of written resolution. The Company has prepared and properly kept detailed minutes for the matters being discussed in Board meetings.

The directors have been reminded that they shall devote sufficient time and effort to the business of the Company and that they shall abstain from voting for the approval of any proposals in which they have material interests.

APPOINTMENT OF DIRECTORS

The directors of the Company are elected at general meetings of the Company. All directors including independent non-executive directors are appointed for a term of office of three years and are eligible for re-election upon the expiry of such term.

Mr. Lu Zhengfei was elected as an independent non-executive director of the Company after due consideration at the extraordinary general meeting of the Company held on 25 October 2007.

Mr. Ken Torok resigned as non-executive director of the Company on 29 June 2007.

CHAIRMAN AND PRESIDENT

During the reporting period, Mr. Zhao Huxiang was the chairman of the Board and Mr. Zhang Jianwei was the President of the Company. The roles of chairman and president are performed by different individuals and each of them has different terms of reference. The Chairman is responsible for the management of the Board's operation, while the President is responsible for the business management of the Company. Details of their respective duties and responsibilities are set out in the Articles of Association of the Company.

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 unaudited condensed interim financial information for 2007 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.

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.

INTERNAL AUDIT

The internal audit department of the Company is established to monitor and assess the Company's operating activities and the suitability, compliance and effectiveness of its internal control system through the application of professional approaches that are independent, objective and systematic.

The internal audit department reports directly to the top management of the Company and is represented at all meetings of the Audit Committee.

At the meeting of Audit Committee in 2007, the internal audit department of the Company reported to the Audit Committee on the 2006 internal audit.

In 2007, the internal audit department undertook various internal audit projects, supervised the Company's overall financial operation through the financial management information system, formulated and implemented a self evaluation system for the Company's overall internal control, assisted the Company to implement the resolutions of the Audit Committee and played an advisory role in the Company's day-to-day operations.

EXTERNAL AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were engaged as the Company's international and PRC auditors respectively for the year ended 31 December 2007.

For the year ended 31 December 2007, total fee for audit, audit-related and other services amounted to RMB17.18 million. Auditor's remuneration for the year ended 31 December 2007 is set out in Note 10 to the financial statements.

At the annual general meeting held on 11 June 2007, a resolution was passed to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Company's international and the PRC auditors respectively and to authorise the Board to fix their remuneration.

There has been no change in the auditors of the Company for the past five financial years.

INTERNAL CONTROL

Through the customised internal control system, the Board oversees the Company's overall financial and operation conditions and legal compliance and manages any risks to avoid substantial losses due to failure in internal control.

The Board has established the following procedures to ensure effective internal control:

- The Company has a well-defined organisational structure with clearly stated duties for each department;

- The Company has established a series of policies, rules and processes in relation to financial management, operation and legal compliance, which are being monitored on a daily basis for ongoing improvements.

- The Company has established a comprehensive accounting management system to provide the management with financial information and indicators required for accurate and adequate assessment of the Company's financial position and operating performance, as well as any disclosable financial information;

- The Company has established an internal audit department, which is responsible for independent examination and assessment of the Company's internal control mechanism and for providing recommendations for further improvement so as to ensure the effective implementation of the approaches and standards formulated by the Board and the management. The scope of an internal audit covers the Company's financial conditions, operations, compliance and risk management. Audit results will be reported to the Audit Committee, top management of the Company and the external auditors.

- The Company carries out internal audit and external audit and certification on the suitability, adequacy and effectiveness of its quality management system based on the ISO9001:2000 standard. The audit procedures monitor major items such as finance, operation and compliance based on their respective procedural documents, covering all aspects of the quality management system. Starting from 2007, the Company has formulated a management manual to conduct suitability assessment and tracking of relevant laws and regulations on safety and environment in accordance with requirements of the ISO 14001/OHSAS 18001 quality and EHS management systems. Controllable environmental factors in the operating activities and relevant services of the Company that might have an impact have been fully, adequately and effectively identified, assessed and updated. Significant environmental factors have been highlighted to ensure that necessary attention would be given to these factors and effective control would be exercised to minimise adverse impact on the environment. The Company has also formulated procedures for identifying, assessing and controlling environmental factors.

- In addition, the Company further enhances its internal control system by providing more training to its management and staff so that they may gain better understanding and knowledge of risk management and internal control systems.

GENERAL MEETINGS

The ultimate goal of the Board and senior management of the Company is to maximise shareholders' value. Under the Articles of Association of the Company, two or more shareholders whose shareholdings represent 10% or more of the shares of the Company are entitled to request an extraordinary general meeting.

Any shareholder who holds 5% or above of the total number of the Company's shares conferring the right to vote is entitled to put forward new resolutions in writing to the Company.

The Company held four general meetings in 2007, including three extraordinary general meetings.

The annual general meeting held on 21 June 2007 was convened to review and approve the Report of Directors for the year ended 31 December 2006, the Report of Supervisory Committee for the year ended 31 December 2006 and the audited financial statements of the Company and the auditor's report for the year ended 31 December 2006; to review candidates for external and internal auditors of the Company; to authorise the directors of the Company to determine the declaration, payment and recommendation of interim dividend or special dividend for 2007; to review and approve the proposals for profit distribution and final dividend for the year ended 31 December 2006; and to approve the special resolution on the general mandate to issue shares.

At the extraordinary general meeting held on 11 June 2007, the supplemental master service agreement between the Company on one hand and Nippon Express Co., Ltd and Nittsu Sinotrans Logistic Dalian Ltd. on another was approved.

The extraordinary general meeting held on 25 October 2007 was convened to review and approve the election of Mr. Lu Zhengfei as independent non-executive director of the Company and to authorise the Board of the Company to fix his remuneration.

The extraordinary general meeting held on 21 December 2007 was convened to confirm, approve and ratify transactions carried out under the framework acquisition agreement between the Company and China National Foreign Trade Transportation (Group) Corporation in respect of the Company's acquisition of target assets from China National Foreign Trade Transportation (Group) Corporation and authorise the directors of the Company to execute relevant documents to give effect to the acquisition.

All resolutions proposed in 2007 for shareholders' approval have been duly passed. The general meeting is extremely important for the Company and all shareholders are encouraged to attend. We will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In accordance with the disclosure requirements under the Listing Rules, any significant events of the Company fall to be disclosed will be published in a timely, accurate and complete manner through newspapers and websites designated by relevant regulatory authorities for information disclosure, so as to safeguard shareholders' rights of information and participation.

The Company places strong emphasis on communications as it believes that ongoing and open communications with investors will enhance their understanding of and confidence in the Company as well as improving its corporate governance standards. The Company has set up a dedicated Investor Relations Department to deal with investor relations. Management of the Company maintains close communications with investors through different channels, such as road shows, conferences and one-on-one meetings, so that investors may have a better understanding of the Company's management philosophy, operating environment and development strategies. As a result, the transparency of the Company will be improved and investors will have more in-depth knowledge of the Company.

The Company's website at www.sinotrans.com provides timely information on investor relations, corporate governance and other latest news of the Company and is updated on a regular basis.

Directors, Supervisors & Senior Management

EXECUTIVE DIRECTOR

Zhao Huxiang, age 53, is an executive director and the chairman of the board of the Company. Mr. Zhao graduated with a MBA degree from University of Louisville, USA, and carries the professional title of "Senior Engineer". He used to work in the Marine Shipping Bureau of the Ministry of Communications, and successively served as Deputy General Manager and General Manager of Hoi Tung Marine Machinery Suppliers Limited, Director and General Manager, Vice Chairman of China Merchants Holdings (International) Limited, and President Assistant, Board Director and Vice President of China Merchants Group. From December 2005, Mr. Zhao became the President of Sinotrans Group. On 3 March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company.

Zhang Jianwei, age 51, is an executive director and President of the Company. Mr. Zhang has been employed by Sinotrans Group Company since 1980 with experience in Sinotrans Group Company's Finance Department, Overseas Enterprises Management Department and Chartering Department. Mr. Zhang was seconded to China InterOcean Transport Inc. in the United States in 1988 to serve as assistant president. In 1993, Mr. Zhang became the Deputy General Manager of China National Chartering Corporation and later became its General Manager. In 1996, he was promoted to become the Assistant President of Sinotrans Group Company. Then in 1997, Mr. Zhang became Sinotrans Group Company's executive director. Mr. Zhang was appointed as director of Sinotrans Group Limited by the State-owned Asset Supervision and Administration Commission. Mr. Zhang graduated from University of International Business and Economics in 1980 and obtained his Master of Business Administration degree from China Europe International Business School in 1998. Mr. Zhang is also the Chairman of Sinoair. Mr. Zhang was appointed Executive Director of the Company in November 2002.

Tao Suyun, age 54, is an executive director and Vice-President of the Company. Ms. Tao has worked with Sinotrans Group Company since 1979 and became Deputy General Manager of the Europe Shipping Department in 1986. She was seconded to Sinorick Shipping Agency Co. in Hamburg, Germany from 1989 to 1993 to serve as General Manager. She later returned to work acted as Deputy General Manager and General Manager of Sinotrans Group Company's liner shipping division. In 1995, Ms. Tao was promoted to become Assistant President and served as Sinotrans Group Company's Vice-President and executive director from 1997. Ms. Tao graduated from University of International Business and Economics in 1979 and obtained her Master of Business Administration degree from China Europe International Business School in 2002. Ms.Tao was appointed Executive Director of the Company in November 2002.

Li Jianzhang, age 52, is an executive director of the Company. During Mr. Li's career, he has worked in various governmental departments. Mr. Li started working at Sinotrans Group Company in May 2001. In July 2001, Mr. Li was promoted to become a director of Sinotrans Group Company. He was appointed as a supervisor of the Company from November 2002 to June 2003. Mr. Li graduated from Beijing Normal University in 1981. Mr. Li was appointed Executive Director of the Company in June 2003.

NON-EXECUTIVE DIRECTOR

Yang Yuntao, age 42, is a non-executive director of the Company. Mr. Yang commenced working for Sinotrans Group Company after receiving his bachelor of laws degree from Jilin University School of Law in 1988. He was Deputy General Manager of the Port Administration Department in Sinotrans Group Company in 1995. From 1996, Mr. Yang transferred to be the General Manager of the Legal Affairs Department. He was appointed executive director and Vice-President of Sinotrans (Hong Kong) Holdings Limited in 2002. From January 2008, Mr. Yang has been the General Manager of Legal Affairs Department in Sinotrans Group Company. Mr. Yang obtained his doctorate degree in Laws degree from University of International Business and Economics in 2006. Mr. Yang was appointed non-executive Director of the Company in January 2003.

Liu Jinghua, age 45, is a non-executive director of the Company. Ms. Liu joined Sinotrans Group Company in 1989 and worked in the Finance Department and Liner Department before she was seconded to DHL-Sinotrans Beijing to be its Finance Manager in 1992. Soon afterwards, she was promoted to be DHL-Sinotrans' National Financial Controller and in 1999 became National HR Manager. Ms. Liu was appointed General Manager of the Finance Department of Sinotrans Group Company in October 2002. Ms. Liu graduated from the Central University of Finance and Economics in 1987 and obtained her EMBA in the School of Management of State University of New York at Buffalo in December 2000. Ms. Liu was appointed non-executive Director of the Company in June 2003.

Jerry Hsu*, age 57, is a non-executive director of the Company. Mr. Hsu, the President — Greater China and Korea, DHL Express, manages and develops the six markets of China, Hong Kong, South Korea, Taiwan, Mongolia and North Korea. Mr. Hsu's previous role in DHL Express was the Area Director responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea, a position he held until September 2002. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in DaimlerChrysler Corporation. Mr. Hsu holds BA/MA degree in International Economics and Politics. Mr. Hsu also holds directorships in various companies within the DPWN Group. Mr. Hsu was appointed non-executive Director of the Company in June 2003.

Peter Landsiedel*, age 55, is a non-executive director of the Company. Mr. Landsiedel is Chief Executive Officer of DHL Global Forwarding for Asia Pacific. Mr. Landsiedel was promoted to head the Asia Pacific region with effect from 1 September 2003. Prior to that, he was Vice President for the North Pacific region, overseeing the operations in Hong Kong, China, Taiwan, Korea and the Philippines. Mr. Landsiedel joined the former Danzas in 1999 as Managing Director of Hong Kong and Greater China. He was promoted to the position of Vice President for the North Pacific region in 2000. Before joining the former Danzas, Mr. Landsiedel was the CEO of Thyssen Haniel Logistics (United States) from 1993, and from 1997 he was the company's CEO (Hong Kong) during its integration with ABX Logistics. Prior to that, Mr. Landsiedel held various management positions with Hermann Ludwig and International Transport GmbH in Europe. Mr. Landsiedel is a member of the Counsel for Logistics Management in the USA, and holds a diploma from University of Michigan Business School. Other than in the Company, Mr. Landsiedel has not held any directorship in other listed companies in the last three years. Mr. Landsiedel was appointed non-executive Director of the Company in May 2006.

* Mr. Jerry Hsu and Mr. Peter Landsiedel are all representatives nominated by our Strategic Investors pursuant to the strategic placing agreements entered into at the time of the Company's listing in February 2003 between the Company and DHL and Exel (collectively, the "Strategic Investors") respectively.

DHL Worldwide Express BV ("DHL") is a member of the Deutsche Post World Net Group ("DPWN Group") whose business operations are global mail, express delivery, logistics and financial services serving both in Europe and around the world. The DPWN Group's express delivery business operations in China are held through DHL, which formed a 50/50 joint venture with Sinoair in 1986. This joint venture has helped to establish a business relationship between our Group and the DPWN Group.

Exel plc. ("Exel") is a UK listed, FTSE 100 company, which provides supply chain management solutions to its customers around the world. Excel's range of logistics solutions encompasses the whole supply chain from design and consulting through freight forwarding, warehousing and distribution services to integrated information management and e-commerce support. In 1996, our subsidiary, Sinoair formed a joint venture company with Excel called Exel-Sinotrans Freight Forwarding Co. Ltd., which specialises in providing integrated logistics solutions to its customers in China.

While, for the purposes of the Listing Rules, each of the Strategic Investors' nominee directors above has interests (by way of minority equity interests or stock options or directorships) in competing businesses (i.e. those of the Strategic Investors, each being a major international company in the transportation and logistics industry), our Company has been and continues to carry on its business independently of and at arms length from, those businesses and through its joint ventures and cooperation arrangements with those Strategic Investors.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sun Shuyi, age 68, is an independent non-executive director of the Company. Mr. Sun is currently executive vice chairman of China Federation of Industrial Economics and vice executive chairman of China Enterprise Confederation and China Enterprise Director Association (CEC/CEDA). Mr. Sun is also serving as independent non-executive directors for four other companies — Galaxy Fund Management Co., Ltd., Dongfeng Motor Group Co., LTD which is listed on the Hong Kong Stock Exchange and Offshore Oil Engineering Co., Ltd which is listed on the Shanghai Stock Exchange and China Life Insurance Asset Management Co., Ltd. which is listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and in the U.S.A. Mr. Sun had worked as the deputy director of the office of the Central Leading Group on Finance and Economic Affairs, the Vice Minister of the Ministry of Personnel and the Vice Secretary General of the Central Enterprise Working Committee, a member of the 10th Session of the national committee of CPPCC, etc.. Mr. Sun graduated from the University of Science and Technology of China in 1963. Mr. Sun was appointed independent non-executive director of the Company in November 2002.

Lu Zhengfei, age 45, is an independent non-executive director of the Company. Mr. Lu holds a doctorate degree in Financial Management. Mr. Lu is the Associate Dean of Guanghua School of Management and the Professor of Accounting in GSM of Peking University. Mr. Lu also holds several academic and social positions such as consulting expert for China Financial Accounting Standards Board of Ministry of Finance, member and director of China Accounting Association. Mr. Lu obtained his Master of Arts degree in Accounting and Financial Management in the People's University in 1988, and then obtained his Ph.D. in Financial Management in Nanjing University in 1996. Between 1997 and 1999, Mr. Lu undertook postdoctoral studies in Economy (Accounting) Postdoctoral Station in the People's University. Mr. Lu was appointed independent non-executive director of the Company in September 2004.

Miao Yuexin, age 42, is an independent non-executive director of the Company. Mr. Miao holds a doctorate degree in Financial Management. Mr. Miao is the Director of Sales and Marketing Department of Central University of Finance and Economics and an associate professor. Mr. Miao graduated from Shanxi University of Finance and Economics in 1987 and stayed in the university to teach until 1990. In 1993, he obtained his master degree from Central University of Finance and Economics, majored in domestic economy. From 1993 to 1999, Mr. Miao worked in the Bureau of International Trade of Zengcheng in Guangdong province, acted as the director of the office of enterprises directly under the bureau. During that period, he took part in the introductions and negotiations of several big and medium sized wholly foreign owned and joint venture companies. From 2002 on, Mr. Miao has been teaching in Sales and Marketing Department of Central University of Finance and Economics. Mr. Miao was appointed independent non-executive director of the Company in August 2005.

SUPERVISORS

Su Yi, age 54, is a supervisor of the Company. Ms. Su joined Sinotrans Group Company in December 1986. She has been appointed a divisional vice general manager and general manager. Since 1995, she has been appointed the General Manager of Human Resources Department in Sinotrans Group Company. Ms. Su was appointed supervisor of the Company in June 2003.

Wang Xiaozheng, age 37, is a supervisor of the Company. Mr. Wang began his career at Sinotrans Group Company and served in the Chartering Department and the Enterprise Management Department of Sinotrans Group Company from 1994 to 1997. Since 1998, Mr. Wang began serving at the Investment Department of the Sinotrans Group Company and was promoted to become the Deputy General Manager of the Investment Department in 2000. From November 2002 to May 2005, Mr. Wang served at the Strategy & Planning Department of the Company and was appointed the Deputy General Manager. From June 2005 to January 2007, Mr. Wang acted as the Deputy General Manager of Sinotrans Shandong Limited. From February 2007, Mr. Wang has been the Deputy General Manager of the Strategy & Planning Department of the Company. Mr. Wang was appointed supervisor of the Company in November 2002.

Zhang Junkuo, age 47, is an independent supervisor of the Company. Mr. Zhang began his career at the Development Research Center of the State Council where he was engaged in various positions, including, Director of the Comprehensive Economic Research Department, Deputy Secretary-General of the Academic Committee, Director of the Research Institute of Market Economy, Director of the Research Department of Development Strategy and Regional Economy as well as directing a number of research programmes etc.. During 2001 and 2002, Mr. Zhang was a visiting scholar at the Department of Finance at Loyola University in Chicago as well as a short-term consultant at the World Bank and the Asia Development Bank. Mr. Zhang has published various articles and has also received significant awards such as the Sun Yefang Economics Prize in 1998. Mr. Zhang obtained his Master of Economics degree from Wuhan University in 1985. Mr. Zhang was appointed supervisor of the Company in November 2002.

SENIOR MANAGEMENT

Wang Lin, age 49, is a Vice-President of the Company. Mr. Wang started his career with Sinotrans Group Company in 1983 by serving in the Ningbo branch of Sinotrans Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Ningbo Group Company. In 1998, he became the General Manager of Sinotrans Zhejiang Company Limited which merged with Sinotrans Ningbo Company in the same year. In 1999, Mr. Wang became the General Manager of Sinotrans Jiangsu Company and a director of Sinotrans Group Company. Mr. Wang was appointed Vice-President of the Company and the General Manager of Sinotrans Eastern Company Limited in 2002 and from March 2003, he also acts as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed vice-president of the Company in November 2002.

Zeng De, age 61, is a Vice-President of the Company. Mr. Zeng began his career with Sinotrans Group Company's Guangdong operations in 1976 and was seconded to Hong Kong in 1985 to serve as General Manager of Eternal Way Limited. In 1999, he returned to Guangdong to become the General Manager of Sinotrans Group Company's Guangdong operations. In 2000, Mr. Zeng was promoted to become a director of Sinotrans Group Company. Mr. Zeng was appointed vice-president of the Company in November 2002.

Ouyang Pu, Age 55, is a vice-president of the Company. Mr. Ouyang joined Sinotrans Group Company in 1986. In 1988, Mr. Ouyang was appointed as the General Manager of China International Exhibition Transportation Company. Then he successively serviced as Deputy General Manager of the Marine Transportation Department II in 1992; Chief Representative of Italy Representative Office of Sinotrans Group Company in 1993; Vice President of China Interocean Transport Inc. in America in 1994; General Manager of Overseas Enterprises Management Department of Sinotrans Group Company in 1998 and General Manager of Sinotrans Beijing Company in 1999. Mr. Ouyang started to take the position of Director of Sinotrans Group Company since 2000. Mr. Ouyang graduated from Beijing Institute of Iron and Steel Technology in 1983, with Bachelor of Engineering degree; from October 2002 to January 2004, Mr. Ouyang studied in senior manager business management class at Tsinghua University. Mr. Ouyang was appointed vice-president of the Company in October 2006.

Wu Dongming, age 44, is a Vice-President of the Company. Mr. Wu began his career in the Sinotrans Group Company in 1986. From 1988 to 1990, he served in TNT Skypak-Sinotrans Company as the National Operation Manager and the General Assistant to General Manager. In 1990, Mr. Wu served as department manager at Sinoair and later became General Manager of Associated International Freight Forwarding Co., Ltd. in 1995. In 1997, Mr. Wu was a pointed the Deputy Managing Director and then the Managing Director of DHL-Sinotrans Air Courier Co., Ltd. Mr. Wu was appointed vice-president of the Company in November 2002.

Yu Jianmin, age 43, is the Assistant President of the Company. Mr. Yu began working in the Liner Department of Sinotrans Group Company in 1990 and was seconded to serve as the Chief Representative at Sinotrans Group Company's Italian representative office in 1993. In 1998, he returned to China to serve as Vice-General Manager of Sinotrans Group Company's Investment Management Department. Since 1999, Mr. Yu served as the General Manager of Sinotrans Group Company's Logistics Development Department. Mr. Yu obtained his master degree from the Dalian Maritime University in 1990. He also obtained his Master of Business Administration degree from the China Europe International Business School in 2002. Mr. Yu was appointed Assistant President of the Company in November 2002.

Wu Xueming, age 44, is an Assistant President of the Company. Mr. Wu has been employed by Sinotrans Group since 1987 with experience in vessel management department, chartering department, human resource department and liner shipping department. Mr. Wu has become general manager of JC SHIPPING Co. Ltd. in 1997. In April 2002, he served as deputy general manager of Sinotrans Marine Co. LTD. In October 2002, he served as general manager of China Marine Shipping Agency Co. Ltd. Mr. Wu graduated from Dalian Fisheries University in 1987, and obtained MBA from Cheung Kong Graduate School of Business in 2005. Mr. Wu was appointed Assistant President of the Company in April 2007.

Liu Hongling, age 54, is the Chief Financial Officer of the Company. Ms. Liu started working in Sinotrans Group Company's Finance Department in 1987. Ms. Liu served as Vice-General Manager in Sinotrans Group Company's Finance Department since 1990 and was later promoted to become the General Manager in 1997. Ms. Liu obtained her bachelor degree in economics from the People's University of China in 1983. Ms. Liu was appointed chief financial officer of the Company in November 2002.

Liu Minsheng, age 52, Chief Information Officer of the Company. Mr. Liu joined Sinotrans Group Company in 1983 in the Human Resources Department. From 1985 on, Mr. Liu had been serving in Sinotrans Group Company's IT Centre and later acted as General Manager until February 1996 when he was appointed as Deputy Director General of China International Electronic Commerce Centre of the Ministry of Foreign Trade and Economic Cooperation of the PRC. In November 1998, Mr. Liu began to work as Deputy Director General of Commercial Network and Sites Development Centre of the National Domestic Trade Bureau of China. In January 2003, Mr. Liu resumed his service in Sinotrans. Mr. Liu has participated in and led many prominent domestic information technology projects and won for times national IT awards. Mr. Liu was appointed chief information officer of the Company in April 2003.

Gao Wei, age 42, is the company secretary. Mr. Gao began his career in the Legal Department of Sinotrans Group Company in 1993. In 1997, Mr. Gao began working as the Vice-General Manager of the Legal Department of Sinotrans Group Company. In the same year, he became the Deputy Manager in the Restructuring Office of the Sinotrans Group Company and became the Vice-General Manager of Sinotrans Group Company's Enterprise Management Department in 1999. During the same year, Mr. Gao began to serve as the Vice-General Manager of Sinoair and was later promoted to become Sinoair's General Manager in 2001. Mr. Gao obtained his Master of Economics degree in the Central University of Finance and Economics in 1993 and his doctorate degree in laws in the University of International Business and Economics in 1999. Mr. Gao was appointed company Secretary of the Company in November 2002.

Report of the Directors

The board of directors (the "Board") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

BUSINESS OPERATIONS AND GEOGRAPHICAL LOCATION OF THE GROUP

The principal activities of the Group are freight forwarding, express services, shipping agency services, storage and terminal services, marine transportation and trucking and other services. There was no material change to the nature of the principal activities of the Group during the year.

An analysis of the Group's operating results for the year by business and geographical location is set out in Note 6 to the financial statements.

SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Particulars of the subsidiaries, jointly-controlled entities and associated companies of the Company are set out in Notes 20, 21 and 22 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the financial statements on page 52 to 53. The summary of results and assets and liabilities of the Group for the preceding five years is set out on page 3.

DIVIDENDS

An interim dividend of RMB0.03 per share (2006: RMB0.03 per share) was paid by the Company on 14 November 2007.

The Board recommended the payment of a final dividend of RMB0.03 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2007 by shareholders at the Annual General Meeting to be held on Thursday, 12 June 2008. Please refer to the "Notice of the Annual General Meeting" on page 45 of this Annual Report for further details.

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 for the period from Monday, 12 May 2008 to Thursday, 12 June 2008 (both days inclusive), during which no transfers will be registered.

In order to qualify for the final dividend, holders of H Shares whose transfers have not been registered are requested to lodge their instruments of transfer together with the relevant share certificates with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 9 May 2008, for registration.

Pursuant to the Articles of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (19 March 2008 to 25 March 2008) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.907186. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.033069.

BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 34 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2007, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively.

For the year ended 31 December 2007, none of the directors, supervisors, their associates and any shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) of the Company had any interests in the five largest customers or the five largest suppliers of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2007 are disclosed in Note 46 to the financial statements.

Details of some of the said related party transactions, which also constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

Revenue/(expenses)	Note	2007 RMB'000
Transactions with Sinotrans Group Company and its subsidiaries	1	
Provision of transportation and logistics services		424,412
Provision of information technology services		71
Receipt of transportation and logistics services		(210,757)
Vessel chartering fees		(94,639)
Container leasing fees		(47,415)
Vehicle rental		(2,520)
Property leasing expenses		(34,361)
Transactions with Connected Joint Venture Partners	2	
Provision of services		173,371
Receipt of services		(95,068)
Transactions with Connected Non-Wholly-Owned Subsidiaries	3	
Provision of services		196,833
Receipt of services		(66,434)

Note 1: Transactions with China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company") and its subsidiaries are considered as connected transactions as Sinotrans Group Company is a controlling shareholder of the Company, and its subsidiaries are connected persons of the Company.

Note 2: Transactions with Connected Joint Venture Partners are considered as connected transactions as these joint venture partners are substantial shareholders of the Company's subsidiaries.

Note 3: Transactions with Connected Non-Wholly-Owned subsidiaries are considered as connected transactions as these subsidiaries are associates of the substantial shareholders of the Company or subsidiaries of the Company.

In order to comply with the relevant requirements of the Listing Rules, these connected transactions together with the respective annual caps of connected transactions for each of 2006, 2007 and 2008 have been passed by the Annual General Meeting held on 24 April 2006. In light of the business growth of the Group, as stated in the announcements in relation to certain continuing connected transactions made by the Company on 19 January 2007 and 27 March 2007, the Group has entered into the Supplemental Master Services Agreements with each of the Connected Joint Venture Partners and Connected Non-Wholly-Owned subsidiaries to amend the expected annual transaction values of the continuing connected transactions for 2006, 2007 and 2008 under each Master Services Agreement.

The independent non-executive directors of the Group have reviewed the continuing connected transactions and confirmed that the transactions and the respective agreements (if any) governing such transactions were:

(a) entered into by members of the Group in the ordinary and usual course of its business; and

(b) (i) on normal commercial terms; or

(ii) on terms no less favourable to the Company than those available to (or from) independent third parties; or

(iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent auditor of the Company, PricewaterhouseCoopers, has examined that the continuing connected transactions as referred to in the table on page 35 of this Annual Report for the year ended 31 December 2007 (the "Transactions") and has reported in the letter to the Company's directors that the Transactions

(a) have been approved by the board of directors of the Company;

(b) the pricing of the Transactions, on a sample basis, are in accordance with the pricing policies of the Company set out in Note 46 to the financial statements of the Company; and

(c) on a sample basis, have been entered into in accordance with the relevant agreements governing the Transactions.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the Transactions.

ACQUISITIONS AND DISPOSALS

Details of the acquisitions and disposals of the Group for the year ended 31 December 2007 are set out in pages 9 to 19 of the management discussion and analysis.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and of the Company during the year are set out in Note 16 to the financial statements.

TAXATION

Details of taxation of the Group and the Company as at 31 December 2007 are set out in Note 12 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the financial statements on page 141 of this Annual Report and Note 40 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Group as at 31 December 2007 amounted to approximately RMB2,096,192,000 (2006: RMB1,469,306,000).

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2007, there was no change to the share capital structure of the Company, which, as at 31 December 2007, was as follows:

Class of shares	Number of shares	As a % of total issued share capital
Domestic shares	2,461,596,200	57.93%
H shares	1,787,406,000	42.07%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, so far as the directors of the Company were aware, the interests or short positions of the following persons (other than directors or supervisors) in the shares of the Company which were required to be disclosed to the Company pursuant to the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or the interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Corporate Interests	Short Positions	Class of Shares	As a % of total issued share capital	As a % of total issued H share capital
China National Foreign Trade Transportation (Group) Corporation	2,461,596,200	—	Domestic Shares	57.93%	—
Deutsche Post AG	237,468,000	—	H Shares	5.59%	13.29%
Templeton Investment Counsel, LLC	107,656,000	—	H Shares	2.53%	6.02%
Oppenheimer Developing Markets Fund	91,900,000	—	H Shares	2.16%	5.14%

Save as disclosed above, as at 31 December 2007, so far as the directors of the Company were aware, no person (other than directors or supervisors) had any interests or short positions in the shares of the Company which were required to be disclosed to the Company pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO or any interests or short positions recorded in the register kept by the Company pursuant to section 336 of the SFO.

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.

DIRECTORS AND SUPERVISORS

As at 31 December 2007, the directors and supervisors of the Company were as follows:

Executive directors:

Zhao Huxiang	appointed on 3 March 2006, with a term from 3 March 2006 to 2 March 2009
Zhang Jianwei	re-appointed on 24 October 2005, with a term from 19 November 2005 to 18 November 2008
Tao Suyun	re-appointed on 24 October 2005, with a term from 19 November 2005 to 18 November 2008
Li Jianzhang	re-appointed on 29 May 2006, with a term from 18 June 2006 to 17 June 2009

Non-executive directors:

Yang Yuntao	re-appointed on 24 October 2005, with a term from 14 January 2006 to 13 January 2009
Liu Jinghua	re-appointed on 29 May 2006, with a term from 18 June 2006 to 17 June 2009
Jerry Hsu	re-appointed on 29 May 2006, with a term from 18 June 2006 to 17 June 2009
Peter Landsiedel	appointed on 29 May 2006, with a term from 29 May 2006 to 28 May 2009

Independent non-executive directors:

Sun Shuyi	re-appointed on 24 October 2005, with a term from 19 November 2005 to 18 November 2008
Lu Zhengfei	re-appointed on 25 October 2007, with a term from 25 October 2007 to 24 October 2010
Miao Yuexin	appointed on 30 August 2005, with a term from 30 August 2005 to 29 August 2008

Supervisors:

Su Yi	re-appointed on 29 May 2006, with a term from 18 June 2006 to 17 June 2009
Wang Xiaozheng	re-appointed on 24 October 2005, with a term from 19 November 2005 to 18 November 2008

Independent Supervisors:

Zhang Junkuo	re-appointed on 24 October 2005, with a term from 19 November 2005 to 18 November 2008

Pursuant to the Articles of Association of the Company, all directors and supervisors are appointed for a term of office of three years and are eligible for re-election upon expiry of term of office.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes to directors and senior management of the Company were as follows:

Mr. Ken Torok, a non-executive director of the Company resigned from the position of non-executive director on 29 June 2007.

Mr. Lu Zhengfei, an independent non-executive director of the Company was re-elected on 25 October 2007.

Mr. Wu Xueming was appointed an Assistant President of the Company on 20 April 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 28 to 33.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

Each of the executive directors and supervisors (save for Mr. Zhang Junkuo, an independent supervisor) of the Company has entered into a service contract with the Company for a term of three years.

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any director or supervisor.

Details of the remuneration of the directors and the five highest-paid individuals of the Company are set out in Note 7 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2007, none of the directors, supervisors or their associates had any interests in any shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

For the year ended 31 December 2007, none of the directors or supervisors had any material interests in any contract of significance the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2007 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangement which would enable the Company's directors or supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

MATERIAL CONTRACTS WITH SINOTRANS GROUP COMPANY

Sinotrans Group Company is the controlling shareholder of the Company, with which the Company entered into various agreements, so as to regulate the on-going business relationship between the Group and Sinotrans Group Company. These agreements are the Reorganisation Agreement, Business Services Agreement, Master Lease Agreement, Trademark Licence Agreement, Registered User Agreement, Computer Software Licence Agreement and IT Services Agreement.

Reorganisation Agreement

On 14 January 2003, the Company entered into a Reorganisation Agreement with Sinotrans Group Company, pursuant to which, Sinotrans Group Company agreed to indemnify the Company against, inter alia, certain liabilities of the Group which may arise as a result of the Reorganisation and the Company also agreed to indemnify Sinotrans Group Company against a breach of any provision of the Reorganisation Agreement on the part of the Company and its subsidiaries.

Business Services Agreement

On 14 January 2003, the Company entered into a Business Services Agreement with Sinotrans Group Company in order to regulate the terms for the provision of transportation and logistics services and ancillary services by members of the Group to the Sinotrans Group and vice versa. Contracts for specific services and for the leasing of certain assets were also entered into between members of the Group and those of Sinotrans Group Company to govern the terms of services of each individual transaction.

In order to comply with the relevant requirements of the Listing Rules, the Company entered into another Business Services Agreement with Sinotrans Group Company on 26 January 2006 on substantially the same terms as the previous one save for the extension of its contract period to 31 December 2008. The Business Services Agreement was approved by the Extraordinary General Meeting of the Company on 24 April 2006.

Master Lease Agreement

On 14 January 2003, the Company entered into a Master Lease Agreement with Sinotrans Group Company to lease from members of the Sinotrans Group Company certain office premises and other properties required for the day-to-day business operations of the Group. The lease term is twenty years.

Trademark Licence Agreement and Registered User Agreement

On 14 January 2003, in order to continue the use of the trademarks for normal business operations, the Company entered into a Trademark Licence Agreement and a Registered User Agreement with Sinotrans Group Company to lease from it, free of charge, certain trademarks which were not injected into the Group at the time of listing because the same trademarks were used by other members of the Sinotrans Group in relation to businesses which are different from those of the Group. The licence has a term of ten years.

Computer Software Licence Agreement and IT Services Agreement

On 14 January 2003, the Company entered into a Computer Software Licence Agreement with Sinotrans Group Company to lease from it, free of charge, a licence to continue to use various application software used by members of the Group. On the same day, it also entered into an IT Services Agreement with Sinotrans Group Company under which it agreed to provide to members of Sinotrans Group Company information technology support and technical services which, prior to the Reorganisation, had been provided by the IT Department of Sinotrans Group Company. The contract is valid for one year and, in the event that it is not terminated thirty days prior to its expiry by either party, it shall be renewed automatically for one year.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2007 are set out in Note 42 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2007 are set out in Notes 3(t) and 9 to the financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any particulars of tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of the Company or the laws of the PRC.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the directors acknowledge that, based on publicly available information and to the knowledge of the directors, the Company has sufficient public float as required under the Listing Rules.

SIGNIFICANT EVENTS

1. On 5 January 2007, the Company entered into the Joint Venture Agreement with Sinotrans (Hong Kong) Logistics Company Limited to form a joint venture company, Rongcheng Sinotrans Logistics Development Co., Ltd., which will be principally engaged in freight forwarding and logistics business. The Company will invest RMB40,000,000 into the joint venture, representing 50% of its registered capital.

2. On 19 January 2007, the Company entered into the Supplemental Master Services Agreement with each of the Connected Joint Venture Partners (save for Nippon Express Co., Ltd. and Nittsu Sinotrans Logistic Dalian Co., Ltd.) and Connected Non-Wholly-Owned Subsidiaries amending each of the Master Services Agreements with respect to the expected annual transaction values for 2006, 2007 and 2008.

3. On 27 March 2007, the Company entered into the Supplemental Master Services Agreements with Nippon Express Co., Ltd. and Nittsu Sinotrans Logistic Dalian Co., Ltd. amending each of the Master Services Agreements with respect to the expected annual transaction values of the continuing connected transactions for 2006, 2007 and 2008. On 11 June 2007, the Supplemental Master Services Agreements were passed by an extraordinary general meeting of the Company.

4. On 29 June 2007, the Board announced that Mr. Ken Torok had resigned from the position of non-executive director of the Company.

5. 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 RMB127,500,000.

6. On 28 August 2007, Sinotrans Liaoning Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Sinotrans (Hong Kong) Logistics Company Limited to form a joint venture company, Dalian Sinotrans Logistics Co., Ltd., in which Sinotrans Liaoning Co., Ltd. will invest RMB51,000,000, representing 51% of the registered capital of the joint venture company. The joint venture company will be principally engaged in the services of international freight forwarding, logistics consulting, logistics technical development and international terminal.

7. 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 (Hong Kong) Logistics Company Limited and Guangdong Changyun International Freight Forwarding Co., Ltd., from Sinotrans Group Company and its subsidiaries for an aggregate consideration of RMB1,106,030,000. On 21 December 2007, the said acquisition was approved by an extraordinary general meeting of the Company.

8. On 25 October 2007, Mr. Lu Zhengfei was re-elected an independent non-executive director of the Company by an extraordinary general meeting of the Company.

9. On 10 December 2007, Sinotrans Air Transportation Development Co., Ltd, 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 Sinotrans Air Transportation Development Co., Ltd agreed to sell, 50% equity interests in Exel-Sinotrans Freight Forwarding Co., Ltd., for an aggregate consideration of EUR61,045,281.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company has reviewed the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules and adopted it as the general rules to the Company's corporate governance, details of which are set out on page 20 to 27, Report on Corporate Governance in this Annual Report.

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry, all directors and supervisors of the Company confirmed that they have complied with the Model Code and its code of conduct regarding directors' securities transactions during the reporting period.

As of 31 December 2007, Mr. Sun Shuyi, Mr. Lu Zhengfei and Mr. Miao Yuexin were the independent non-executive directors of the Company. The Company has received the annual confirmation from each of the independent non-executive directors in respect of their independence and considered that the above independent non-executive directors are independent.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 47 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee and prescribed its written terms of reference in accordance with the CG Code as set out in Appendix 14 of the Listing Rules. The principal functions of the audit committee include the appointment of external auditors, the review and supervision of the Group's financial reporting process and internal controls as well as the offer of advice and recommendations to the Board. As of 31 December 2007, the audit committee comprised one non-executive director and three independent non-executive directors, namely Mr. Sun Shuyi, Mr. Lu Zhengfei, Mr. Miao Yuexin and Ms. Liu Jinghua with Mr. Sun Shuyi as the chairman of the committee.

The audit committee has reviewed the 2007 financial statements of the Company.

AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were the international and the PRC auditors of the Company respectively for the year ended 31 December 2007. A resolution for the re-appointment of PricewaterhouseCoopers as the international auditor and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditor of the Company will be proposed at the forthcoming Annual General Meeting by the Board. The Company has not changed its auditors for the preceding five financial years.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to article 72 of the Articles of the Company, a resolution put to the vote at a general meeting shall be decided on a show of hands unless (before or after any vote by show of hands) a poll is demanded:

(i) by the chairman of such meeting; or

(ii) by at least two shareholders present in person or by proxy for the time being entitled to vote at the meeting; or

(iii) by a shareholder or shareholders present in person or by proxy for the time being entitled to vote at the meeting and representing one-tenth or more of the total voting rights of all shareholders having the right to vote at the meeting.

By Order of the Board

Zhao Huxiang
Chairman

Beijing, the PRC
25 March 2008

Report of the Supervisory Committee

Dear Shareholders,

For the year ended 31 December 2007, all members of the Supervisory Committee (the "Committee") of Sinotrans Limited (the "Company") have faithfully performed their duties in ascertaining that the Company abided and complied with 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 (the "Articles") and other relevant regulations in order to safeguard the interests of the Company and its shareholders.

The Committee has monitored the corporate governance of the Company by convening Committee meetings and attending meetings of the Board of Directors (the "Board") and its specialised committees, and carried out effective supervision over the policy decisions and judgements of the Board in compliance with the Listing Rules, laws and regulations, the Articles and the interests of shareholders and the Company. The Committee is of the view that, in 2007, the board and senior management of the Company have deployed steady development strategies in sustaining growth of operating results and providing shareholders with good returns. The Committee is satisfied that the Board and senior management have fulfilled their fiduciary obligations, diligently performed their duties and safeguarded the best interests of the Company and its shareholders. The Committee is of the opinion that, in performing their duties, the Board and senior management did not commit any act in breach of laws and regulations and the Articles, and the Report of the Directors for the year ended 31 December 2007 reflected the actual condition.

The Committee has conscientiously reviewed the financial statements prepared in accordance with International Financial Reporting Standards and PRC Accounting Standards and Enterprise Accounting Systems and is of the opinion that the financial statements give a true and fair view of the financial conditions and operating results of the Company and comply with the regulations applicable to the Company.

The Committee is satisfied with the results for the year achieved by the Company and is fully confident of the prospects and development of the Company.

Subject to compliance with the relevant laws and regulations and the Articles of Association, the Committee will continue to seek effective channels of supervision in order to live up to the expectations of the shareholders.

By Order of the Supervisory Committee

Su Yi
Chairman

Beijing, the PRC
21 March 2008

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sinotrans Limited (the "Company") for the year 2007 will be held at No. 1 Meeting Room, 12th Floor, Sinotrans Plaza A, A43, Xizhimen Beidajie, Haidian District, Beijing 100044, the People's Republic of China on Thursday, 12 June, 2008 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To review and approve the report of the board of directors for the year ended 31 December, 2007.

2. To review and consider the audited accounts of the Company and the auditors' report for the year ended 31 December, 2007.

3. To review and approve the report of the supervisory committee for the year ended 31 December, 2007.

4. To review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December, 2007.

5. To authorise the directors of the Company to decide on matters relating to the declaration, payment and recommendation of interim or special dividends for the year 2008.

6. To consider and approve, by way of separate ordinary resolutions, each of the following resolutions in relation to election of directors ("Directors") and supervisors, of the Company:

   "A. THAT the re-election of Mr. Zhang Jianwei as executive director of the Company be and is hereby considered and approved."

   "B. THAT the re-election of Ms. Tao Suyun as executive director of the Company be and is hereby considered and approved."

   "C. THAT the re-election of Mr. Yang Yuntao as non-executive director of the Company be and is hereby considered and approved."

   "D. THAT the re-election of Mr. Sun Shuyi as independent non-executive director of the Company be and is hereby considered and approved."

   "E. THAT the re-election of Mr. Miao Yuexin as independent non-executive director of the Company be and is hereby considered and approved."

   "F. THAT the re-election of Mr. Zhang Junkuo as supervisor of the Company be and is hereby considered and approved"

   "G. THAT the election of Mr. Shen Xiaobin as supervisor of the Company be and is hereby considered and approved."

7. To authorise the board of directors of the Company to determine the remuneration of the Directors.

8. To re-appoint PricewaterhouseCoopers as international auditor of the Company and PricewaterhouseCoopers Zhong Tian CPAs Company Limited as the PRC auditor of the Company, and to authorise the board of directors of the Company to fix their remuneration.

SPECIAL RESOLUTION

9. To consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

"THAT:

(a) subject to paragraph 9(c) below and compliance with all applicable laws and regulations of the People's Republic of China, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional H shares or domestic shares in the capital of the Company in each case and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph 9(a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of H share or domestic share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) in each case by the Directors pursuant to the approval in paragraph 9(a) above shall not exceed 20 per cent. of the aggregate nominal amount of each of the H share or domestic share capital of the Company in issue in each case as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of next annual general meeting of the Company; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

By order of the Board

Gao Wei
Company Secretary

Beijing, China
11 April, 2008

Registered Office
Sinotrans Plaza A
A43, Xizhimen Beidajie
Beijing 100044, China

Notes:

1. 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 period no share transfers will be registered. To qualify for attendance at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712–16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 9 May, 2008, for registration.

2. Shareholders intending to attend the Annual General Meeting shall give written notice of the same to the Company, which shall be lodged at the registered office of the Company on or before 4:00 p.m. on Friday, 23 May, 2008.

3. Shareholders entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves.

4. In order to be valid, the form of proxy, together with a duly notarised power of attorney or other document of authority, if any, under which the form is signed must be deposited at the registered office of the Company not later than 24 hours before the time for holding the Annual General Meeting.

5. The following are particulars of the Directors and supervisors proposed to be re-elected and elected at the annual general meeting:

DIRECTORS

(1) Mr. Zhang Jianwei

Zhang Jianwei, age 51, is an executive director and President of the Company. Mr. Zhang has been employed by Sinotrans Group Company since 1980 with experience in Sinotrans Group Company's Finance Department, Overseas Enterprises Management Department and Chartering Department. Mr. Zhang was seconded to China InterOcean Transport Inc. in the United States in 1988 to serve as assistant president. In 1993, Mr. Zhang became the Deputy General Manager of China National Chartering Corporation and later became its General Manager. In 1997, he was promoted to become the Assistant President of Sinotrans Group Company. Then in 1997, Mr. Zhang became Sinotrans Group Company's executive director. Mr. Zhang was appointed as director of Sinotrans Group Limited by the State-owned Asset Supervision and Administration Commission. Mr. Zhang obtained his Master of Business Administration degree from China Europe International Business School in 1998. Mr. Zhang is also the Chairman of Sinoair whose A shares are listed on the Shanghai Stock Exchange. Save as disclosed, Mr. Zhang has not held any directorships in public companies in the last three years. Mr. Zhang was appointed executive director of the Company in November 2002.

In accordance with the Articles of Association of the Company, Mr. Zhang's appointment will be for three years with effect from November 19, 2008. Save as disclosed above, Mr. Zhang is not related to any director, senior management or substantial or controlling shareholders of the Company. He is not interested in any shares of the Company within the meaning of Part XV of the SFO. Mr. Zhang has entered into a service contract with the Company for a term of three years. Mr. Zhang's remuneration (including salaries, housing allowances, other allowances and benefits in kind) will be determined by the Company's remuneration committee based on, amongst other things, level of responsibilities and performance. Mr. Zhang, who has been granted certain share appreciation rights, is an eligible participant under the Company's share appreciation rights plan which entitle him to cash payment in the event of an exercise of the rights. He is also entitled to bonus payments which are linked to his performance. Mr. Zhang's current monthly basic salary amount to RMB22,258 (equivalent to approximately HK$22,258). He currently holds a total of 520,000 rights under the Company's share appreciation rights plan. There is no other information relation to the re-election of Mr. Zhang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Company's shareholders.

(2) Ms. Tao Suyun

Tao Suyun, age 54, is an executive director and Vice-President of the Company. Ms. Tao has worked with Sinotrans Group Company since 1979 and became Deputy General Manager of the Europe Shipping Department in 1986. She was seconded to Sinorick Shipping Agency Co. in Hamburg, Germany from 1989 to 1993 to serve as General Manager. She later returned to work acted as Deputy General Manager and General Manager of Sinotrans Group Company's liner shipping division. In 1995, Ms. Tao was promoted to become Assistant President and served as Sinotrans Group Company's Vice-President and executive director from 1997. Ms. Tao obtained her Master of Business Administration degree from China Europe International Business School in 2002. Save as disclosed, Ms. Tao has not held any directorships in public companies in the last three years. Ms. Tao was appointed executive director of the Company in November 2002.

In accordance with the Articles of Association of the Company, Ms. Tao's appointment will be for three years with effect from November 19, 2008. Save as disclosed above, Ms. Tao is not related to any director, senior management or substantial or controlling shareholders of the Company. She is not interested in any shares of the Company within the meaning of Part XV of the SFO. Ms. Tao has entered into a service contract with the Company for a term of three years. Ms. Tao's remuneration (including salaries, housing allowances, other allowances and benefits in kind) will be determined by the Company's remuneration committee based on, amongst other things, level of responsibilities and performance. Ms. Tao, who has been granted certain share appreciation rights, is an eligible participant under the Company's share appreciation rights plan which entitle her to cash payment in the event of an exercise of the rights. She is also entitled to bonus payments which are linked to her performance. Ms. Tao's current monthly basic salary amount to RMB20,909 (equivalent to approximately HK$20,909). She currently holds a total of 480,000 rights under the Company's share appreciation rights plan. There is no other information relation to the re-election of Ms. Tao that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Company's Shareholders.

(3) Mr. Yang Yuntao

Yang Yuntao, age 42, is a non-executive director of the Company. Mr. Yang commenced working for Sinotrans Group Company after receiving his bachelor of laws degree from Jilin University School of Law in 1988. He was Deputy General Manager of the Port Administration Department in Sinotrans Group Company in 1995. From 1996, Mr. Yang transferred to be the General Manager of the Legal Affairs Department. He was appointed executive director and Vice-President of Sinotrans (Hong Kong) Holdings Limited in 2002. From January 2008, Mr.Yang has been the General Manager of Legal Affairs Department in Sinotrans Group Company. Mr. Yang obtained his doctorate degree in Laws degree from University of International Business and Economics in 2006. Save as disclosed, Mr. Yang has not held any directorships in public companies in the last three years. Mr. Yang was appointed non-executive director of the Company in January 2003.

In accordance with the Articles of Association of the Company, Mr. Yang's appointment will be for three years with effect from November 19, 2008. Save as disclosed above, Mr. Yang is not related to any director, senior management or substantial or controlling shareholders of the Company. He is not interested in any shares of the Company within the meaning of Part XV of the SFO. Mr. Yang will not enter into any service contract with the Company. He is not entitled to any remuneration nor bonus payments as a Director except that he has been granted certain share appreciation rights and is an eligible grantee under the Company's share appreciation rights plan. He currently holds a total of 440,000 rights under the Company's share appreciation rights plan. There is no other information relation to the re-election of Mr. Yang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Company's shareholders.

(4) Mr. Sun Shuyi

Sun Shuyi, age 68, is an independent non-executive director of the Company. Mr. Sun was appointed on 19 November 2002. Mr. Sun is currently executive vice chairman of China Federation of Industrial Economics and vice executive chairman of China Enterprise Confederation and China Enterprise Director Association (CEC/CEDA). Mr. Sun is also serving as independent non-executive directors for four other companies --- Galaxy Fund Management Co., Ltd., Dongfeng Motor Group Co., LTD which is listed on the Hong Kong Stock Exchange and Offshore Oil Engineering Co., Ltd which is listed on the Shanghai Stock Exchange and China Life Insurance Asset Management Co., Ltd. which is listed on the Shanghai Stock Exchange, Hong Kong Stock Exchange and in the U.S.A. Mr. Sun had worked as the deputy director of the office of the Central Leading Group on Finance and Economic Affairs, the

Vice Minister of the Ministry of Personnel and the Vice Secretary General of the Central Enterprise Working Committee, a member of the 10th Session of the national committee of CPPCC, etc.. Mr. Sun graduated from the University of Science and Technology of China in 1963. Save as disclosed, Mr. Sun has not held any directorships in public companies in the last three years. Mr. Sun was appointed independent non-executive director of the Company in November 2002.

In accordance with the Articles of Association of the Company, Mr. Sun's appointment will be for three years with effect from November 19, 2008. Mr. Sun is not related to any director, senior management or substantial or controlling shareholders of the Company. He is not interested in any shares of the Company within the meaning of Part XV of the SFO. Mr. Sun will not enter into any service contract with the Company. He will be entitled to a directors fee based on his actual service provided to the Company. Mr. Sun will not be entitled to any bonus payments. For the year ended 31 December 2007, Mr. Sun received directors fee in the amount of RMB137,000 (equivalent to approximately HK$137,000). There is no other information relation to the re-election of Mr. Sun that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Company's shareholders.

(5) Mr. Miao Yuexin

Miao Yuexin, age 42, is an independent non-executive director of the Company. Mr. Miao holds a doctorate degree in Financial Management. Mr. Miao is the Director of Sales and Marketing Department of Central University of Finance and Economics and an associate professor. Mr. Miao graduated from Shanxi University of Finance and Economics in 1987 and stayed in the university to teach until 1990. In 1993, he obtained his master degree from Central University of Finance and Economics, majored in domestic economy. From 1993 to 1999, Mr. Miao worked in the Bureau of International Trade of Zengcheng in Guangdong province, acted as the director of the office of enterprises directly under the bureau. During that period, he took part in the introductions and negotiations of several big and medium sized wholly foreign owned and joint venture companies. From 2002 on, Mr. Miao has been teaching in Sales and Marketing Department of Central University of Finance and Economics. Save as disclosed, Mr. Miao has not held any directorships in public companies in the last three years. Mr. Miao was appointed independent non-executive director of the Company in August 2005.

In accordance with the Articles of Association of the Company, Mr. Miao's appointment will be for three years with effect from August 30, 2008. Mr. Miao is not related to any director, senior management or substantial or controlling shareholders of the Company. He is not interested in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. The Company will not enter into any service contract with Mr. Miao who will be entitled to a director's fee based on the actual services to be provided by him. Mr. Miao, however, is not entitled to any bonus payments. For the year ended 31 December 2007, Mr. Miao received directors fee in the amount of RMB137,000 (equivalent to approximately HK$137,000). There is no other information relation to the re-election of Mr. Miao that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Company's shareholders.

SUPERVISORS

(1) Mr. Zhang Junkuo

Zhang Junkuo, age 47, is an independent supervisor of the Company. Mr. Zhang began his career at the Development Research Center of the State Council where he was engaged in various positions, including Director of the Comprehensive Economic Research Department, Deputy Secretary-General of the Academic Committee, Director of the Research Institute of Market Economy, Director of the Research Department of Development Strategy and Regional Economy as well as directing a number of research programmes etc.. During 2001 and 2002, Mr. Zhang was a visiting scholar at the Department of Finance at Loyola University in Chicago as well as a short-term consultant at the World Bank and the Asia Development Bank. Mr. Zhang has published various articles and has also received significant awards such as the Sun Yefang Economics Prize in 1998. Mr. Zhang obtained his Master of Economics degree from Wuhan University in 1985. Mr. Zhang has not held any directorships in public companies in the last three years. Mr. Zhang was appointed supervisor of the Company in November 2002.

(2) Mr. Shen Xiaobin

Shen Xiaobin, age 35, CPA. Mr. Shen joined the Audit Department of China National Foreign Trade Transportation (Group) Corporation in 1995. Mr. Shen was appointed as General Manager of Audit Department of Sinotrans Limited in December 2002. From April 2006 to now, Mr. Shen acted as Vice General Manager of Investment Management Department (Corporate Planning Department). Mr. Shen obtained his MBA degree from Guanghua School of Management of Peking University in 2003. Mr. Shen has not held any directorships in public companies in the last three years.

In accordance with the Articles of Association of the Company, Mr. Zhang Junkuo and Mr. Shen Xiaobin's appointment will be for three years with effect from November 19, 2008. Save as disclosed above, both Mr. Zhang and Mr. Shen are not related to any director, senior management or substantial or controlling shareholders of the Company. They are not interested in shares of the Company within the meaning of Part XV of the SFO. If appointed, Mr. Shen will enter into a service contract with the Company for a term of three years. No service contract will be entered into between the Company and Mr. Zhang. Mr. Shen will not be entitled to any remuneration for his supervisor's service, but instead as an employee of the Company, he receives remuneration as an employee and is an eligible grantee under the Company's share appreciation rights plan. Mr. Zhang, on the other hand, will be entitled to a fee which is based on the actual services provided by him. Mr. Zhang is not entitled to any bonus payments. There is no other information relating to the appointments of Mr. Zhang and Mr. Shen that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Company's shareholders.

7. As at the date of this notice, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Jianzhang are executive directors, Yang Yuntao, Liu Jinghua, Jerry Hsu and Peter Landsiedel are non-executive directors and Sun Shuyi, Lu Zhengfei and Miao Yuexin are independent non-executive directors.

PRICEWATERHOUSECOOPERS

TO THE SHAREHOLDERS OF
SINOTRANS LIMITED

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

We have audited the consolidated financial statements of Sinotrans Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 156, which comprise the consolidated and company balance sheets as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	For the year ended 31 December 2007 RMB'000	2006 RMB'000
Continuing operations			
Revenue	6	**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	9	**(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)
Operating profit	10	**1,240,880**	984,825
Finance (costs)/income, net	11	**(15,446)**	11,321
		1,225,434	996,146
Share of profit of associates	22	**20,270**	22,267
Profit before income tax		**1,245,704**	1,018,413
Income tax expense	12	**(366,574)**	(414,989)
Profit for the year from continuing operations		**879,130**	603,424
Discontinued operations			
Profit for the year from discontinued operations	8	**229,524**	259,839
Profit for the year		**1,108,654**	863,263

	Note	For the year ended 31 December 2007 RMB'000	2006 RMB'000
Attributable to:			
Equity holders of the Company		**803,679**	618,793
Minority interests		**304,975**	244,470
		1,108,654	863,263
Dividends	14	**254,940**	212,450
Earnings per share for profit from continuing operations attributable to the equity holders of the Company, basic and diluted (RMB)	15	**0.15**	0.10
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company, basic and diluted (RMB)	15	**0.04**	0.05

The notes on pages 62 to 156 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Land use rights	18	**957,980**	630,927
Prepayments for acquisition of land use rights	17	**317,471**	277,907
Property, plant and equipment	16	**3,788,723**	3,042,292
Investments in associates	22	**295,395**	202,093
Prepayment of consideration for acquisition	47	**550,000**	—
Held-to-maturity financial assets	25	**58,437**	62,470
Intangible assets	19	**87,076**	89,076
Available-for-sale financial assets	26	**2,195,200**	412,000
Deferred income tax assets	12	**180,505**	243,213
Other non-current assets		**72,708**	95,732
		8,503,495	5,055,710
Current assets			
Prepayments, deposits and other current assets	27	**571,279**	400,492
Inventories	28	**27,756**	29,577
Trade and other receivables	29	**6,204,828**	5,179,997
Financial assets at fair value through profit or loss	30	**1,257**	344
Restricted cash	31	**295,970**	36,336
Term deposits with initial terms of over three months	32	**418,826**	870,449
Cash and cash equivalents	33	**4,278,182**	4,370,968
		11,798,098	10,888,163
Non-current assets classified as held for sale	8	**—**	9,024
Total assets		**20,301,593**	15,952,897
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	38	**4,249,002**	4,249,002
Reserves	40	**4,500,085**	3,176,191
Proposed final dividends	14	**127,470**	84,980
		8,876,557	7,510,173
Minority interests in equity		**2,478,967**	1,709,280
Total equity		**11,355,524**	9,219,453

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**504,207**	142,904
Provisions	35	**138,120**	128,252
Borrowings	34	**—**	9,000
Other liabilities		**7,813**	10,220
		650,140	290,376
Current liabilities			
Trade payables	36	**4,432,232**	3,971,768
Other payables, accruals and other current liabilities	37	**714,100**	532,954
Receipts in advance from customers		**1,169,862**	747,974
Deferred income arising from discontinued operations	8	**—**	316,329
Current tax liabilities	12	**254,661**	243,551
Borrowings	34	**1,309,063**	103,233
Salary and welfare payable		**416,011**	527,259
		8,295,929	6,443,068
Total liabilities		**8,946,069**	6,733,444
Total equity and liabilities		**20,301,593**	15,952,897
Net current assets		**3,502,169**	4,445,095
Total assets less current liabilities		**12,005,664**	9,509,829

The notes on pages 62 to 156 are an integral part of these consolidated financial statements.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Balance Sheet

As at 31 December 2007

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**3,715,166**	3,407,545
Interests in jointly controlled entities	21	**7,650**	7,650
Investments in associates	22	**162,440**	88,750
Prepayment of consideration for acquisition	47	**550,000**	—
Property, plant and equipment	16	**60,096**	62,270
Intangible assets	19	**25,675**	25,086
Held-to-maturity financial assets	25	**58,437**	62,470
Other non-current assets		**2,057**	—
		4,581,521	3,653,771
Current assets			
Prepayments, deposits and other current assets	27	**46,230**	19,574
Trade and other receivables	29	**2,637,794**	1,809,468
Restricted cash	31	**5,800**	5,800
Term deposits with initial terms of over three months	32	**10,229**	—
Cash and cash equivalents	33	**378,409**	317,574
		3,078,462	2,152,416
Total assets		**7,659,983**	5,806,187
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	38	**4,249,002**	4,249,002
Reserves		**724,797**	620,355
Proposed final dividends	14	**127,470**	84,980
Total equity		**5,101,269**	4,954,337

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Provisions	35	**6,160**	—
		6,160	—
Current liabilities			
Trade payables	36	**85,870**	70,597
Other payables, accruals and other current liabilities	37	**1,544,229**	693,475
Current tax liabilities	12	**2,381**	757
Borrowings	34	**814,159**	—
Salary and welfare payable		**105,915**	87,021
		2,552,554	851,850
Total liabilities		**2,558,714**	851,850
Total equity and liabilities		**7,659,983**	5,806,187
Net current assets		**525,908**	1,300,566
Total assets less current liabilities		**5,107,429**	4,954,337

The notes on pages 62 to 156 are an integral part of this financial statement.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Consolidated Statement of Changes in Equity

As at and for the year ended 31 December 2007

	Attributable to equity holders of the Company						
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2007	4,249,002	1,070,945	396,852	85,107	1,708,267	1,709,280	9,219,453
Fair value gain on available-for-sale financial assets, net of taxation (Note 26)	–	–	–	858,281	–	494,159	1,352,440
Reversal of deferred income tax assets arising from revaluation surplus deductible for income tax purposes (Note 12(b)(i))	–	(29,311)	–	–	–	–	(29,311)
Net income/(expenses) recognised directly in equity	–	(29,311)	–	858,281	–	494,159	1,323,129
Profit for the year	–	–	–	–	803,679	304,975	1,108,654
Total recognised income/(expenses) for the year	–	(29,311)	–	858,281	803,679	799,134	2,431,783
Dividends paid	–	–	–	–	(212,450)	–	(212,450)
Dividends declared to minority shareholders	–	–	–	–	–	(141,387)	(141,387)
Capital injection from minority shareholders	–	–	–	–	–	111,431	111,431
Acquisition of remaining equity interests in subsidiaries from minority shareholders (Note 40)	–	(53,815)	–	–	–	(73,685)	(127,500)
Acquisition of subsidiaries (Note 41)	–	–	–	–	–	74,194	74,194
Transfer to statutory surplus reserves (Note 40)	–	–	77,989	–	(77,989)	–	–
Reversal of statutory reserves due to the adoption of Chinese Accounting Standards (Note 40)	–	–	(254,404)	–	254,404	–	–
As at 31 December 2007	4,249,002	987,819	220,437	943,388	2,475,911	2,478,967	11,355,524
Representing:							
Share capital and reserves	4,249,002	987,819	220,437	943,388	2,348,441	2,478,967	11,228,054
2007 proposed final dividends	–	–	–	–	127,470	–	127,470
As at 31 December 2007	4,249,002	987,819	220,437	943,388	2,475,911	2,478,967	11,355,524

	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 2006	4,249,002	1,295,248	225,503	112,751	–	1,437,004	1,193,478	8,512,986
Fair value gain on available-for-sale financial assets, net of taxation (Note 26)	–	–	–	–	85,107	–	40,853	125,960
Net income recognised directly in equity	–	–	–	–	85,107	–	40,853	125,960
Profit for the year	–	–	–	–	–	618,793	244,470	863,263
Total recognised income for the year	–	–	–	–	85,107	618,793	285,323	989,223
Dividends paid	–	–	–	–	–	(288,932)	–	(288,932)
Dividends declared to minority shareholders	–	–	–	–	–	–	(65,436)	(65,436)
Capital injection from minority shareholders	–	–	–	–	–	–	38,614	38,614
Acquisition of subsidiaries (Note 41)	–	–	–	–	–	–	32,998	32,998
Negative reserve arising from share reform proposal (Note 20)	–	(224,303)	–	–	–	–	224,303	–
Transfer to statutory reserves (Note 40)	–	–	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 dividends	–	–	–	–	–	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

The notes on pages 62 to 156 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	For the year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	41(a)	1,180,838	1,428,348
Interest paid		(17,115)	(10,771)
Income tax paid		(446,139)	(418,581)
Net cash generated from operating activities		717,584	998,996
Cash flows from investing activities			
Net cash inflow/(outflow) in acquisition of subsidiaries and jointly controlled entities	41(b)	33,267	(92,010)
Cash paid for acquisition of associates		(82,784)	(21,595)
Proceeds from disposal of associates		600	—
Purchase of property, plant and equipment		(988,231)	(666,503)
Proceeds from disposal of property, plant and equipment		32,907	28,705
Purchase of intangible assets		(15,473)	(13,712)
Purchase of land use rights		(108,275)	(108,465)
Cash prepaid for acquisition of land use rights		(126,439)	(277,367)
Purchase of other non-current assets		(55,352)	(78,898)
Decrease/(increase) in term deposits with initial terms of over three months		451,623	(42,796)
Interest income received		77,232	87,243
Dividends received from associates		8,762	7,977
Proceeds from disposal of financial assets at fair value through profit or loss		—	638
Purchase of financial assets at fair value through profit or loss		(550)	—
Prepayment of consideration for acquisition		(550,000)	—
Purchase of available-for-sale financial assets		—	(224,000)
Proceeds from disposal of non-current assets classified as held for sale		15,964	—
Dividend income on available-for-sale financial assets		3,936	—
Purchase of remaining equity interests in subsidiaries from minority shareholders		(114,750)	—
Net cash used in investing activities		(1,417,563)	(1,400,783)

	Note	For the year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from financing activities			
New bank borrowings		**2,305,871**	460,676
Repayments of bank borrowings		**(1,122,041)**	(481,438)
Dividends paid to the Company's shareholders		**(212,450)**	(288,932)
Contributions from minority shareholders in subsidiaries		**36,648**	38,614
Dividends paid to minority shareholders in subsidiaries		**(141,201)**	(62,283)
Increase in restricted cash		**(259,634)**	(23,997)
Net cash generated from/(used in) financing activities		**607,193**	(357,360)
Net decrease in cash and cash equivalents		**(92,786)**	(759,147)
Cash and cash equivalents as at 1 January		**4,370,968**	5,130,115
Cash and cash equivalents as at 31 December	33	**4,278,182**	4,370,968

The notes on pages 62 to 156 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

Sinotrans Limited (the "Company") was established in the People's Republic of China (the "PRC") on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company") in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Reorganisation").

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 financial statements 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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.

2 BASIS OF PREPARATION (CONTINUED)

(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.

2 BASIS OF PREPARATION (CONTINUED)

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

- 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.

2 BASIS OF PREPARATION (CONTINUED)

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

- 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries, except for common control combinations, by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 3(h)(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such business combinations are referred to as common control combinations which fall outside the scope of IFRS 3 "Business combinations". The Group adopts merger accounting for common control combinations.

The effects of merger accounting are that:

(i) the net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective;

(ii) no amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party or parties' interests; and

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

(iii) comparative amounts in the financial statements are presented using the principles as set out in (i) above as if the entities or businesses had been combined at the previous balance sheet date unless the combining entities or businesses first came under common control at a later date.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established among the participating venturers and whereby the Group together with the other venturers undertake an economic activity that is subject to joint control and none of the venturers has unilateral control over the economic activity.

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3(h)(i)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on disposals of investments in associates are determined by comparing proceeds with carrying amount and are included in operating profit.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(e) Revenue recognition

Revenue comprises the fair value of charges for the sale of services in the ordinary course of the Group's activities net of disbursements made on behalf of customers. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenues are recognised on the following bases:

(i) Freight forwarding

Revenue is recognised when the freight forwarding services are rendered, which generally coincides with the date of departure for outward freight and the date of arrival for inward freight. Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

(ii) Shipping agency

Revenue from shipping agency services is recognised upon completion of services, which generally coincides with the date of departure of the relevant vessel from port.

(iii) Express services

Revenue from express services is recognised upon delivery of the relevant document or package.

(iv) Marine transportation

Freight revenues from the operation of the international shipping business are recognised on a percentage of completion basis, which are determined on the time proportion method of each individual vessel voyage. Revenue from feeder services is recognised upon completion of services.

(v) Storage and terminal services

Revenue from the provision of storage and terminal services is recognised when the services are rendered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

(vi) Trucking

Revenue from the provision of trucking services is recognised when the services are rendered.

(vii) Rental income

Rental income under operating leases of warehouse and depots is recognised over the lease term on a straight-line basis.

(viii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

Advance payments and deposits received from customers prior to the provision of services and recognition of the related revenues are presented as current liabilities.

(f) Land use rights

Land use rights are the rights to use the land on which various warehouses, container storage areas and buildings are situated for periods varying from 10 to 50 years. The payments made for the land use rights are amortised as operating lease charges over the period of the rights in the income statement on a straight-line basis or when there is impairment, the impairment is expensed in the income statement.

(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis to write off the cost of assets less accumulated impairment losses to their residual values over their estimated useful lives as follows:

Buildings	20 — 50 years
Leasehold improvements	Over the shorter of the remaining term of the leases or the estimated useful lives
Port and rail facilities	20 — 40 years
Containers	8 — 15 years
Plant and machinery	5 — 10 years
Motor vehicles and vessels	5 — 10 years
Furniture and office equipment	3 — 6 years

Assets under construction represent buildings under construction and plant and equipment pending installation, and are stated at cost. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the qualifying assets during the period of construction or installation and testing. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Recoverable amount is determined based on estimated discounted future cash flows of the cash-generating unit at the lowest level to which the asset belongs. The recoverable amount is the higher of value in use and net selling price.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisition of subsidiaries and jointly controlled entities is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the respective overall balance. Separately recognised goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (Continued)

(i) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises. If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised immediately in the consolidated income statement.

(ii) Computer software development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, not exceeding a period of 5 years.

Generally, costs associated with developing or maintaining computer software programmes are expensed as incurred. However, costs that are directly associated with the development of identifiable and unique software products controlled by the Group and have probable economic benefit exceeding cost beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years.

(i) Impairment of non-financial assets

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

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise "trade and other receivables", "restricted cash", "term deposits with initial terms of over three months" and "cash and cash equivalents" in the balance sheet.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains/(losses), in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 3(m).

(k) Operating leases

(i) A group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) A group company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

Supplies, consumables and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payment which is more than 30 days overdue according to the credit term (generally ranging from 1 to 6 months) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "other operating expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating expenses" in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

(o) Share capital

Ordinary domestic and H shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowing costs

Interest costs on borrowings incurred to finance the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed as incurred.

(s) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The principal temporary differences arise from asset revaluation surplus during the Reorganisation deductible for the PRC enterprise income tax purposes, gain on deemed disposal of interest in a subsidiary, provision for one-off cash housing subsidies, depreciation on property, plant and equipment, provision for impairment of receivables, provision for litigation claims, salary payable which are not deductible for current income tax and tax value of losses carried forward. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) *Pension obligations*

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these defined contribution plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are recognised as employee benefit expense when they are due.

(ii) *Termination and early retirement benefits*

Employee termination and early retirement benefits are recognised in the period in which the Group entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms.

(iii) *Housing benefits*

The Group sold staff quarters to its employees, subject to a number of eligibility requirements, at preferential prices. When staff quarters were identified as being subject to sale under these arrangements, the carrying value of the staff quarters was written down to the net recoverable amount. Upon sale, any difference between sales proceeds and the carrying amount of the staff quarters was charged to the income statement.

Based on the relevant detailed local government regulations promulgated, certain entities within the Group have adopted cash housing subsidy plans. In accordance with these plans, for those eligible employees who had not been allocated with quarters at all or who had not been allocated with quarters up to the prescribed standards before the discounted quarters sale plans were terminated, the Group is required to pay them one-off cash housing subsidies based on their years of service, positions and other criteria. These cash housing subsidies were charged to the income statement in the year in which it was determined that the payment of such subsidies is probable and the amounts can be reasonably estimated. In respect of certain entities which have not adopted any cash housing subsidiary plans, based on the available information and best estimate, the Group estimated the required provision for these cash housing subsidies.

Pursuant to the Reorganisation, the ultimate holding company agreed to bear any further one-off cash housing subsidies in excess of the amount provided for in the consolidated financial statements of the Group of RMB74,560,000 at the time of the Reorganisation. Employees joining the Group after the incorporation of the Company are not entitled to any one-off cash housing subsidies (Note 35).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(iii) Housing benefits (Continued)

In addition, all full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iv) Long term bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Cash-settled share-based payment

The Group enters into cash-settled share-based payment transactions with certain directors, supervisors and senior employees.

Employee services received in exchange for cash-settled share-based payments are recognised at the fair value of the liability incurred and are expensed when consumed. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the income statement (Note 39).

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(w) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contingent liabilities and contingent assets (Continued)

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(x) Profit distributions and dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Company's shareholders.

Profit distributions and dividends proposed or declared after the balance sheet date are disclosed as a post balance sheet date event and are not recognised as a liability at the balance sheet date.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services with a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, operating receivables and cash, and mainly exclude deferred income tax assets, available-for-sale financial assets, goodwill and investments in associates. Segment liabilities mainly comprise operating liabilities and exclude items such as current and deferred income tax liabilities.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment are included as unallocated costs.

Capital expenditures mainly comprise purchase of property, plant and equipment, intangible assets, land use rights and prepayments for acquisition of land use rights.

In respect of geographical segment, turnover is based on the geographical locations in which the business operations are located. Total assets and capital expenditures are based on where the assets are located.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related party transactions

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

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

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

(aa) Financial guarantee contracts

Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group regards financial guarantee contracts as insurance contracts and has used accounting applicable to insurance contracts to financial guarantee contracts. The Group may elect to account for financial guarantee contracts as insurance contracts. This election is made on a contract by contract basis, but the election for each contract is irrevocable. Where financial guarantee contracts are classified as insurance contracts, they are recognised and measured as insurance liabilities.

Financial guarantee contracts which are not classified as insurance contracts are initially recognised at fair value and subsequently measured (unless they are designated as at fair value through profit or loss) at the higher of (i) the amount determined in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets, optimising the level of financial risks the Group can bear, and minimising any potential adverse effects on the financial performance of the Group. Financial risk management is carried out by the Group's finance department, following the overall directions determined by the Board of Directors. The finance department identifies and evaluates financial risks in close co-operation with the Group's operating units and makes decisions on portfolio of currencies and term of deposits. The Board of Directors provides directions on overall risk management and makes key decisions on matters which may give rise to significant financial risks.

(i) Foreign exchange risk

The Group has a substantial portion of its turnover and transportation and related charges denominated in United States Dollars ("US$"). Therefore, the Group is exposed to foreign exchange risk primarily with respect to the US$ arising from future commercial transactions. The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, held-to-maturity financial assets, trade payables and borrowings denominated in foreign currencies, mainly US$. Analyses of these assets and liabilities by currency are disclosed in Note 29, Note 33, Note 25, Note 36 and Note 34 respectively.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk by optimising the structure of foreign currency denominated net assets.

As at 31 December 2007 and 2006, a reasonably possible change of 100 basis-points in exchange rate between RMB and US$ would have no material impact on the Group's profit for the year and equity as at the year end.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its term deposits with initial terms of over three months, held-to-maturity financial assets and borrowings. Held-to-maturity financial assets and borrowings at variable rates expose the Group to cash flow interest rate risks; borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management of the Group did not consider it necessary to use interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2007 and 2006, a reasonably possible change of 100 basis-points in interest rates on borrowings would have no material impact on the Group's profit for the year and equity as at the year end.

(iii) Credit risk

The aggregated carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, held-to-maturity financial assets and term deposits with initial terms of over three months represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents, restricted cash and held-to-maturity financial assets are held in major financial institutions located in the PRC, which management believes are of high credit quality and expects no high credit risks in this aspect. Normally the Group does not require collaterals from trade debtors, while the Group has policies in place to ensure that services are rendered to customers with appropriate credit history, and management of the Group monitors its credit risks on an ongoing basis by reviewing the debtors' aging to minimise its exposure to credit risk. The Directors consider that the Group does not have a significant concentration of credit risk.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the capital intensive nature of its business, the Group ensures that it maintains flexibility by keeping sufficient cash generated from operations to meet its liquidity requirements.

The maturity analysis of borrowings is disclosed in Note 34. Generally there is no uniform credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after rendering of services.

The table below analyses the Group's and the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2007				
Borrowings	**1,374,612**	**—**	**—**	**—**
Trade and other payables*	**5,146,332**	**—**	**—**	**—**
At 31 December 2006				
Borrowings	107,155	9,706	—	—
Trade and other payables*	4,504,722	—	—	—

The Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2007				
Borrowings	**863,232**	**—**	**—**	**—**
Trade and other payables*	**1,630,099**	**—**	**—**	**—**
At 31 December 2006				
Borrowings	—	—	—	—
Trade and other payables*	764,072	—	—	—

* The above trade and other payables comprise mainly trade payables, other payables, accruals and other current liabilities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The quoted market price used for financial assets held by the Group is the current bid price. In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods such as valuation techniques and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for specific or similar instruments are used for long-term borrowings. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of maintaining the net cash position at a reasonable level. The net cash position is calculated as total cash and cash equivalents as shown in the consolidated balance sheet less total borrowings.

	For the year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Cash and cash equivalent	**4,278,182**	4,370,968
Less: total borrowings	**(1,309,063)**	(112,233)
Net cash position	**2,969,119**	4,258,735

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Recognition of income from transfer of business and provision of related and transition services relating to discontinued operations

The Group recognises income from the transfer of business which constitutes discontinued operations, and provision of related and transition services relating to discontinued operations 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 is in respect of the uncertainties surrounding certain potential claims under the framework agreement.

Additional information is disclosed in Note 8.

(b) Recognition of revenue and cost of marine transportation

Freight revenues and the related costs from the operation of the international shipping business are recognised on a percentage of completion basis, which are determined on the time proportion method of each individual vessel voyage. Estimates of revenue and cost are required in respect of voyages not completed at balance sheet date or for which the final invoices are not yet available.

(c) Estimated impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables in accordance with the accounting policy stated in Note 3(m). Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. Management reassesses the provision by each balance sheet date.

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3(h)(i). The recoverable amount of a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates details of which are disclosed in Note 19.

6 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.

6 SEGMENTAL INFORMATION (CONTINUED)

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

(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.

6 SEGMENTAL INFORMATION (CONTINUED)

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

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	Inter-segment elimination RMB'000	Group RMB'000
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)	—
	30,636,114	642,095	3,313,715	2,959,026	1,381,405	682,236	(737,675)	38,876,916
Segment results	572,830	289,113	350,102	(147,913)	296,005	20,519	—	1,380,656
Unallocated costs								(139,776)
Operating profit								1,240,880
Finance costs, net								(15,446)
								1,225,434
Share of profit of associates								20,270
Profit before income tax								1,245,704
Income tax expense								(366,574)
Profit for the year from continuing operations								879,130
Discontinued operations								
Profit for the year from discontinued operations			229,524					229,524
Profit for the year								1,108,654
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 (Note 22)								295,395
Available-for-sale financial assets (Note 26)								2,195,200
Unallocated assets								1,408,556
Total assets								20,301,593
Liabilities								
Segment liabilities	4,796,855	871,079	1,040,876	986,369	324,908	112,341	(818,902)	7,313,526
Unallocated liabilities								1,632,543
Total liabilities								8,946,069

6 SEGMENTAL INFORMATION (CONTINUED)

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

	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 income tax								1,018,413
Income tax expense								(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 (Note 22)								202,093
Available-for-sale financial assets (Note 26)								412,000
Non-current assets classified as held for sale (Note 8)								9,024
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

6 SEGMENTAL INFORMATION (CONTINUED)

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

	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)

6 SEGMENTAL INFORMATION (CONTINUED)

(b) Secondary reporting format — geographical segments

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

(i) Northern China — Including core strategic locations in Liaoning, Tianjin as well as the operations of Sinotrans Air Transportation Development 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.

6 SEGMENTAL INFORMATION (CONTINUED)

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

	As at and for the year ended 31 December 2007					
Continuing operations	Turnover — external RMB'000	Turnover — inter-segment RMB'000	Total turnover RMB'000	Segment results RMB'000	Total assets RMB'000	Capital expenditure 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)	—
	38,876,916	—	38,876,916	1,380,656	16,402,442	1,238,418
Unallocated costs				(139,776)		
Operating profit				1,240,880		
Investments in associates (Note 22)					295,395	
Available-for-sale financial assets (Note 26)					2,195,200	
Unallocated assets					1,408,556	
Total assets					20,301,593	

	For the year ended 31 December 2007			
Discontinued operations	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
	—	—	—	3,732
Unallocated costs				—
Operating profit (Note 8)				3,732

6 SEGMENTAL INFORMATION (CONTINUED)

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

	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 expenditure RMB'000
Continuing operations						
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 (Note 22)					202,093	
Available-for-sale financial assets (Note 26)					412,000	
Unallocated assets					1,173,713	
Discontinued operations						
Northern China	—	—	—	943		
Eastern China	—	—	—	18,276		
Southern China	—	—	—	5,488		
	—	—	—	24,707		
Unallocated costs				—		
Operating profit (Note 8)				24,707		
Non-current assets classified as held for sale (Note 8)					9,024	
Total assets					15,952,897	

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Emoluments of directors and supervisors

The aggregate amounts of the emoluments paid and payable to the directors and supervisors of the Company by the Group during the year are as follows:

	2007 RMB'000	2006 RMB'000
Directors:		
Fees	411	411
Other emoluments		
— Basic salaries, housing allowances, other allowances and benefits in kind	506	577
— Discretionary bonuses	1,448	1,218
— Contributions to pension plans	42	38
— Change in fair value of share appreciation rights ("SAR")	381	(284)
— Long term bonus plan	—	—
Supervisors:		
Fees	63	63
Other emoluments		
— Basic salaries, housing allowances, other allowances and benefits in kind	135	144
— Discretionary bonuses	150	217
— Contributions to pension plans	21	19
— Change in fair value of SAR	76	(50)
— Long term bonus plan	—	—

Directors' fees disclosed above include RMB411,000 (2006: RMB411,000) paid to independent non-executive directors.

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Emoluments of directors and supervisors (Continued)

The emoluments of directors and supervisors for the year ended 31 December 2007 are as follows:

	2007						
	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Change in fair value of SAR RMB'000	Long term bonus plan RMB'000	Total RMB'000
Name of director							
Zhang Jianwei	–	264	770	21	198	–	1,253
Tao Suyun	–	242	678	21	183	–	1,124
Sun Shuyi	137	–	–	–	–	–	137
Lu Zhengfei	137	–	–	–	–	–	137
Miao Yuexin	137	–	–	–	–	–	137
Name of supervisor							
Zhang Junkuo	63	–	–	–	–	–	63
Wang Xiaozheng	–	135	150	21	76	–	382

	2006						
	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Change in fair value of SAR RMB'000	Long term bonus plan RMB'000	Total RMB'000
Name of director							
Zhang Jianwei	–	301	620	19	(154)	–	786
Tao Suyun	–	276	598	19	(130)	–	763
Sun Shuyi	137	–	–	–	–	–	137
Lu Zhengfei	137	–	–	–	–	–	137
Miao Yuexin	137	–	–	–	–	–	137
Name of supervisor							
Zhang Junkuo	63	–	–	–	–	–	63
Wang Xiaozheng	–	144	217	19	(50)	–	330

No directors and supervisors of the Company waived any remuneration in 2007 (2006: nil).

7 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are as follows:

	Number of individuals	
	2007	2006
Directors	**2**	2
Senior management	**3**	3

The five individuals whose emoluments were the highest in the Group during the year include 2 (2006: two) directors whose emoluments are reflected in the analysis presented in Note 7(a). Details of remuneration of members of senior management amongst the five highest paid individuals are as follows:

	2007	2006
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	**1,332**	1,454
Discretionary bonuses	**1,319**	1,125
Contributions to pension plans	**63**	55
Change in fair value of SAR	**301**	(301)
Long term bonus plan	**–**	—

The emoluments of these members of senior management fell within the following bands:

	Number of individuals	
	2007	2006
Nil — Hong Kong Dollar ("HK$") 1,000,000	**2**	2
HK$1,000,001 — HK$1,500,000	**1**	1
	3	3

8 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 Worldwide 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.

8 DISCONTINUED OPERATIONS (CONTINUED)

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:

	Note	2007 RMB'000	2006 RMB'000
Discontinued operations			
Revenue		—	—
Reversal of provision for impairment of receivables	6	3,732	24,707
Profit before income tax		3,732	24,707
Income tax expense	12	(784)	(4,941)
Profit after income tax from discontinued operations		2,948	19,766
Income from transfer of business and provision of related and transition services		316,329	371,951
Expenses incurred		(40,786)	(66,169)
Income tax expense thereon	12	(48,967)	(65,709)
After-tax income from transfer of business and provision of related and transition services		226,576	240,073
Profit for the year from discontinued operations		229,524	259,839
Non-current assets classified as held for sale		—	9,024
Deferred income arising from discontinued operations		—	316,329
Net cash inflow from transfer of business and provision of related and transition services		—	334,258

9 STAFF COSTS

Staff costs which include remuneration to directors, supervisors and senior management of the Company are as follows:

	Note	2007 RMB'000	2006 RMB'000
Wages and salaries		**1,557,161**	1,377,313
Housing benefits	(a)	**102,797**	88,960
Contributions to pension plans	(b)	**174,094**	155,072
Termination benefits and early retirement benefits	(c)	**13,046**	10,391
Change in fair value of SAR	39	**9,731**	(6,913)
Welfare and other expenses		**376,105**	308,672
		2,232,934	1,933,495
Representing:			
Staff costs from continuing operations		**2,208,676**	1,895,308
Staff costs from discontinued operations		**24,258**	38,187

(a) These include the Group's contributions to government sponsored housing funds (at rates ranging from 5% to 25% of the employees' basic salaries) and cash housing subsidies paid and payable to its employees.

(b) The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 29%, dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2007, contributions totalling RMB10,111,000 (2006: RMB13,037,000) were payable to these plans.

(c) Certain employees of the Group were directed to retire early or their employment services were terminated. Employee termination and early retirement benefits are recognised in the income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the terminated or early retired employees depending on various factors including position, length of service and location of the employee concerned.

10 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
Auditor's remuneration		
— Audit fee	10,675	10,285
— Audit-related and other services fee	6,500	6,660
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 equipment	1,095,113	1,469,343
Amortisation of intangible assets	18,363	15,193

11 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)
	(15,446)	11,321

12 TAXATION

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	**(36,060)**	54,815
	416,325	485,639
Representing:		
Provision for the PRC income tax, from continuing operations	**366,574**	414,989
Provision for the PRC income tax, from discontinued operations	**49,751**	70,650

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.

12 TAXATION (CONTINUED)

(a) The reconciliation between the Group's actual income tax expense and the amount which is calculated based on the statutory tax rate of 33% (2006: 33%) in the PRC is as follows:

	2007 RMB'000	2006 RMB'000
Profit before income tax from continuing operations	**1,245,704**	1,018,413
Profit before income tax from discontinued operations	**279,275**	330,489
Profit before income tax	**1,524,979**	1,348,902
Less: Share of profit of associates	**(20,270)**	(22,267)
	1,504,709	1,326,635
Tax calculated at the statutory tax rate of 33% (2006: 33%)	**496,554**	437,790
Utilisation of prior year unrecognised tax losses	**(8,425)**	(7,814)
Deferred income tax benefits arising from tax losses in certain entities not recognised	**51,943**	73,270
Non-taxable income	**(27,733)**	(23,686)
Expenses not deductible for tax purposes	**41,783**	54,645
Preferential tax rates on the income of certain subsidiaries/jointly controlled entities	**(123,751)**	(48,566)
Tax refund received	**(14,046)**	—
Income tax expense	**416,325**	485,639

12 TAXATION (CONTINUED)

(b) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. As at 31 December 2007 and 2006, none of the Group's deferred income taxes assets and deferred income taxes liabilities could be offset and their movements before offset are as follows:

Deferred income tax assets

	The Group	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**243,213**	254,683
Charged to income statement	**(33,397)**	(11,470)
Charged directly to equity (Note (i))	**(29,311)**	—
At end of year	**180,505**	243,213
Provided for in respect of:		
Asset revaluation surplus during the Reorganisation deductible for enterprise income tax purposes (Note (ii))	**137,107**	176,866
Provision for impairment of receivables	**13,481**	20,327
Provision for one-off cash housing subsidies	**8,833**	11,238
Salary payable which is not deductible for income tax purposes	**7,318**	20,992
Provision for claims	**3,504**	2,523
Depreciation on property, plant and equipment	**1,635**	2,077
Tax losses	**2,934**	5,404
Other temporary differences	**5,693**	3,786
	180,505	243,213

(i) On 16 March 2007, the National People's Congress of the PRC approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result, deferred income tax assets were decreased by RMB29,311,000 through equity, deferred income tax liabilities were decreased by RMB15,040,000 for the year ended 31 December 2007.

12 TAXATION (CONTINUED)

Deferred income tax assets (Continued)

(ii) On 31 March 2003, the Group obtained an approval from the Ministry of Finance and the State Administration of Taxation of the PRC that the additional depreciation and amortisation on the asset revaluation surplus of RMB839,800,000, arising from the Reorganisation, which was recorded by the Group in the consolidated financial statements prepared under the PRC accounting standards, is deductible for the PRC enterprise income tax purposes. Since the Group did not recognise the above asset revaluation surplus in its consolidated financial statements prepared in accordance with IFRS, a deferred income tax asset of RMB221,678,000 was recognised and credited to capital reserve in 2003. Such deferred income tax asset is charged to income tax expense during each year based on the depreciation and operating lease charges on the asset revaluation surplus.

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Temporary differences for which deferred income tax assets were not recognised:				
Amortisation on intangible assets and non-current assets	**7,169**	5,723	**7,169**	5,723
Depreciation on property, plant and equipment	**—**	430	**—**	430
Tax losses (Note (iii))	**498,916**	304,184	**—**	—
	506,085	310,337	**7,169**	6,153

(iii) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2007, the Group did not recognise deferred income tax assets of RMB124,725,000 (2006: RMB100,381,000) in respect of the above stated tax losses which can be carried forward against future taxable income, and tax losses amounting to RMB12,976,000 (2006: RMB12,976,000), RMB291,208,000 (2006: 291,208,000) and RMB194,732,000 (2006: nil) would expire in 2010, 2011 and 2012 respectively.

12 TAXATION (CONTINUED)

Deferred income tax liabilities

	The Group	
	2007	2006
	RMB'000	RMB'000
At beginning of year	142,904	33,508
(Credited)/charged to income statement	(69,457)	43,345
Charged directly to equity	430,760	62,040
Acquisition of subsidiaries and jointly controlled entities	—	4,011
At end of year	504,207	142,904
Provided for in respect of:		
Tax rate differential payable on distribution of earnings from jointly controlled entities	—	68,986
Change in fair value of available-for-sale financial assets	492,800	62,040
Operating lease charges on land use rights	5,567	5,772
Depreciation on property, plant and equipment	4,184	2,168
Other temporary differences	1,656	3,938
	504,207	142,904

	The Group	
	2007	2006
	RMB'000	RMB'000
Deferred income tax assets to be recovered after more than 12 months	133,428	213,431
Deferred income tax assets to be recovered within 12 months	47,077	29,782
	180,505	243,213
Deferred income tax liabilities to be recovered after more than 12 months	—	86,182
Deferred income tax liabilities to be recovered within 12 months	504,207	56,722
	504,207	142,904

12 TAXATION (CONTINUED)

Deferred income tax liabilities (Continued)

The temporary differences associated with the Group's underlying investments in subsidiaries, jointly controlled entities and associates amounted to RMB551,060,000 (2006: RMB1,073,037,000) as at 31 December 2007 for which deferred income tax liabilities have not been recognised. Within the above amounts was mainly a gain of RMB543,944,000 (2006: RMB543,944,000) arising from deemed disposal of the Company's share of net assets of Sinoair after the issuance of shares by the latter in connection with its initial public offering on the Shanghai Stock Exchange in 2000.

(c) Current tax liabilities represent:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Enterprise income tax	**193,753**	187,507	**1,421**	104
Business tax	**31,752**	42,919	**50**	249
Other taxes	**29,156**	13,125	**910**	404
	254,661	243,551	**2,381**	757

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB345,990,000 (2006: RMB140,538,000).

14 DIVIDENDS

	The Company	
	2007	2006
	RMB'000	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	**127,470**	84,980
	254,940	212,450

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.

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

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

16 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	2007 Total RMB'000	2006 Total RMB'000 (Note 50)
Cost										
At beginning of year	1,566,194	121,744	250,930	23,801	917,339	939,614	549,475	250,708	4,619,805	3,894,554
Additions	12,040	14,392	9,367	5,348	95,186	82,485	68,019	761,770	1,048,607	712,510
Acquisition of subsidiaries and jointly controlled entities	11,462	–	4,238	3	5,061	252	383	67,165	88,564	139,401
Disposals	(39,128)	(4,456)	(847)	(1,291)	(40,616)	(80,464)	(41,719)	–	(208,521)	(126,660)
Transfer upon completion	297,398	11,124	39,834	–	88,936	50,427	25,322	(513,041)	–	–
At end of year	1,847,966	142,804	303,522	27,861	1,065,906	992,314	601,480	566,602	5,548,455	4,619,805
Accumulated depreciation and impairment losses										
At beginning of year	(292,422)	(67,861)	(72,097)	(20,552)	(307,259)	(490,533)	(326,789)	–	(1,577,513)	(1,368,852)
Depreciation	(64,375)	(18,152)	(15,030)	(1,349)	(84,581)	(92,912)	(77,129)	–	(353,528)	(309,817)
Disposals	29,995	3,744	253	1,092	35,634	63,410	37,183	–	171,311	100,880
(Charge)/reversal of impairment losses	–	–	–	–	(1)	(1)	–	–	(2)	276
At end of year	(326,802)	(82,269)	(86,874)	(20,809)	(356,207)	(520,036)	(366,735)	–	(1,759,732)	(1,577,513)
Net book value										
At end of year	1,521,164	60,535	216,648	7,052	709,699	472,278	234,745	566,602	3,788,723	3,042,292
At beginning of year	1,273,772	53,883	178,833	3,249	610,080	449,081	222,686	250,708	3,042,292	2,525,702

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	2007 Total RMB'000	2006 Total RMB'000
Cost							
At beginning of year	2,543	1,901	5,161	81,409	9,715	100,729	94,368
Additions	177	247	1,287	5,369	6,577	13,657	16,024
Disposals	–	–	–	(3,116)	–	(3,116)	(9,663)
Transfer upon completion	–	–	–	1,054	(1,054)	–	–
At end of year	2,720	2,148	6,448	84,716	15,238	111,270	100,729
Accumulated depreciation							
At beginning of year	(705)	(642)	(1,965)	(35,147)	–	(38,459)	(28,244)
Depreciation	(491)	(365)	(827)	(14,054)	–	(15,737)	(14,075)
Disposals	–	–	–	3,022	–	3,022	3,860
At end of year	(1,196)	(1,007)	(2,792)	(46,179)	–	(51,174)	(38,459)
Net book value							
At end of year	1,524	1,141	3,656	38,537	15,238	60,096	62,270
At beginning of year	1,838	1,259	3,196	46,262	9,715	62,270	66,124

All of the Group's and the Company's buildings are located in the Mainland, the PRC. Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 34(c).

17 PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	The Group	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**277,907**	77,040
Additions	**126,439**	277,367
Acquisition of subsidiaries and jointly controlled entities	**26,831**	—
Transfer to land use rights	**(113,706)**	(76,500)
At end of year	**317,471**	277,907

18 LAND USE RIGHTS

	The Group	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**630,927**	423,817
Additions	**118,222**	111,305
Transfer from prepayments for acquisition of land use rights	**113,706**	76,500
Acquisition of subsidiaries and jointly controlled entities	**113,271**	33,099
Operating lease charges	**(18,146)**	(13,794)
At end of year	**957,980**	630,927

All of the Group's land use rights are located in the Mainland, the PRC and are held under leases of between 10 to 50 years (2006: 10 to 50 years).

Land use rights pledged as security for bank borrowings are disclosed in Note 34(c).

19 INTANGIBLE ASSETS

	The Group			
			2007	2006
	Software	Goodwill	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At beginning of year	118,419	46,721	165,140	133,768
Additions	15,473	890	16,363	31,352
Acquisition of subsidiaries and jointly controlled entities	—	—	—	20
At end of year	133,892	47,611	181,503	165,140
Accumulated amortisation				
At beginning of year	(76,064)	—	(76,064)	(60,871)
Amortisation	(18,363)	—	(18,363)	(15,193)
At end of year	(94,427)	—	(94,427)	(76,064)
Net book value				
At end of year	39,465	47,611	87,076	89,076
At beginning of year	42,355	46,721	89,076	72,897

For the purposes of impairment testing, goodwill has been allocated to 16 (2006: 15) individual cash generating units ("CGU") which comprise 14 (2006: 13) subsidiaries and 2 (2006: 2) jointly controlled entities. The carrying amount of goodwill (net of accumulated amortisation) as at 31 December 2007 which is allocated to the significant CGU in comparison with the Group's total carrying amount of goodwill was RMB14,658,000 (2006: RMB14,658,000) in respect of Trade Sky International Limited ("Trade Sky"). None of the goodwill of other CGUs is significant in comparison with the Group's total carrying amount of goodwill.

The recoverable amount was determined based on value-in-use calculations. The recoverable amount is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period, and a pre-tax discount rate of 12%. Cash flow projections during the forecast period for the CGUs are based on the expected gross margins during the forecast period. Forecast gross margins have been determined based on past performance and management's expectations for the market development.

As at 31 December 2007 and 31 December 2006, management of the Group was of the view that there was no impairment of goodwill.

19 INTANGIBLE ASSETS (CONTINUED)

	The Company	
	2007	2006
	Software	Software
	RMB'000	RMB'000
Cost		
At beginning of year	61,049	54,739
Additions	12,442	6,310
At end of year	73,491	61,049
Accumulated amortisation		
At beginning of year	(35,963)	(27,158)
Amortisation	(11,853)	(8,805)
At end of year	(47,816)	(35,963)
Net book value		
At end of year	25,675	25,086
At beginning of year	25,086	27,581

20 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	RMB'000	RMB'000
Investments at cost:		
Unlisted equity interests	2,562,059	2,254,438
Shares in a listed company in the PRC	1,153,107	1,153,107
	3,715,166	3,407,545
Market value of listed shares	11,337,604	4,510,907

Shares in a listed company in the PRC represent a 63.46% equity interest in Sinoair, a company listed on the Shanghai Stock Exchange.

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Prior to October 2006 when the shareholders of the Company and of Sinoair both approved a share reform proposal, the Company had a 70.36 % equity interest in Sinoair.

Under the share reform proposal, the Company offered 2.9 unlisted shares in Sinoair for every 10 listed shares held on 31 October 2006 in consideration for such holders of listed shares to agree that all the Sinoair's unlisted shares be converted into listed shares. The Company has transferred a total of 62,427,204 unlisted shares in Sinoair to such shareholders, representing approximately 6.9% of the total issued shares of Sinoair and approximately 9.8% of the Company's unlisted shares in Sinoair.

The above share reform proposal decreased capital reserve by RMB224,303,000 and increased minority interests by RMB224,303,000 in 2006.

The following is a list of the principal subsidiaries as at 31 December 2007:

Name	Country/place of operation & incorporation/legal status	Issued share/paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
China Marine Shipping Agency Company Limited	Beijing, the PRC Limited liability company	RMB30,000,000	90%	100%	Shipping agency
Sinotrans Logistics Development Company Limited	Beijing, the PRC Limited liability company	RMB50,000,000	98.93%	100%	Freight forwarding
Sinotrans Air Transportation Development Company Limited	Beijing, the PRC Joint stock company with limited liability	RMB905,481,720	63.46%	63.46%	Air freight forwarding and express services
Sinotrans Eastern Company Limited	Shanghai, the PRC Limited liability company	RMB1,120,503,439	95%	100%	Freight forwarding, shipping agency and express services
Sinotrans Jiangsu Company Limited	Nanjing, the PRC Limited liability company	RMB100,000,000	10%	100%	Freight forwarding, shipping agency and express services
Sinotrans Zhejiang Company Limited	Ningbo, the PRC Limited liability company	RMB100,000,000	10%	100%	Freight forwarding, shipping agency and express services
Sinotrans Hubei Company Limited	Wuhan, the PRC Limited liability company	RMB10,000,000	10%	100%	Freight forwarding
Sinotrans Container Lines Company Limited	Shanghai, the PRC Limited liability company	RMB100,000,000	10%	100%	Marine transportation

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Country/place of operation & incorporation/legal status	Issued share/paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
Sinotrans Fujian Company Limited	Xiamen, the PRC Limited liability company	RMB223,257,966	90%	100%	Freight forwarding, shipping agency, express services and non-vessel operating common carrier
Trade Sky International Limited	Hong Kong, the PRC Limited liability company	HK$161,100,000	100%	100%	Investment activities
Sinotrans Guangdong Company Limited	Guangzhou, the PRC Limited liability company	RMB774,498,932	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Shandong Company Limited	Qingdao, the PRC Limited liability company	RMB162,219,942	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Tianjin Company Limited	Tianjin, the PRC Limited liability company	RMB57,363,906	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Liaoning Company Limited	Dalian, the PRC Limited liability company	RMB48,966,940	90%	100%	Freight forwarding, shipping agency and express services
Sinotrans Landbridge Transportation Company Limited	Lianyungang, the PRC Limited liability company	RMB44,382,238	90%	100%	Freight forwarding, shipping agency and express services
Shandong Sinotrans Lishen Hoisting and Transporting Company Limited	Jinan, the PRC Limited liability company	RMB37,600,000	80%	80%	Hoisting and transporting

The names of certain subsidiaries referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

The following is a list of the principal jointly controlled entities as at 31 December 2007, which are held by the Company directly and indirectly through its subsidiaries.

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Percentage of interest in ownership/voting power/profit sharing held by the Company	Group	Principal activities
Ningbo Southeast International Freight Company Limited	Ningbo, the PRC Sino-foreign equity joint venture	US$1,120,000	—	55%	Freight forwarding
Ningbo Taiping International Trade Transportation Company Limited	Ningbo, the PRC Sino-foreign equity joint venture	US$3,750,000	—	55%	Freight forwarding, warehousing and trucking
Shanghai Express International Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$4,000,000	20%	51%	Freight forwarding, warehousing and trucking
DHL-Sinotrans International Air Courier Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	—	31.73%	Express services
Sinotrans-OCS International Express Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,540,000	—	31.73%	Express services
Rex International Forwarding Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$2,200,000	—	31.73%	Air freight forwarding
*Exel-Sinotrans Freight Forwarding Company Limited ("Exel-Sinotrans")	Beijing, the PRC Sino-foreign equity joint venture	US$2,440,000	—	31.73%	Air freight forwarding
Sinoswiss Inspection Company Limited	Beijing, the PRC Sino-foreign equity joint venture	RMB15,000,000	51%	51%	Inspection and storage management

The names of certain jointly controlled entities referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

* On 10 December 2007, Sinoair entered into a share transfer agreement with DHL Exel Supply Chain (Hong Kong) Limited ("DESC") to transfer all of its 50% equity interests in Exel-Sinotrans to DESC for a cash consideration of Euro61,045,000. As at 31 December 2007, the transaction had not been completed and Sinoair's share of the carrying value of net assets of Exel-Sinotrans approximately amounted to RMB116,106,000.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The aggregate amounts of assets, liabilities, net assets, revenues, expenses and profit/(loss) for the year attributable to the Group's and the Company's interests in the jointly controlled entities are summarised as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets	**832,720**	665,740	**1,214**	2,444
Current assets	**1,677,998**	1,622,935	**5,352**	12,657
Non-current liabilities	**11,293**	26,290	**—**	—
Current liabilities	**1,135,995**	941,289	**3,957**	6,324
Net assets	**1,363,430**	1,321,096	**2,609**	8,777
Revenues	**7,734,658**	6,835,898	**26,076**	4,680
Expenses	**(7,061,321)**	(6,166,468)	**(27,758)**	(2,656)
Profit/(loss) for the year	**540,207**	518,066	**(1,867)**	(6,225)

There are no significant commitments and contingent liabilities related to the Group's and the Company's interests in the jointly controlled entities, and no significant contingent liabilities of the jointly controlled entities themselves.

22 INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**202,093**	166,208	**88,750**	73,750
Acquisition of associates	**82,784**	21,595	**73,690**	15,000
Share of profit of associates				
— profit before income tax	**25,358**	28,570	**—**	—
— income tax expense	**(5,088)**	(6,303)	**—**	—
	20,270	22,267	**—**	—
Disposals	**(600)**	—	**—**	—
Provision for impairment	**(390)**	—	**—**	—
Dividends received	**(8,762)**	(7,977)	**—**	—
At end of year	**295,395**	202,093	**162,440**	88,750

Investments in associates as at 31 December 2007 include goodwill of RMB22,042,000 (2006: RMB4,411,000).

The Group's and the Company's share of the revenues and results of the principal associates, all of which are unlisted, and their aggregate assets (including goodwill) and liabilities, are as below:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets	**603,289**	402,876	**331,594**	191,663
Liabilities	**307,894**	200,783	**169,154**	102,913
Revenues	**354,603**	236,037	**—**	—
Profit for the year	**20,270**	22,267	**—**	—

22 INVESTMENTS IN ASSOCIATES (CONTINUED)

The following is a list of the principal associates as at 31 December 2007:

Name	Country/place of operation & incorporation/ legal status	Issued share/ paid up capital	Equity interest held by the Company	Equity interest held by the Group	Principal activities
AMS Global Transportation Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$1,980,000	—	12.69%	Air freight forwarding
Sinotrans (HK) Logistics Limited	Hong Kong, the PRC Limited liability company	HK$500,000	—	40%	Shipping agency and freight forwarding
Sinotrans Logistics Investment Holding Company Limited	Beijing, the PRC Limited liability company	RMB200,000,000	35%	43.79%	Investment activities
New Land Bridge (Lianyungang) Terminal Company Limited	Lianyungang, the PRC Sino-foreign equity joint venture	RMB375,000,000	1%	17%	Storage and terminal services
Shanghai Haihui International Container Repair Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$1,420,000	—	35%	International container piling and storage, container repair
Changshu Nissin Sinotrans Transportation Company Limited	Jiangsu, the PRC Sino-foreign equity joint venture	US$1,200,000	—	30%	Freight forwarding
Ma'anshan Tianshun Port Company Limited	Ma'anshan, the PRC Limited liability company	RMB50,000,000	30%	30%	Storage and terminal services
*Jiangsu Jiangyin Port Company Limited	Jiangyin, the PRC Limited liability company	RMB70,200,000	20%	20%	Storage and terminal services

* An associate acquired in 2007.

The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

23 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments of the Group and the Company have been applied to the line items below:

The Group	Loans and receivables	At fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets as per consolidated balance sheet					
31 December 2007					
Held-to-maturity financial assets (Note 25)	—	—	58,437	—	58,437
Available-for-sale financial assets (Note 26)	—	—	—	2,195,200	2,195,200
Trade and other receivables (Note 29)	6,204,828	—	—	—	6,204,828
Financial assets at fair value through profit or loss (Note 30)	—	1,257	—	—	1,257
Restricted cash (Note 31)	295,970	—	—	—	295,970
Term deposits with initial terms of over three months (Note 32)	418,826	—	—	—	418,826
Cash and cash equivalents (Note 33)	4,278,182	—	—	—	4,278,182
Total	11,197,806	1,257	58,437	2,195,200	13,452,700
31 December 2006					
Held-to-maturity financial assets (Note 25)	—	—	62,470	—	62,470
Available-for-sale financial assets (Note 26)	—	—	—	412,000	412,000
Trade and other receivables (Note 29)	5,179,997	—	—	—	5,179,997
Financial assets at fair value through profit or loss (Note 30)	—	344	—	—	344
Restricted cash (Note 31)	36,336	—	—	—	36,336
Term deposits with initial terms of over three months (Note 32)	870,449	—	—	—	870,449
Cash and cash equivalents (Note 33)	4,370,968	—	—	—	4,370,968
Total	10,457,750	344	62,470	412,000	10,932,564

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	Loans and receivables RMB'000	Held-to-maturity RMB'000	Total RMB'000
Financial assets as per balance sheet			
31 December 2007			
Held-to-maturity financial assets (Note 25)	—	58,437	58,437
Trade and other receivables (Note 29)	2,637,794	—	2,637,794
Restricted cash (Note 31)	5,800	—	5,800
Term deposits with initial terms of over three months (Note 32)	10,229	—	10,229
Cash and cash equivalents (Note 33)	378,409	—	378,409
Total	3,032,232	58,437	3,090,669
31 December 2006			
Held-to-maturity financial assets (Note 25)	—	62,470	62,470
Trade and other receivables (Note 29)	1,809,468	—	1,809,468
Restricted cash (Note 31)	5,800	—	5,800
Term deposits with initial terms of over three months (Note 32)	—	—	—
Cash and cash equivalents (Note 33)	317,574	—	317,574
Total	2,132,842	62,470	2,195,312

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Group	Measured at amortised cost RMB'000
Financial liabilities as per consolidated balance sheet	
31 December 2007	
Trade payables (Note 36)	**4,432,232**
Other payables, accruals and other current liabilities (Note 37)	**714,100**
Borrowings (Note 34)	**1,309,063**
Total	**6,455,395**
31 December 2006	
Trade payables (Note 36)	3,971,768
Other payables, accruals and other current liabilities (Note 37)	532,954
Borrowings (Note 34)	112,233
Total	4,616,955

The Company	Measured at amortised cost RMB'000
Financial liabilities as per balance sheet	
31 December 2007	
Trade payables (Note 36)	**85,870**
Other payables, accruals and other current liabilities (Note 37)	**1,544,229**
Borrowings (Note 34)	**814,159**
Total	**2,444,258**
31 December 2006	
Trade payables (Note 36)	70,597
Other payables, accruals and other current liabilities (Note 37)	693,475
Total	764,072

24 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the nature of counterparties and the historical information about counterparty default rates.

(a) Trade and other receivables

As at 31 December 2007, the Group's trade and other receivables of RMB5,837,589,000 (2006: RMB4,845,411,000) and the Company's trade and other receivables of RMB2,591,549,000 (2006: RMB1,751,082,000) were fully performing. Trade and other receivables that were fully performing mainly represent those due from customers with good credit history and low default rate. None of trade and other receivables that were fully performing has been renegotiated in 2007 and 2006. Trade and other receivables that were either past due or impaired were disclosed in Note 29.

(b) Cash at bank, short-term bank deposits, restricted cash, term deposits with initial terms over three months and held-to-maturity financial assets

As at 31 December 2007 and 2006, substantially all of the Group's and the Company's cash at bank, short-term bank deposits, restricted cash, term deposits with initial terms over three months and held-to-maturity financial assets were held in major financial institutions located in the PRC, which are of high credit quality with good credit history without any default records. None of cash at bank, short-term bank deposits, restricted cash, term deposits with initial terms over three months and held-to-maturity financial assets that were fully performing has been renegotiated in 2007 and 2006.

25 HELD-TO-MATURITY FINANCIAL ASSETS

	The Group and the Company	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**62,470**	64,562
Foreign exchange losses	**(4,033)**	(2,092)
At end of year	**58,437**	62,470

Held-to-maturity financial assets represented term deposits denominated in the US$ at a bank with maturities of 10 years from 2004. The interest rates are variable with reference to US$ London InterBank Offered Rate ("LIBOR") and the weighted average effective interest rate as at 31 December 2007 was 0% (2006: 0%). The bank has early repayment options under the deposit agreements. The derivatives embedded in these deposits are not separately accounted for because their risks and characteristics are considered to be closely related to the deposits. The maximum exposure to credit risk is the carrying amount of the held-to-maturity financial assets mentioned above at the reporting dates.

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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.

27 PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	The Group		The Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments on behalf of customers	515,694	334,009	42,758	8,795
Prepaid expenses	44,490	40,238	2,890	1,279
Due from related parties	10,822	18,209	582	8,084
Others	273	8,036	—	1,416
	571,279	400,492	46,230	19,574

The amounts due from related parties are generally unsecured, non-interest bearing and repayable on demand.

28 INVENTORIES

Inventories mainly comprise supplies, consumables and spare parts. As at 31 December 2007, the inventories of the Group stated at net realisable value amounted to RMB8,990,000 (2006: RMB764,000).

29 TRADE AND OTHER RECEIVABLES

	Note	The Group 2007 RMB'000	The Group 2006 RMB'000	The Company 2007 RMB'000	The Company 2006 RMB'000
Trade receivables	(a)	**5,637,226**	4,710,283	**128,917**	102,746
Bills receivables	(b)	**60,918**	63,328	**—**	—
Other receivables	(c)	**263,105**	240,074	**5,696**	3,290
Due from related parties	(d)	**243,579**	166,312	**2,503,181**	1,703,432
		6,204,828	5,179,997	**2,637,794**	1,809,468

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

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

	The Group 2007 RMB'000	The Group 2006 RMB'000	The Company 2007 RMB'000	The Company 2006 RMB'000
RMB	**4,278,390**	3,453,393	**2,519,913**	1,722,212
US$	**1,866,619**	1,640,228	**117,865**	87,156
HK$	**55,399**	83,172	**—**	—
Others	**4,420**	3,204	**16**	100
	6,204,828	5,179,997	**2,637,794**	1,809,468

The credit period of the Group's and the Company'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.

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2007, the following trade and other receivables were impaired. The factors considered by management in determining the impairment are described in Note 5(c). It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**3,214**	4,004	**—**	467
Between 6 and 12 months	**66,877**	79,893	**5,767**	25,896
Between 1 and 2 years	**69,317**	44,471	**32,722**	1,071
Between 2 and 3 years	**19,033**	16,156	**622**	—
Over 3 years	**18,913**	21,606	**—**	—
	177,354	166,130	**39,111**	27,434
Less: Provision for impairment of receivables	**(87,170)**	(89,671)	**(13,668)**	(4,514)
	90,184	76,459	**25,443**	22,920

As at 31 December 2007, the following trade and other receivables were past due but not impaired. The aging analysis of these receivables is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**273,188**	253,195	**20,802**	35,466
Between 6 and 12 months	**2,337**	4,853	**—**	—
Between 1 and 2 years	**1,530**	79	**—**	—
Between 2 and 3 years	**—**	—	**—**	—
Over 3 years	**—**	—	**—**	—
	277,055	258,127	**20,802**	35,466

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the provision for impairment of trade and other receivables are as follows:

	The Group		The Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
At beginning of year	**(89,671)**	(135,201)	**(4,514)**	(2,626)
Provision for impairment	**(31,448)**	(31,843)	**(9,154)**	(1,888)
Receivables written off as uncollectible	**14,751**	38,157	**—**	—
Unused amounts reversed	**19,198**	39,216	**—**	—
At end of year	**(87,170)**	(89,671)	**(13,668)**	(4,514)

The creation and release of provision for impaired receivables have been included in "other operating expenses" and "other income" in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

(a) Trade receivables

	The Group		The Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Trade receivables	**5,713,519**	4,786,535	**142,202**	105,372
Less: Provision for impairment of receivables	**(76,293)**	(76,252)	**(13,285)**	(2,626)
	5,637,226	4,710,283	**128,917**	102,746

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

Aging analysis of the above trade receivables is as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**5,551,523**	4,644,212	**103,744**	84,118
Between 6 and 12 months	**65,895**	72,975	**5,578**	21,053
Between 1 and 2 years	**66,416**	38,902	**32,448**	201
Between 2 and 3 years	**14,686**	15,111	**432**	—
Over 3 years	**14,999**	15,335	**—**	—
	5,713,519	4,786,535	**142,202**	105,372

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

(c) Other receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits receivable	**236,844**	189,033	**904**	2,231
Interests receivable	**183**	—	**31**	—
Others	**35,177**	59,906	**4,761**	1,059
	272,204	248,939	**5,696**	3,290
Less: Provision for impairment of receivables	**(9,099)**	(8,865)	**—**	—
	263,105	240,074	**5,696**	3,290

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables:				
Ultimate holding company and fellow subsidiaries	**59,610**	68,678	**1,384**	9
Jointly controlled entities	**24,529**	21,238	**—**	—
Associates	**14,181**	1,787	**—**	—
Other PRC state-owned enterprises	**19,866**	47,094	**2,710**	11,891
	118,186	138,797	**4,094**	11,900
Less: Provision for impairment of receivables	**(1,748)**	(4,522)	**(383)**	(1,888)
	116,438	134,275	**3,711**	10,012
Other receivables:				
Ultimate holding company and fellow subsidiaries	**112,724**	7,125	**2,499,398**	1,693,016
Jointly controlled entities	**12,652**	19,316	**—**	383
Associates	**511**	4,522	**72**	21
Other PRC state-owned enterprises	**1,284**	1,106	**—**	—
	127,171	32,069	**2,499,470**	1,693,420
Less: Provision for impairment of receivables	**(30)**	(32)	**—**	—
	127,141	32,037	**2,499,470**	1,693,420
	243,579	166,312	**2,503,181**	1,703,432

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Due from related parties (Continued)

The credit period of the Group's and the Company'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:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**111,203**	122,203	**3,442**	6,187
Between 6 and 12 months	**3,011**	11,361	**189**	4,843
Between 1 and 2 years	**3,141**	3,095	**274**	870
Between 2 and 3 years	**555**	431	**189**	—
Over 3 years	**276**	1,707	**—**	—
	118,186	138,797	**4,094**	11,900

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

30 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2007	2006
	RMB'000	RMB'000
Listed equity securities in the PRC, at market value	**1,257**	344

Financial assets at fair value through profit or loss, comprising principally of marketable equity securities listed in the Mainland, the PRC, are stated at fair value at the close of business at year end. The fair value of all equity securities is based on their current bid prices in an active market.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement (Note 41(a)) as it is relating to the operating activities of the Group.

Gains on changes in fair values of financial assets at fair value through profit or loss are recorded in "other income" in the income statement.

31 RESTRICTED CASH

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits denominated in RMB in banks restricted for				
— bank borrowings	**245,493**	—	**—**	—
— other business purposes	**50,477**	36,336	**5,800**	5,800
	295,970	36,336	**5,800**	5,800

The maximum exposure to credit risk at the reporting dates is the carrying amounts of the Group's and the Company's restricted cash mentioned above.

The weighted average effective interest rates of the Group and the Company on restricted cash per annum were 3.53% (2006: 0.72%) and 0.72% (2006: 0.72%) respectively as at 31 December 2007.

32 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

The Group's and the Company's term deposits with initial terms of over three months are deposited in banks in the PRC, which management believes are of high credit quality and expects no high credit risks in this aspect. The Group's and the Company's term deposits with initial terms of over three months are denominated in the following currencies:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**418,187**	866,993	**10,229**	—
US$	**345**	3,150	**—**	—
HK$	**294**	306	**—**	—
	418,826	870,449	**10,229**	—

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2007, the weighted average effective interest rates per annum on term deposits with initial terms of over three months of the Group and the Company were 3.16% (2006: 2.32%) and 2.85% (2006: nil) respectively.

The maximum exposure to credit risk at the reporting dates is the carrying amounts of the Group's and the Company's term deposits with initial terms of over three months mentioned above.

33 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,817,111**	3,578,197	**363,409**	195,515
Short-term bank deposits	**1,461,071**	792,771	**15,000**	122,059
	4,278,182	4,370,968	**378,409**	317,574
Maximum exposure to credit risk	**4,258,530**	4,362,414	**378,138**	317,325

(a) As at 31 December 2007, the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**3,448,014**	3,006,187	**241,096**	154,020
US$	**776,768**	1,142,175	**130,003**	47,617
HK$	**33,390**	66,119	**644**	6
JPY	**15,647**	153,017	**6,617**	115,898
Others	**4,363**	3,470	**49**	33
	4,278,182	4,370,968	**378,409**	317,574

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) The weighted average effective interest rates of the Group and the Company on short term bank deposits per annum were 2.26% (2006: 1.75%) and 2.88% (2006: 2.03%) respectively as at 31 December 2007.

34 BORROWINGS

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Bank borrowings denominated in				
— RMB	**502,456**	90,323	**450,000**	—
— US$	**751,356**	6,910	**311,908**	—
— HK$	**52,251**	—	**52,251**	—
Current portion of non-current borrowings denominated in RMB	**3,000**	6,000	**—**	—
	1,309,063	103,233	**814,159**	—
Non-current				
Bank borrowings denominated in RMB, repayable between 1 and 2 years	**—**	9,000	**—**	—
Total borrowings	**1,309,063**	112,233	**814,159**	—
Borrowings				
— Unsecured	**1,020,789**	31,923	**814,159**	—
— Secured or guaranteed	**288,274**	80,310	**—**	—
	1,309,063	112,233	**814,159**	—

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair values as the impact of discounting is not significant.

(b) The weighted average effective interest rates per annum of the borrowings were 6.08% (2006: 5.25%) for bank borrowings denominated in RMB, 5.93% (2006: 6.15%) for bank borrowings denominated in US$ and 5.66% (2006: nil) for bank borrowings denominated in HK$ as at 31 December 2007.

34 BORROWINGS (CONTINUED)

(c) Securities and guarantees

	The Group	
	2007	2006
	RMB'000	RMB'000
Restricted cash pledged	**245,493**	—
Net book value of property, plant and equipment pledged	**116,550**	180,784
Net book value of land use rights pledged	**8,612**	11,651
Guarantees provided by companies within the Group	**5,000**	5,000
Guarantees provided by third parties	**2,056**	—
Corresponding borrowings		
— pledged by restricted cash	**235,218**	—
— pledged by property, plant and equipment	**44,000**	71,750
— pledged by land use rights	**2,000**	3,560
— guaranteed by companies within the Group	**5,000**	5,000
— guaranteed by third parties	**2,056**	—
	288,274	80,310

(d) The exposure of the Group's and the Company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
6 months or less	**670,335**	35,019	**364,159**	—
6–12 months	**638,728**	68,214	**450,000**	—
1–5 years	**—**	9,000	**—**	—
	1,309,063	112,233	**814,159**	—

35 PROVISIONS

	The Group					
	One-off cash housing subsidies	Guarantees	Outstanding claims	Onerous contracts	Foreseeable losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	43,720	8,178	7,740	—	—	59,638
Additional provision	—	—	22,101	54,919	8,176	85,196
Utilised during the year	(7,696)	—	(8,886)	—	—	(16,582)
As at 31 December 2006	36,024	8,178	20,955	54,919	8,176	128,252
As at 1 January 2007	**36,024**	**8,178**	**20,955**	**54,919**	**8,176**	**128,252**
Additional provision	**—**	**—**	**56,159**	**—**	**—**	**56,159**
Utilised during the year	**(2,183)**	**—**	**(1,191)**	**(34,741)**	**(8,176)**	**(46,291)**
As at 31 December 2007	**33,841**	**8,178**	**75,923**	**20,178**	**—**	**138,120**

One-off cash housing subsidies represent the Group's provision made prior to the Reorganisation. Sinotrans Group Company agreed to bear any further one-off cash housing subsidies in the excess of the amount of RMB74,560,000 provided for in the Group's consolidated financial statements at the time of the Reorganisation.

	The Company	
	Outstanding claims	**Total**
	RMB'000	**RMB'000**
As at 1 January 2006 and 2007	**—**	**—**
Additional provision	**6,160**	**6,160**
As at 31 December 2007	**6,160**	**6,160**

The carrying amounts of the Group's and the Company's provisions at the respective balance sheet dates approximate their fair values as the impact of discounting is not significant.

36 TRADE PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	4,266,458	3,841,725	50,832	42,176
Due to related parties	165,774	130,043	35,038	28,421
	4,432,232	3,971,768	85,870	70,597

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

	The Group		The Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	3,066,273	2,870,942	19,516	8,808
US$	1,297,792	1,018,432	64,590	61,789
HK$	60,475	71,865	—	—
Others	7,692	10,529	1,764	—
	4,432,232	3,971,768	85,870	70,597

(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		The Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	3,922,893	3,528,163	38,500	33,739
Between 6 and 12 months	143,549	131,373	5,029	7,300
Between 1 and 2 years	113,249	79,891	6,185	1,136
Between 2 and 3 years	43,037	50,154	1,118	1
Over 3 years	43,730	52,144	—	—
	4,266,458	3,841,725	50,832	42,176

36 TRADE PAYABLES (CONTINUED)

(b) Due to related parties

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Ultimate holding company and fellow subsidiaries	**78,181**	59,587	**35,027**	28,421
Jointly controlled entities	**5,337**	3,607	**11**	—
Associates	**18,550**	15,824	**—**	—
Other PRC state-owned enterprises	**63,706**	51,025	**—**	—
	165,774	130,043	**35,038**	28,421

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		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**138,007**	105,257	**34,451**	24,668
Between 6 and 12 months	**8,771**	8,393	**2**	3,424
Between 1 and 2 years	**5,894**	12,721	**516**	275
Between 2 and 3 years	**11,147**	786	**69**	54
Over 3 years	**1,955**	2,886	**—**	—
	165,774	130,043	**35,038**	28,421

37 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**571,148**	390,608	**70,106**	25,934
Due to related parties	**142,952**	142,346	**1,474,123**	667,541
	714,100	532,954	**1,544,229**	693,475

37 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

(a) Other payables and accruals

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables for property, plant and equipment	**125,164**	48,920	**—**	—
Customers' deposits	**277,096**	186,436	**14,798**	48
Accrued expenses	**106,432**	75,690	**18,398**	18,336
Dividends payable to minority shareholders of subsidiaries	**9,940**	10,126	**—**	—
Temporary receipts	**21,463**	34,007	**36,910**	7,550
Others	**31,053**	35,429	**—**	—
	571,148	390,608	**70,106**	25,934

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Ultimate holding company and fellow subsidiaries	**140,056**	138,042	**1,474,123**	667,541
Jointly controlled entities	**805**	3,091	**—**	—
Associates	**602**	—	**—**	—
Other PRC state-owned enterprises	**1,489**	1,213	**—**	—
	142,952	142,346	**1,474,123**	667,541

Other than those disclosed above, the amounts due to related parties are generally unsecured, non-interest bearing and have no fixed repayment terms.

38 SHARE CAPITAL

	The Company	
	2007	2006
	RMB'000	RMB'000
Registered, issued and fully paid		
— Domestic shares of RMB1.00 each	**2,461,596**	2,461,596
— H shares of RMB1.00 each	**1,787,406**	1,787,406
	4,249,002	4,249,002

As at 31 December 2007 and 2006, the registered and issued share capital of the Company comprises 2,461,596,200 domestic shares and 1,787,406,000 H shares, representing 57.9% and 42.1% of the issued capital, respectively.

All the domestic state-owned ordinary shares and H shares rank pari passu in all material respects except that the dividends to holders of H shares are declared in RMB but paid in HK$.

39 CASH-SETTLED SHARE-BASED PAYMENT

The Group had cash-settled share-based payment arrangements, also known as Share Appreciation Rights Plan ("SAR Plan") with key employees and directors.

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

The eligible grantees under the SAR Plan are members of the Board of Directors of the Company and the supervisory committee (excluding independent directors and independent supervisors), the president, vice president, company secretary, assistant to the president, chief financial officer, heads of departments and managers and assistant managers of departments, branches and subsidiaries and special talented personnel. Special talented personnel are those key personnel who make important contributions to the Group's development or operations and include senior technical experts and market development personnel who make remarkable contributions to the Group.

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

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

39 CASH-SETTLED SHARE-BASED PAYMENT (CONTINUED)

As at 31 December 2007, the Company had granted SAR to a total of 5 (2006: 5) directors, 1 (2006: 1) supervisor and 120 (2006: 124) senior employees of the Group. As at 31 December 2007, the directors and the supervisor had received 2,740,000 (2006: 2,740,000) SAR and the senior employees of the Group had received 22,804,000 (2006: 25,030,000) SAR.

Information on outstanding SAR is summarised as follows:

(a) Determination of fair values

				The Group	
	Date of grant	Expiry date	Exercise price in HK$ per share	**2007 (Thousands)**	2006 (Thousands)
Tranche I	20 January 2003 (Note (i))	20 January 2013	2.19	**21,484**	23,710
Tranche II	24 June 2003 (Note (ii))	24 June 2013	2.18	**4,060**	4,060
				25,544	27,770

(i) The fair value of SAR granted under Tranche I as at 31 December 2007 determined using the Black-Scholes valuation model was HK$1.48 (2006: HK$0.93). The significant inputs into the model were share price of HK$3.44 (2006: HK$2.81), exercise price shown above, expected life of SAR of 2.53 years (2006: 3.03 years), expected dividend rate of 1.23% (2006: 2.56%) and risk-free interest rate of 2.69% (2006: 3.60%). The expected volatility is estimated based on historical daily share price of the Company.

(ii) The fair value of SAR granted under Tranche II as at 31 December 2007 determined using the Black-Scholes valuation model was HK$1.51 (2006: HK$0.95). The significant inputs into the model were share price of HK$3.44 (2006: HK$2.81), exercise price shown above, expected life of SAR of 2.74 years (2006: 3.24 years), expected dividend rate of 1.23% (2006: 2.56%) and risk-free interest rate of 2.74% (2006: 3.61%). The expected volatility is estimated based on historical daily share price of the Company.

(iii) The intrinsic value of SAR vested at 31 December 2007 is HK$1.25 (2006: HK$0.62) per share for Tranche I and HK$1.26 (2006: HK$0.63) per share for Tranche II respectively.

39 CASH-SETTLED SHARE-BASED PAYMENT (CONTINUED)

(b) Movements in the number of SAR outstanding and their related weighted average exercise prices are analysed as follows:

	2007		2006	
	Average exercise price in HK$ per share	Number of SAR (Thousands)	Average exercise price in HK$ per share	Number of SAR (Thousands)
At beginning of year	2.19	27,770	2.19	27,770
Forfeited	2.19	(2,090)	—	—
Exercised	2.19	(136)	—	—
At end of year	2.19	25,544	2.19	27,770

All of the outstanding SAR as at 31 December 2007 (2006: all) were exercisable. 136,000 SAR have been exercised since the date of grant.

(c) The amounts recognised in the consolidated financial statements (before taxes) for SAR:

	The Group	
	2007 RMB'000	2006 RMB'000
Charged/(credited) to staff costs	9,731	(6,913)

	The Group	
	2007 RMB'000	2006 RMB'000
Salary and welfare payable	35,441	26,009

40 RESERVES

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 ceased 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 was converted into statutory surplus reserve.

For the year ended 31 December 2007, the Board of Directors proposed appropriations of 10% of the Company's profit after tax (2006: 10%) determined under the PRC accounting standards, of RMB77,989,000 (2006: RMB58,598,000) to the statutory surplus reserve fund. As a result of the adoption of the new Chinese Accounting Standards (the "CAS2006") from 1 January 2007, RMB254,404,000 of the Company's statutory surplus fund was credited to its retained earnings conform with relevant requirement of CAS2006.

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 Group's amounts determined in accordance with the PRC accounting standards and the amount determined in accordance with IFRS. As at 31 December 2007, the amount of retained earnings available for distribution was approximately RMB2,096,192,000 (2006: RMB1,469,306,000), being the Group's amount determined in accordance with the PRC accounting standards.

In 2007, the Company acquired the remaining 25% equity interest in Trade Sky from its minority shareholders for a cash consideration of RMB127,500,000. The difference between the consideration and share of the carrying value of net assets acquired of Trade Sky on the transaction date, which amounted to RMB53,815,000, is deducted from equity. After the transaction, the Company holds 100% equity interest in Trade Sky.

As at 31 December 2007, the amount of investment revaluation reserve was RMB943,388,000 (2006: RMB85,107,000), representing the share of fair value gain on available-for-sale financial assets, net of taxation, attributable to the equity holders of the Company (Note 26).

41 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit for the year to cash generated from operations:

	The Group	
	2007 RMB'000	2006 RMB'000
Profit for the year	1,108,654	863,263
Interest income	(77,415)	(84,380)
Interest expenses	18,024	5,774
Exchange losses on held-to-maturity financial assets	4,033	2,092
Losses/(gains) on disposal of property, plant and equipment	4,303	(2,925)
Provision for/(reversal of) impairment of receivables	15,982	(7,373)
Gains on financial assets at fair value through profit and loss	(363)	(311)
Depreciation of property, plant and equipment	353,528	309,817
Provision for/(reversal of) impairment on property, plant and equipment	2	(276)
Provision for/(reversal of) provision for impairment on inventories	73	(268)
Amortisation of intangible assets	18,363	15,193
Operating lease charges on other non-current assets	28,376	—
Operating lease charges on land use rights	18,146	13,794
Share of profit of associates, net of taxation	(20,270)	(22,267)
Excess of interest in the fair value of net identifiable assets over cost of acquiring subsidiaries, jointly controlled entities and associates	(108)	—
Gain on disposal of non-current assets classified as held for sale	(6,940)	—
Dividend income on available for sale financial assets	(3,936)	—
Provision for impairment on investments in associates	390	—
Operating profit before working capital changes	1,460,842	1,092,133
Decrease in deferred income tax assets	33,397	11,470
Increase in prepayments, deposits and other current assets	(170,249)	(39,310)
Decrease/(increase) in inventories	1,759	(4,936)
Increase in trade and other receivables	(964,724)	(353,337)
(Decrease)/increase in deferred income tax liabilities	(69,457)	43,345
Decrease in other liabilities	(748)	(2,254)
Increase in provisions	9,868	68,614
Increase in trade payables	395,600	315,291
Increase/(decrease) in other payables, accruals and other current liabilities	34,248	(86,877)
Increase/(decrease) in receipts in advance from customers	421,845	(41,850)
Increase in current tax liabilities	456,735	425,373
(Decrease)/increase in salary and welfare payable	(111,949)	38,378
Decrease in deferred income arising from discontinued operations	(316,329)	(37,692)
Cash generated from operations	1,180,838	1,428,348

41 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Acquisition of subsidiaries and jointly controlled entities

For the year ended 31 December 2007

In 2007, the Group acquired certain equity interests in four companies for a total cash consideration of RMB59,005,000. The acquisitions were accounted for using the purchase method of accounting. The name of the company, the acquisition date, the percentage of equity interest acquired and the cash consideration are listed as follows:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB'000
Chengdu Bonded Logistics Investment Company Limited	31 January 2007	50%	50,000
Shenyang Taidachang Trucking Logistics Development Company Limited	29 December 2007	100%	1,990
Sinotrans Qingdao Yanhai International Container and Storage Company Limited	31 July 2007	51%	1,530
Chongqing Shuangyuan Logistics Company Limited	30 November 2007	100%	5,485

The acquired business totally contributed revenue of RMB2,763,000 and loss of RMB1,754,000 to the Group for the period from the respective acquisition dates to 31 December 2007.

If the acquisitions had occurred on 1 January 2007, the Group's revenue would have been RMB38,876,916,000 and profit for the year would have been RMB1,108,098,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

Moreover, in 2007, the Group through a wholly-owned subsidiary, Sinotrans Guangdong Company Limited, obtained control of Sinotrans Foshan Warehouse and Terminal Company Limited ("Foshan Warehouse and Terminal") as a result of amendments to its articles of association. In the revised company articles, the Group has obtained the power to govern the financial and operating policies of Foshan Warehouse and Terminal.

Since then, the Group has accounted for Foshan Warehouse and Terminal as a 47.08% subsidiary (previously a 47.08% jointly controlled entity accounted for by proportionate consolidation).

41 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Acquisition of subsidiaries and jointly controlled entities (Continued)

For the year ended 31 December 2007 (Continued)

Details of the assets and liabilities acquired are as follows:

	Fair value RMB'000	Acquirees' carrying amount RMB'000
Property, plant and equipment	88,564	88,564
Prepayment for acquisition of land use rights	26,831	26,831
Land use rights	113,271	113,090
Inventories	11	11
Trade and other receivables	1,123	1,123
Cash and cash equivalents	42,272	42,272
Other assets	538	538
Borrowings	(13,000)	(13,000)
Other liabilities	(21)	(21)
Trade payables	(64,864)	(64,864)
Other payables, accruals and other current liabilities	(61,050)	(61,050)
Receipts in advance from customers	(43)	(43)
Current tax liabilities	(514)	(514)
Salary and welfare payable	(701)	(701)
Minority interests	(74,194)	(74,194)
Net identifiable assets acquired	58,223	58,042

	RMB'000
Fair value of net identifiable assets acquired	58,223
Goodwill on acquisition	890
Excess of interest in the net fair value of identifiable net asset over purchase consideration	(108)
Total purchase consideration — cash paid	59,005

The goodwill is attributable to the profitability of some acquired business and the synergies expected to arise after the acquisition. The excess of the Group's interest in the fair value of the other acquirees' identifiable assets, liabilities and contingent liabilities acquired over purchase consideration is attributable to a bargain deal.

	RMB'000
Net cash outflow in respect of the acquisitions is analysed as follows:	
Cash and cash equivalents in the subsidiaries and jointly controlled entity acquired	42,272
Cash paid	(9,005)*
Net cash inflow on acquisitions	33,267

* The other consideration of RMB50,000,000 was paid in 2006.

41 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Acquisition of subsidiaries and jointly controlled entities (Continued)

For the year ended 31 December 2006

In 2006, the Group acquired certain equity interests in four companies for a total cash consideration of RMB129,401,000. The acquisitions were accounted for using the purchase method of accounting. The name of the company, the acquisition date, the percentage of equity interest acquired and the cash consideration are listed as follows:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB'000
Shandong Sinotrans Lishen Hoisting and Transporting Company Limited	31 July 2006	80%	54,227
Ningbo Dagang New Century Container Company Limited	26 July 2006	50%	40,440
Man Shun Shipping Company Limited	25 January 2006	100%	32,433
Sinotrans Foshan Warehouse and Terminal Company Limited	28 February 2006	For additional 7.08%	2,301

The acquired business totally contributed revenue of RMB38,495,000 and loss of RMB1,032,000 to the Group for the period from the respective acquisition dates to 31 December 2006.

If the acquisitions had occurred on 1 January 2006, the Group's revenue would have been RMB32,247,185,000 and profit for the year would have been RMB864,041,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2006, together with the consequential tax effects.

On 1 January 2006, the Group through a wholly-owned subsidiary, Sinotrans Eastern Company Limited, obtained control of Shanghai Sinotrans Chemical International Logistics Company Limited ("Shanghai Chemical") as a result of the increase in its voting rights on the board of directors of Shanghai Chemical. The company articles states that control exists when there are two-thirds or more than two-thirds of voting rights on the board of directors. The Group is now represented by 6 out of 9 directors on the board of Shanghai Chemical (2005: 5 out of 8 directors). Accordingly, the Group has the power to govern the financial and operating policies of Shanghai Chemical as the Group has more than two-thirds of the voting rights on the board of Shanghai Chemical.

With effective from 1 January 2006, the Group has accounted for Shanghai Chemical as a 40% subsidiary (previously a 40% jointly controlled entity accounted for by proportionate consolidation).

41 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Acquisition of subsidiaries and jointly controlled entities (Continued)

For the year ended 31 December 2006 (Continued)

Details of the assets and liabilities acquired are as follows:

	Fair value RMB'000	Acquirees' carrying amount RMB'000
Property, plant and equipment	139,401	117,803
Land use rights	33,099	27,938
Intangible assets	20	20
Prepayments, deposits and other current assets	3,399	3,399
Inventories	1,616	1,616
Trade and other receivables	48,138	48,138
Cash and cash equivalents	37,391	37,391
Borrowings	(52,100)	(52,100)
Deferred income tax liabilities	(4,011)	—
Other liabilities	(2,908)	(2,908)
Trade payables	(36,806)	(36,806)
Other payables, accruals and other current liabilities	(19,285)	(19,285)
Receipts in advance from customers	(4)	(4)
Current tax liabilities	(1,671)	(1,671)
Salary and welfare payable	(1,520)	(1,520)
Minority interests	(32,998)	—
Net identifiable assets acquired	111,761	122,011

Fair value of net identifiable assets acquired	111,761
Goodwill on acquisitions	17,640
Total purchase consideration — cash paid	129,401

The goodwill is attributable to the synergies expected to arise after the acquisitions.

Net cash outflow in respect of the acquisitions is analysed as follows:	
Cash and cash equivalents in the subsidiaries and jointly controlled entity acquired	37,391
Cash paid	(129,401)
Net cash outflow on acquisitions	(92,010)

42 CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice, provisions have been made for the probable losses which are included in Note 35. Where management cannot reasonably estimate the outcome of the lawsuits or believes the probability of loss is remote, no provision has been made. As at 31 December 2007, such lawsuits amounted to approximately RMB10,851,000 (2006: RMB20,645,000).

43 GUARANTEES

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Performance guarantees provided by Group for the benefit of jointly controlled entities	**3,000**	27,000

In addition, in its ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amount to the General Administration of Civil Aviation of China for the benefit of certain jointly controlled entities to enable those entities to obtain the required air freight forwarding operating licences. Certain of these guarantees have been extended for periods up to 2010, while the others have no expiry dates.

44 CAPITAL COMMITMENTS

The Group and the Company have the following outstanding capital commitments not provided for in the consolidated financial statements:

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised and contracted for but not provided for	**877,295**	620,784	**568,780**	90,000
Authorised but not contracted for	**687,480**	515,546	**67,240**	390,000
	1,564,775	1,136,330	**636,020**	480,000
An analysis of the above capital commitments by nature is as follows:				
Acquisition of property, plant and equipment	**251,546**	349,579	**25,380**	168,480
Construction commitments	**520,180**	285,861	**41,860**	71,520
Investments in subsidiaries/jointly controlled entities/associates	**793,049**	500,890	**568,780**	240,000
	1,564,775	1,136,330	**636,020**	480,000

45 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

The Group leases various land and buildings, vessels, containers and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the year is disclosed in Note 10.

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

	The Group		The Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Land and buildings				
— Not later than one year	138,295	126,500	6,945	6,945
— Later than one year but not later than five years	246,963	185,364	27,780	27,780
— Later than five years	163,966	162,097	69,451	76,396
Vessels, containers and other equipment				
— Not later than one year	809,277	801,167	125,497	691
— Later than one year but not later than five years	1,269,666	1,584,612	—	2,764
— Later than five years	1,420	22,733	—	3,454
	2,629,587	2,882,473	229,673	118,030

45 OPERATING LEASE COMMITMENTS (CONTINUED)

(b) The Group as lessor

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Land and buildings		
— Not later than one year	**12,795**	11,066
— Later than one year but not later than five years	**14,373**	10,165
— Later than five years	**4,688**	6,526
Machinery		
— Not later than one year	**72,504**	123,181
— Later than one year but not later than five years	**—**	64,014
	104,360	214,952

46 SIGNIFICANT RELATED PARTY TRANSACTIONS

On 26 January 2006, the Group entered into a business service agreement with Sinotrans Group Company which regulates the provision of transportation and logistics services and ancillary services by members of our Group to Sinotrans Group Company (including its subsidiaries and associates) and vice versa. The business service agreement contemplates that the relevant members of the Group and Sinotrans Group Company (including its subsidiaries and associates) will enter into contracts for specific services and for the leasing of certain assets as and when necessary, in compliance with the terms of the business service agreement.

The business service agreement also provides for the following:

- Leasing of certain vessels by the Group; and
- Leasing of certain containers by the Group

In addition, on 26 January 2006, the Group also entered into a master lease agreement providing for the lease of certain office premises, warehouses, container yards, freight stations and other properties for a term of 3 years.

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions and such transactions are carried out on normal commercial terms that are consistently applied to all customers.

(a) Transactions with related parties

	The Group	
	2007	2006
	RMB'000	RMB'000
Transactions with ultimate holding company and fellow subsidiaries		
Revenue:		
Revenue from provision of transportation and logistics services	**424,412**	415,475
Revenue from provision of information technology services	**71**	—
Expenses:		
Service fees	**(210,757)**	(203,070)
Rental expenses for office buildings, warehouses and depots	**(34,361)**	(40,137)
Rental expenses for containers	**(47,415)**	(48,736)
Rental expenses for vessels	**(94,639)**	(57,261)
Rental expenses for motor vehicles	**(2,520)**	(3,417)
Transactions with associates of the Group		
Revenue:		
Revenue from provision of services	**74,494**	2,889
Expenses:		
Service fees	**(72,287)**	(1,309)

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	The Group	
	2007	2006
	RMB'000	RMB'000
Transactions with jointly controlled entities (after elimination of the Group's proportionate interests in those jointly controlled entities)		
Revenue:		
Revenue from provision of services	**121,598**	150,069
Rental income from buildings leased out	**2,461**	434
Expenses:		
Service fees	**(52,328)**	(59,587)

	The Group	
	2007	2006
	RMB'000	RMB'000
Transactions with other PRC state-owned enterprises		
Revenue:		
Revenue from provision of services	**239,658**	364,734
Interest income from bank deposits	**73,553**	78,193
Expenses:		
Service fees	**(1,117,779)**	(852,013)

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	The Group	
	2007	2006
	RMB'000	RMB'000
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	**172,334**	75,803
Prepayments, deposits and other current assets	**2,610**	4,564
Trade payables	**(78,181)**	(59,587)
Other payables, accruals and other liabilities	**(140,056)**	(138,042)
Receipts in advance from customers	**(31,906)**	(14,663)
Balances with jointly controlled entities		
Trade and other receivables	**37,181**	40,554
Prepayments, deposits and other current assets	**522**	696
Trade payables	**(5,337)**	(3,607)
Other payables, accruals and other liabilities	**(805)**	(3,091)
Receipts in advance from customers	**(1,051)**	(188)
Balances with associates of the Group		
Trade and other receivables	**14,692**	6,309
Trade payables	**(18,550)**	(15,824)
Other payables, accruals and other liabilities	**(602)**	—
Receipts in advance from customers	**(26)**	(44)
Balances with other PRC state-owned enterprises		
Held-to-maturity financial assets	**58,437**	62,470
Restricted cash	**295,970**	36,336
Terms deposits with initial terms of over three months	**330,291**	660,201
Cash and cash equivalents	**4,064,778**	4,050,499
Trade and other receivables	**21,150**	48,200
Prepayments, deposits and other current assets	**7,690**	12,949
Trade payables	**(63,706)**	(51,025)
Other payables, accruals and other current liabilities	**(1,489)**	(1,213)
Receipts in advance from customers	**(38,757)**	(12,750)

46 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Purchase of property, plant and equipment

	The Group	
	2007	2006
	RMB'000	RMB'000
Transactions with other PRC state-owned enterprises	**193,713**	114,160

(d) Borrowings

	The Group	
	2007	2006
	RMB'000	RMB'000
Borrowings from the PRC state-owned banks		
At beginning of year	**112,233**	80,895
Proceeds from borrowings	**2,305,721**	460,676
Acquisition of subsidiaries and a jointly controlled entity	**—**	52,100
Repayment of borrowings	**(1,110,947)**	(481,438)
At end of year	**1,307,007**	112,233
Interest charged	**18,024**	10,278
Interest paid	**(17,115)**	(10,771)

The weighted average effective interest rate of the borrowings was 5.84% (2006: 5.35%) per annum as at 31 December 2007.

(e) Key management compensation

	The Group	
	2007	2006
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	**3,195**	3,095
Discretionary bonuses	**5,216**	4,225
Change in fair value of SAR	**1,562**	(1,135)
Contributions to pension plans	**249**	192
Long term bonus plan	**–**	—

47 SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2007:

(a) 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.

(b) On 1 January 2008 ("the acquisition date"), the Company acquired certain companies, assets and businesses from Sinotrans Group Company, which primarily engage in freight forwarding, shipping agency, warehousing storage and customs declaration in Shandong, Guangdong, Sichuan, Chongqing, Anhui, Jiangxi and Hong Kong, for a total cash consideration of RMB1,106,030,000. The acquisition was regarded as a common control combination and was accounted for in the Group's consolidated financial statements for the year ended 31 December 2008 using merger accounting (Note 3(b)).

As at 31 December 2007, part of the consideration paid by the Company of RMB550,000,000 was recorded as prepayment of consideration for acquisition in the balance sheet .

48 ULTIMATE HOLDING COMPANY

The Directors regard Sinotrans Group Company, a unlisted company established in the PRC, as the ultimate holding company of the Company.

49 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 March 2008.

50 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current presentation.