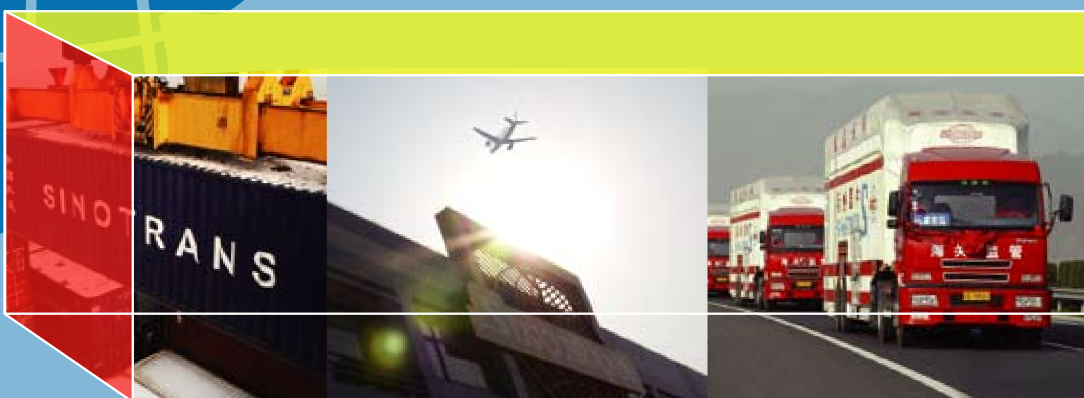
SINOTRANS LIMITED

Stock Code: 598

To Everywhere and Beyond

Annual Report 2008



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
Email: ir@sinotrans.com
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 auditors:

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

PRC auditors:

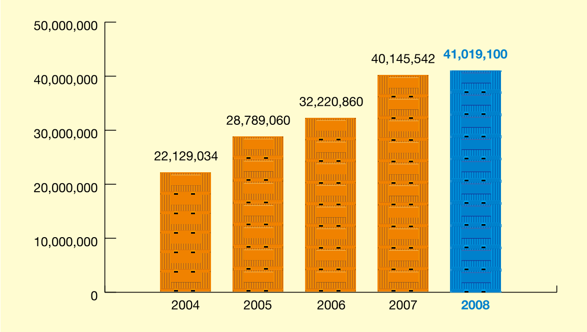
PricewaterhouseCoopers Zhong Tian CPAs Limited Company
11th Floor
PricewaterhouseCoopers Centre
202 Hu Bin Road
Shanghai 200021
People's Republic of China

LEGAL ADVISERS:

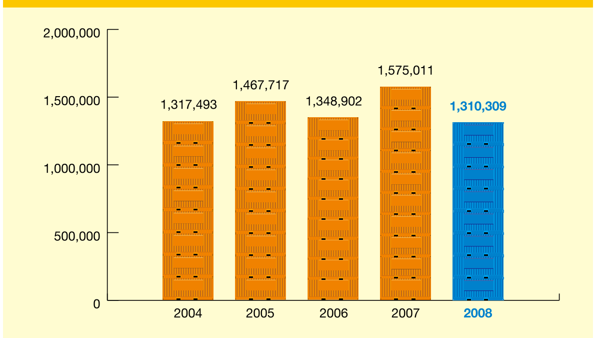
Richards Butler
In association with Reed Smith LLP
20th Floor
Alexandra House
Chater Road
Central
Hong Kong

Financial Highlights

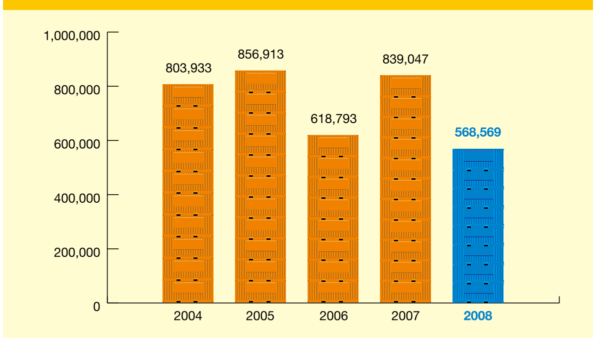
Turnover (RMB'000)



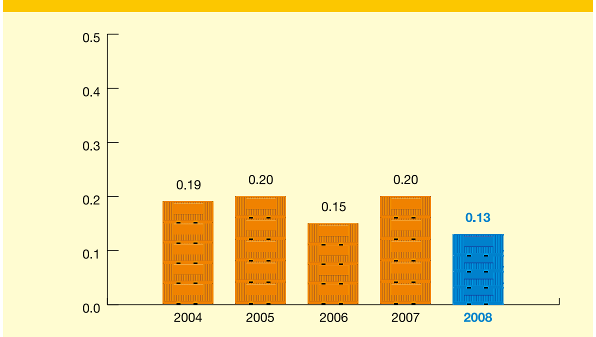
Profit before income tax (RMB'000)



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



Earnings per share, basic and diluted (RMB'000)



As at 31 December	2008 RMB'000	2007 RMB'000 (Restated)	2006 RMB'000	2005 RMB'000	2004 RMB'000 (Restated)
Total assets	**20,225,981**	21,456,652	15,952,897	14,736,097	13,081,081
Total liabilities	**10,388,040**	9,141,851	6,733,444	6,223,111	5,279,629
Minority interests	**1,848,609**	2,282,286	1,709,280	1,193,478	1,035,106
Equity holders' equity	**7,989,332**	9,334,171	7,510,173	7,319,508	6,766,346

Note 1: Basic and diluted earnings per share for the five years ended 31 December 2004, 2005, 2006, 2007 and 2008 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, 2007 and 2008. 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 2004 was due to the adoption of IFRS 2.

Note 5: The restatement in 2007 was due to the acquisition of certain subsidiaries from ultimate holding company in 2008. Such business combination are refer to as common control combination. The consolidated financial statements have been prepared using the concept of merger accounting.

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 2008 for your review.

REVIEW OF OPERATING RESULTS

Amid an intricately volatile international market in 2008, economic growth in China had remained steady in the first six months before slowing down noticeably in the latter half of the year, especially in terms of export growth. Gross domestic production (the "GDP") grew by 9.0% over 2007, underpinned by a 17.8% growth in import and export trade, slowing down by 5.7% compared to the previous year. Export growth slowed down by 8.5% to 17.2%, while import growth slowed down by 2.3% to 18.5%. Gross social logistics volume grew 19.5% year-on-year, slowing down by 6% on a year-on-year basis.

In 2008, the Company and its subsidiaries (the "Group") actively responded to the tricky economic environment at home and abroad and persisted in full-scale development. Management was strengthened while risk control measures were implemented. Ongoing efforts were being made to improve operational quality, intensify structural realignments and optimise business models, while we acted diligently to fulfill our social responsibilities. Thanks to a prudent development strategy, we have been able to deliver satisfactory results and sound returns for our shareholders.

In 2008, the Group generated revenue of approximately RMB41,019.1 million from its continuing operations, representing an increase of 2.2% when compared to 2007. Healthy growth was registered in the freight forwarding, shipping agency and storage and terminal services segments. Operating profit from continuing operations and profit attributable to equity holders dropped by 37.9% and 32.2%, respectively, as compared to 2007. Earnings per share was RMB0.13 (2007: RMB0.20).

RESOURCE INTEGRATION

On 1 January 2008, the Group completed the acquisition of certain companies, assets and businesses engaged in freight forwarding, shipping agency, storage and terminal services from Sinotrans Group Company, its parent company, for an aggregate cash consideration of RMB1,106 million. At present, our service network has been further extended to Jiangxi, Anhui, Sichuan and Hong Kong. With enhanced competitiveness and optimised geographic distribution of its business, the Group's servicing capabilities have been significantly upgraded.

We will continue to strengthen cooperation with Sinotrans Group Company to further improve and extend our service network as well as to expand our overseas network, with a view to providing more diversified services to our customers.

We would like to thank our shareholders for their 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 RMB0.020 per share at the forthcoming annual general meeting to reward shareholders for their continuous support of the Group, taking into account the Company's sound financial position. Together with the interim dividend of RMB0.030 per share, the total dividend for the year was RMB0.050 per share.

SOCIAL RESPONSIBILITY

We believe that 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.

Since the establishment of the ISO 9000/ISO 14001/OHSAS 18001 quality and EHS management systems in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment has been 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 have 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 accurate information disclosure is being conducted in accordance with corporate governance principles.

I am convinced that effective communications with investors will add value for shareholders by contributing towards better management transparency and higher corporate governance standards.

PROSPECTS

Macro-economic conditions look complex in 2009. Amid difficulties possibly unseen since the dawning of the new century, there might also be abounding opportunities in China's economic development. Globally, the financial crisis is nowhere near its end and could take further toll on economic activities with increasing severities in the economic environment. While the markets for international freight-forwarding and shipping agency will be subject to the adverse impact of dwindling external demand, potential growth in the demand for inland trade logistics and marine transportation will present opportunities for development as the effect of the government policy of increasing domestic

demand starts to be felt. The Company is expected to face a severe business environment in 2009 in terms of economic situations at home and abroad as well as the general outlook for the logistics industry. We should fully appreciate the situation and respond in a proactive manner. While the severity of the present crisis should not be under-estimated, we should nonetheless capitalise on all favourable factors and possible opportunities for development emerging from the crisis.

In 2009, the Group's operations will follow the principles of "clarifying directions, accelerating adjustments, striving for progress and procuring development", pursuant to which we will drive the Company's development with full force and engage in innovations. Business structure adjustments and business model optimisation will to be implemented with greater intensity and resource allocation will be further optimised to improve the efficiency of resource application. We will also make opportune investments as and when appropriate. We will continue to exercise stringent risk control and complement our long-term mechanism for risk management. Management of details should be resolutely implemented and stringent cost control will be exercised for the benefit of improved operational quality.

We will continue to enhance our marketing capabilities and focus on the sourcing of direct customers to improve our customer mix and strengthen control over cargo sources. While reinforcing our position in the traditional markets of Europe and America, major efforts will also be made to develop business in the emerging markets in tandem with changes in the international trade profile to provide a new growth niche. We will actively develop our import business while improving the export segment. In freight-forwarding, we will seek to extend our business chain on both ends and enhance our capabilities in one-stop services and value-added services to foster competitive edge via differentiation. The interaction among the principal operations of freight-forwarding, shipping agency and storage / terminal services should be geared up for stronger synergies and benefits. We will continue to strengthen network building. Focused efforts will be made to develop the domestic market, such as the development of domestic logistics and inland trade shipping routes, in response to the government policy of increasing domestic demand. Specialisation and intensified operations will be enhanced to ensure healthy and sustainable development of the Company.

APPRECIATION

Last but not least, I would like to express sincere appreciation for our directors, supervisors, management and staff, whose dedicated and relentless effort has provided a constant drive to the Group's continuous development. I am also profoundly grateful to all our business partners and shareholders, whose trust and support for Sinotrans will inspire us to endeavour for greater success.

Zhao Huxiang
Chairman

Beijing, the PRC 24 March 2009

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 People's Republic of China ("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 services such as trucking and air cargo transportation.

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 OPERATION

In 2008, the Group addressed challenges from the complex and fast-changing market in a proactive manner and persisted in full-scale development. With ongoing improvements in the quality of our operations, in-depth structural realignments and optimised business models, we have been able to deliver satisfactory results.

— Strategic planning and in-depth resource integration initiatives were implemented. Organisational and structural optimisation was pursued and complementary additions were made to our business presence.

— The progress of structural realignment was enhanced. Shipping routes were integrated to drive intensified operation of our shipping route business, while the geographic distribution and transportation capacities of our inland shipping routes were re-aligned to drive integrated operation of the Yangtze River routes.

— New major customers were added to our clientele. Substantial progress was made in large-scale projects, such as chemical logistics, contractual logistics and engineering logistics.

— Optimisation and integration of traditional businesses was advanced to bolster development of new markets, while we continued the build-up of the cargo-space booking platform; active re-alignment of shipping route distribution was made to substantiate and complement our short-distance shipping routes, while steady progress was noted in our inland trade transportation business.

— The distribution of our overseas networks was further complemented with improved marketing capabilities for the networks.

— Strategic investments were advanced with enhanced management of significant investment projects and infrastructure projects.

— Fundamental management was strengthened. Comprehensive risk management was implemented with measures to enhance receivables and cash flow management; management of details was promoted to exercise further control over cost growth while investment management was further improved.

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	
	2008	2007 (Restated)
Freight forwarding		
Sea freight forwarding		
Bulk cargo (in millions of tonnes)	**6.6**	6.2
Container cargo (in ten thousands of TEUs)	**668.7**	648.1
Air freight forwarding (in millions of kilograms)	**421.5**	453.4
Rail freight forwarding		
Bulk cargo (in millions of tonnes)	**0.8**	0.6
Container cargo (in ten thousands of TEUs)	**5.0**	5.2
Road freight forwarding		
Bulk cargo (in millions of tonnes)	**0.07**	0.32
Container cargo (in ten thousands of TEUs)	**3.8**	5.2
Express services		
Packages — continuing operations (in millions of units)	**22.45**	19.27
Shipping agency		
Net registered tonnes (in millions of tonnes)	**544.9**	504.8
Vessel calls (number of times)	**72,735**	76,201
Containers (in millions of TEUs)	**12.85**	12.41
Storage and terminal services		
Warehouses operating volume		
Bulk cargo (in millions of tonnes)	**10.2**	10.3
Containers (in millions of TEUs)	**8.1**	7.7
Terminal throughput		
Bulk cargo (in millions of tonnes)	**8.4**	8.2
Containers (in ten thousands of TEUs)	**249.3**	252.1
Marine transportation		
TEUs	**1,809,410**	1,682,062
Other services		
Trucking of bulk cargo (in ten thousands of tonnes)	**173.7**	236.2
Trucking of terminal containers (in ten thousands of TEUs)	**98.3**	95.4

OPERATING RESULTS

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

	For the year ended 31 December	
	2008 (In RMB million except for earnings per share and number of shares)	2007 (Restated) (In RMB million except for earnings per share and number of shares)
Continuing operations:		
Revenue	41,019.1	40,145.5
Other income	350.1	324.0
Business tax and other surcharges	(330.9)	(332.0)
Transportation and related charges	(32,706.4)	(32,448.8)
Depreciation and amortisation	(456.8)	(423.4)
Cost of operation (excluding transportation and related charges, depreciation and amortisation):		
— Staff costs	(2,514.1)	(2,289.8)
— Repairs and maintenance	(174.9)	(151.7)
— Fuel	(1,245.2)	(863.5)
— Travel and promotional expenses	(389.7)	(406.1)
— Office and communication expenses	(226.4)	(234.2)
— Rental expenses	(1,653.2)	(1,436.3)
— Other operating expenses	(591.8)	(588.6)
Other losses, net	(282.0)	(9.4)
Operating profit	797.8	1,285.7
Gain on disposal of a jointly controlled entity	514.1	—
Financial costs, net	(31.8)	(18.8)
Share of profit of associates	30.2	28.9
Profit before income tax	1,310.3	1,295.8
Income tax expense	(471.8)	(380.5)
Profit for the year from continuing operations	838.5	915.3
Discontinued Operations:		
Profit for the year from discontinued operations	—	229.5
Profit for the year	838.5	1,144.8
Attributable to:		
Equity holders of the Company	568.6	839.0
Minority interests	269.9	305.8
Dividends	212.5	254.9
Earnings per share for continuing operations, basic and diluted	0.13	0.16
Earnings per share for discontinued operations, basic and diluted	—	0.04
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			
	2008		2007 (Restated)	
Freight forwarding	**32,017.6**	**75.9%**	31,543.1	76.9%
Express services	**3,522.1**	**8.4%**	3,327.8	8.1%
Shipping agency	**736.4**	**1.7%**	709.0	1.7%
Marine transportation	**3,424.0**	**8.1%**	3,227.2	7.9%
Storage and terminal services	**1,564.0**	**3.7%**	1,513.8	3.7%
Other services	**939.2**	**2.2%**	707.2	1.7%

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			
	2008		2007 (Restated)	
Eastern China	**28,316.8**	**68.1%**	28,264.2	69.9%
Southern China	**5,695.1**	**13.7%**	5,168.4	12.8%
Northern China	**6,768.1**	**16.3%**	6,318.8	15.6%
Other locations	**792.1**	**1.9%**	705.6	1.7%

Notes:

(1) Eastern China includes core strategic locations in Jiangsu, Shanghai, Zhejiang, Fujian, Anhui, Jiangxi and Shandong, as well as the operations of Sinotrans Air Transportation Development Company Limited ("Sinoair"), in Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong.

(2) Southern China includes core strategic locations in Guangdong, Hubei, Chongqing and Hong Kong, 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 2008, eastern China in the segments accounted for 68.1% 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) of results of segment 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	
	2008	2007 (Restated)
Freight forwarding	**456.9**	549.6
Express services	**359.3**	376.8
Shipping agency	**296.6**	316.3
Marine transportation	**(120.4)**	(144.6)
Storage and terminal services	**312.0**	314.0
Other services	**(67.2)**	13.4

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2008

Continuing Operations

Turnover

The Group's turnover amounted to RMB41,019.1 million in 2008, up by 2.2% from RMB40,145.5 million for 2007.

Freight Forwarding

Turnover from the Group's freight forwarding services rose 1.5% to RMB32,017.6 million in 2008, compared to RMB31,543.1 million in 2007.

Volume of sea freight forwarding containers was 6.687 million TEUs in 2008, increasing 3.2% from 6.481 million TEUs in 2007. Cargo tonnage of air freight forwarding services was RMB0.4215 million tones in 2008, decreasing by 7.0% from RMB0.4534 million tonnes in 2007.

Growth in revenue from freight forwarding in 2008 was mainly attributable to the growth in business volume handled by freight forwarding and increase in market price of marine transportation.

Express Services

Turnover of continuing operations from express services for 2008 posted RMB3,522.1 million, increasing by 5.8% from RMB3,327.8 million in 2007.

Number of documents and packages handled through continuing operations from express services of the Group was RMB22.45 million units in 2008, a surge of 16.5% over RMB19.27 million units made in 2007.

Such growth was mainly attributable to the Group's efforts to enhance marketing and sales and expand business outlets in our network which contributed to sustained business development.

Shipping Agency

For 2008, turnover from our shipping agency services reached RMB736.4 million, representing an increase of 3.9% from RMB709.0 million for 2007.

Number of containers handled in shipping agency business of the Group was 12.85 million TEUs in 2008, an increase of 3.5% from 12.41 million TEUs in 2007. Net registered tonnage of vessels handled by the shipping agency services reached 544.9 million tones in 2008, a 7.9% increase from 504.8 million tones in 2007. Number of vessel calls managed decreases 4.5% to 72,735 times in 2008, compared with 76,201 times in 2007.

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

Storage and Terminal Services

In 2008, turnover from storage and terminal services amounted to RMB1,564.0 million, representing a 3.3% growth from RMB1,513.8 million in 2007.

The Group's warehouses handled 10.20 million tonnes of bulk cargo, representing a 1.0% decrease from 10.30 million tonnes for the corresponding period in 2007, containers handled grew to 8.10 million TEUs from 7.70 million TEUs for the corresponding period in 2007, an increase of 5.2%; containers handled in terminals decreased to 2.493 million

TEUs from 2.521 million TEUs for the corresponding period in 2007, a decrease of 1.1%, the volume of bulk cargo handled at terminals increased to 8.40 million tonnes from 8.20 million tones for the corresponding period in 2007, an increase of 2.4%.

Decrease in the number of containers handled in terminal was mainly attributable to the ongoing coastal line re-construction for certain terminals to enhance operating capacity and the effect of external market changes. Increase in the number of containers handled in container yards was mainly attributable to reinforced partnership with shipping companies and new yards added during the year.

Marine Transportation

Turnover from marine services of the Group in 2008 amounted to RMB3,424.0 million, up 6.1% from RMB3,227.2 million in 2007.

Number of containers shipped by the Group rose to 1.809 million TEUs in 2008, up 7.6% from 1.682 million TEUs in 2007.

Such growth was mainly attributable to structural adjustments to the Group's transportation capacity and increased capacity in inland routes and short-distance routes coupled with reduced capacity in long-distance routes.

Other Services

Turnover from other services (mainly from trucking and air cargo transportation) in 2008 amounted to RMB939.2 million, an increase of 32.8% from RMB707.2 million in 2007.

The Group's trucking of bulk cargo in 2008 was 1,737 thousand tonnes, a decrease of 26.5% from 2,362 thousand tonnes in the corresponding period of 2007. Volume of terminal containers was 983 thousand TEUs, edging up 3.0% from 954 thousand TEUs in 2007. The increase in revenue was mainly attributable to the increase in average distance for trucking services and new air cargo business in the year.

Transportation and Related Charges

In 2008, transportation and related charges grew by 0.8% to RMB32,706.4 million, compared with RMB32,448.8 million in 2007. Such increase was mainly in line with growth in business volume.

Depreciation and Amortisation

Depreciation and amortisation amounted to RMB456.8 million in 2008, representing an increase of 7.9% from RMB423.4 million in 2007, 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 RMB6,795.3 million in 2008, a 13.8% increase from RMB5,970.2 million in 2007.

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

The increase in staff costs was primarily due to the increase in headcounts in line with the development of new business and business outlets expansion in our network.

Fuel costs increased by 44.2% comparing to 2007 was owing to rising fuel prices for the first three quarters in the year.

The increase in rental expenses by 15.1% comparing to 2007 was attributable to the Group's focused development of inland trading routes and the integration of the engineering logistics business with the leased vessels business.

Other losses, net

Other losses (net) increased to RMB282.0 million in 2008 from RMB9.37 million in 2007 as a result of the fair value change in derivative financial instruments held by the Group in 2008.

To hedge the risks of the shipping route operations associated with rising fuel prices and exchange rate fluctuations, the Group held forward fuel contracts and forward Japanese Yen/USD exchange contract of insignificant amounts. As at the end of 2008, the fair value of the contract recorded a book loss of RMB310 million as a result of the plunge in international crude oil prices and significant appreciation of the Japanese Yen exchange rate. At the end of February 2009, the book loss was reduced to RMB170 million.

Operating Profit

The Group's operating profit was RMB797.8 million in 2008, representing a decrease of 37.9% from RMB1,285.7 million in 2007. Operating profit for 2008 decreased to 1.9% from 3.2% in 2007 as a percentage of total revenue, or to 9.2% from 16.0% as a percentage of net revenue (total revenue less transportation and related charges), primarily as a result of lower profit compared to the same period last year for all operations of the Company under an unfavourable macro-economic environment in the second half of 2008.

Income Tax Expense

In 2008, income tax expense of the Group amounted to RMB471.8 million, representing an increase of 24.0% from RMB380.5 million in 2007. The increase was mainly attributable to income tax payable in respect of gains arising from the disposal of Exel-Sinotrans Freight Forwarding Company Limited ("Exel-Sinotrans"), a jointly controlled entity. Income tax expense as a percentage of profit before income tax expense increased to 36.0% from 29.4% for 2007.

Discontinued Operations

Discontinued operations of the Group represented the UPS related express business. The non-competition period relating to the UPS business expired on 31 December 2007. UPS related income had been fully dealt with by 31 December 2007.

Minority Interests

Minority interests for 2008 amounted to RMB269.9 million, down 11.7% from RMB305.8 million for 2007, which was primarily attributable to decreased profit for the period of Sinoair, a non-wholly-owned subsidiary of the Group.

Profit Attributable to Equity Holders of the Company

Profit after income tax from the Group's continuing operations for the year ended 31 December 2008 amounted to RMB838.5 million, representing a decrease of 8.4% from RMB915.3 million for the same period in 2007.

The Group's profit attributable to equity holders of the Company for the year ended 31 December 2008 amounted to RMB568.6 million, representing a decrease of 32.2% from RMB839.0 million for the same period in 2007.

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 2008 and 2007:

	For the year ended 31 December	
	2008 In RMB million	2007 In RMB million (Restated)
Net cash generated from operating activities	**1,359.7**	755.5
Net cash used in investing activities	**(2,118.5)**	(1,459.1)
Net cash generated from financing activities	**773.6**	601.2
Net increase/(decrease) in cash and cash equivalents	**14.8**	(102.4)
Cash and cash equivalents as at year end	**4,447.7**	4,432.9

Operating Activities

Net cash inflow generated from operating activities for 2008 amounted to RMB1,359.7 million, up 80.0% compared with RMB755.5 million in 2007. The increase in net cash flow from operating activities reflected primarily RMB568.6 million in profit attributable to shareholders of the Company for 2008 (corresponding period in 2007: RMB839.0 million), a decrease of RMB974.9 million in trade and other receivables (corresponding period in 2007: increase of RMB942.6 million), a decrease of RMB101.4 million in prepayments, deposits and other current assets (corresponding period in 2007: increase of RMB167.8 million), an increase of RMB378.5 million in current tax liabilities (corresponding period in 2007: increase of RMB469.3 million), which were partially offset by a decrease of RMB687.3 million in trade payables (corresponding period in 2007: increase of RMB329.9 million) and a decrease of RMB105.8 million in advanced receipts from customers (corresponding period in 2007: increase of RMB426.1 million). The average age of trade receivables for 2008 and 2007 were 50 days and 53 days respectively.

Investing Activities

For the year ended 31 December 2008, net cash used in investing activities of RMB2,118.6 million primarily comprised RMB1,539.6 million for the addition of property, plant and equipment, RMB15.1 million for the acquisition of intangible assets, RMB183.3 million for the acquisition of land use rights, RMB152.9 million for the acquisition of remaining equity interests in subsidiaries and associates, and an additional RMB768.4 million in term deposits with initial terms of over three months, which were partially offset by an increase of RMB540.5 million in net cash received for the disposal of a jointly controlled entity during the year. For the year ended 31 December 2007, net cash used in investing activities was RMB1,459.1 million, comprising primarily of RMB1,034.6 million for the addition of property, plant and equipment, RMB15.5 million for the acquisition of intangible assets, RMB234.7 million for the acquisition of land use rights, RMB165.9 million for the acquisition of subsidiaries, remaining equity interests in subsidiaries and associates and RMB550.0 million for the prepayment of consideration for acquisition, which were partially offset by a decrease of RMB451.6 million in term deposits with initial terms of over three months.

Financing Activities

Net cash generated from the Group's financing activities amounted to RMB773.6 million for 2008, compared with net cash used in financing activities of RMB601.2 million for 2007.

New bank borrowings in 2008 amounted to RMB4,250.5 million (2007: RMB2,323.1 million) were partially offset by repayments of bank borrowings of RMB3,187.7 million (2007: RMB1,139.3 million) and dividend payment of RMB346.0 million (2007: RMB353.7 million).

Capital Expenditure

For 2008, the Group's capital expenditure amounted to RMB1,738.0 million, consisting primarily of RMB1,539.6 million for acquisition of property, plant and equipment, RMB15.1 million for the acquisition of intangible assets and RMB183.3 million for purchase of land use rights. Out of the above, RMB926.9 million was used for the renovation and construction of terminals, warehouses, logistics centres and container yards, RMB668.5 million for the purchase of vehicles and equipment and RMB89.1 million for IT investment, refurbishment and purchase of office equipment.

Contingencies and Guarantees

As at 31 December 2008, contingent liabilities mainly comprised outstanding lawsuits of the Group arising in its ordinary course of business, which amounted to RMB55.34 million (2007: RMB10.85 million).

As at 31 December 2008, the amount of guarantees provided by the Group on behalf of benefit of customers was RMB2 million (2007: the amount of business guarantees the Group issued for the jointly controlled entities was RMB3 million).

Secured and guaranteed borrowings

As at 31 December 2008, the Group pledged restricted cash amounting to approximately RMB438.4 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (having a net book value of approximately RMB455.2 million) and land use rights (having a net book value of approximately RMB22.145 million) for borrowings.

Gearing Ratio

As at 31 December 2008, the gearing ratio of the Group was 60.5% (2007: 56.5%), which was arrived at by dividing the sum of total liabilities and minority interests by total assets of the Group as at 31 December 2008.

Foreign exchange risks

Since a substantial portion of the Group's turnover and transportation and related charges is denominated in US dollars, the Group's exposure to foreign exchange risk is mainly related to US dollars. The Group could not assure that future fluctuations in Renminbi against the US dollars and other currencies would not adversely affect its results and financial position (including the ability to declare dividends).

Credit risk

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

Employees

At the end of 2008, the Group (the Company together with its subsidiaries) had 24,084 (2007: 21,775) 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 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 1 January 2008, the Group completed its acquisitions from its ultimate holding company, Sinotrans Group Company, certain companies, assets and businesses, which primarily engage in freight forwarding, shipping agency, storage and terminal services for an aggregate cash consideration of RMB1,106 million. The companies acquired include: Sinotrans Chongqing Co., Ltd., Sinotrans Anhui Co., Ltd., Sinotrans Foshan Co., Ltd., Sinotrans Shandong Tsingdao International Logistics Co., Ltd., Sinotrans Jiangxi Co., Ltd., Shenzhen Haixing Harbour Development Co., Ltd., Sinotrans Ruichi Logistics Co., Ltd., Jingmao International Transportation Co., Ltd., Sinotrans (Hong Kong) Logistics Co., Ltd. and Guangdong Changyun International Freight Forwarding Co., Ltd..

2. In April 2008, Sinoair disposed of its entire 50% equity interests in Exel-Sinotrans to DHL Exel Supply Chain (Hong Kong) Limited for a total cash consideration of Euro 61,045,000 which was equivalent to RMB658,070,000.

OUTLOOK OF BUSINESS DEVELOPMENT

Macro-economic conditions look complex in 2009, as the Company is expected to face a severe business environment in terms of economic situations at home and abroad as well as the general outlook for the logistics and transportation industry. In view of this, it is imperative that we fully appreciate the situation and respond in a proactive manner. While the severity of the present crisis should not be under-estimated, we should nonetheless capitalise on all favourable factors and possible opportunities for development.

In 2009, the Group's operations will follow the principles of "clarifying directions, accelerating adjustments, striving for progress and procuring development". First of all, we must emphasise development, which is the perpetual theme underpinning our efforts. Secondly, we also need to cater to adjustments. Business structure adjustments and business model optimisation need to be implemented with greater intensity, driving for innovations and new modes of development. Thirdly, we should revisit our management. Risk controls should continue and management of details should be resolutely implemented for the benefit of improved operational quality. To effectively cope with the impact of the global economic recession, the Company will adopt the following measures to enhance its competitiveness:

— Our traditional businesses will be reinforced with optimisations and adjustments. Marketing efforts will be strengthened to increase the proportion of direct customers and enhance development of emerging markets.

— Our business structure will be further adjusted and optimised to enhance the ability of our freight-forwarding business to provide one-stop services and value-added services. Joint marine and rail transportation as well as engineering project transportation will be actively developed to increase our edge via differentiation. The import business will be vigorously developed to increase the proportion of the import business and carve out new growth niche.

— Network building will continue to be enhanced with a view to stronger synergies. We will seek to improve our operating quality by fully leveraging our network strengths.

— Major efforts will be devoted to the development of the domestic market following government initiatives to stimulate domestic demand. While reinforcing our traditional markets, we will also further develop our domestic logistics and trade transportation business and tap the demand-driven domestic market as an important aspect for our future development and a strategic measure to optimise growth.

— Efforts in specialisation and intensified operations will be enhanced. We intend to engage in intensive development of the market for specialised logistics and strengthen our ability in systems integration and intensified operations, including chemical logistics, free-trade logistics and military industry logistics.

— Strategic planning will be resolutely implemented and structural adjustments will be conducted in greater depth. Market corrections in the macro-economy should present us with opportunities to resolve institutional and structural issues through further internal adjustments in the implementation of our plans.

— Opportune investments will be made with prudent control over investment scale, assuring the acquisition of quality assets that would enhance the core competitiveness of our principal business.

— We will continue to work on the optimisation of resource allocation to increase our efficiency in the use of resources. Management of details will be pursued in greater depth with a view to stringent cost control. Stringent risk control will be exercised and measures will be taken to complement our long-term mechanism for risk control.

We will be facing more daunting challenges in 2009 given the severe economic environment. By persisting in a prudent development strategy, nevertheless, we are confident that the Company will sustain healthy growth in its operating results to deliver greater value to its shareholders.

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 contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code on corporate governance practices. The Company has complied with all the code provisions set out throughout the reporting period for 2008.

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 2008.

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 2008, 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 proposals of 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 2008 in the table below:

	Attendance/No. of meetings		
Directors	**Directors Board**	**Audit Committee**	**Remuneration Committee**
Independent non-executive directors			
Mr. Sun Shuyi	5/5	3/3	1/1
Mr. Lu Zhengfei	5/5[1]	3/3	1/1
Mr. Miao Yuexin	5/5[1]	3/3	1/1
Non-executive directors			
Mr. Yang Yuntao	5/5		
Ms. Liu Jinghua	5/5	3/3	
Mr. Jerry Hsu	4/5[3]		
Mr. Peter Landsiedel	5/5[3]		
Executive directors			
Mr. Zhao Huxiang	5/5[2]		
Mr. Zhang Jianwei	5/5[1]		
Ms. Tao Suyun	5/5		1/1
Mr. Li Jianzhang	5/5[1]		

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. Two meetings were attended by way of proxy.

3. Four meetings were attended by way of proxy.

The 28th Board meetings of the Company in 2008 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.

At the general meeting of the Company held on 12 June 2008, Mr. Zhang Jianwei and Ms. Tao Suyun were each re-elected as an executive director of the Company for a term of three years with effect from 19 November 2008; Mr. Yang Yuntao was elected as a non-executive director of the Company for a term of three years with effect from 19 November 2008; Mr. Sun Shuyi was elected as an independent non-executive Director of the Company for a term of three years with effect from 19 November 2008; and Mr. Miao Yuexin was elected as an independent non-executive director of the Company for a term of three years with effect from 30 August 2008.

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 the review of the Company's financial information, monitoring of the Company's financial reporting system and internal control procedures, recommendations on the appointment of external auditors and monitoring of the independence of the auditor and the effectiveness of the audit procedures.

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 three meetings in 2008. Details of the meetings are as follows:

1. The first meeting of the Audit Committee for the year was convened on 21 March 2008. At the meeting, an analysis on the results and operations of 2007 was presented by the chief financial controller. The Audit Committee discussed the operating results of 2007 and recommended the management of the Company to take note of the pressure resulting from RMB appreciation. The auditors reported on the year-end audit for 2007 and potential issues of concern for 2008. Candidates for external auditors of the Company for 2008 were discussed. The Audit Committee voted in favor of submitting the financial statements for 2007 to the Board for approval.

2. The second meeting of the Audit Committee for the year was convened on 29 August 2008. At the meeting, an analysis of the interim operating results of 2008 was conducted. The Audit Committee discussed interim operating results of 2008 and the members were satisfied with the interim results. The auditors reported on the interim review for 2008. The Audit Committee voted in favor of submitting the reviewed interim financial statements for 2008 to the Board for approval.

3. The third meeting of the Audit Committee for the year was convened on 11 December 2008. At the meeting, analysis and discussion of the operating results of 2008 for the period from January to October 2008 was conducted. The auditors reported on the preliminary auditing of 2008. The Audit Committee was of the view that the economic outlook for China in 2009 was not optimistic and that the Company should continue to enhance management and control.

Remuneration Committee

The Remuneration Committee is a specialised committee formed under the Board of Directors to review the remuneration policy, structure and standards for the directors and senior management of the Company, conduct performance appraisal and determine the remuneration policy in respect of the directors and senior management of the Company and be responsible for performance assessment of the directors and senior management, 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, being an independent non-executive director 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 2008 on 21 March 2008 to discuss the payment of remuneration for 2007 to the directors and senior management of the Company and approved the 9% increase in the aggregate performance bonus for 2007 over 2006. The Remuneration Committee also expressed the view that the current remuneration policy of the Company was rather conservative and the remuneration level is lower than industry peers and other listed companies, and hoped that further improvements to the current remuneration structure and level will be made by the Company. Reports on the proposed 2007 performance appraisal for the directors and senior management of the Company and appraisal results prepared by the Human Resources Department of the Company were also received and the substance and process of the performance appraisal were approved. Performance appraisal results signed and endorsed by the Chairman were endorsed by the Remuneration Committee.

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 inspecting the Company's finances, 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 21 March 2008 to review the 2007 work report of the Supervisory Committee, the 2007 audited financial statements and annual profit distribution proposal and resolutions on the recommendation of supervisors of the Company and the re-election of supervisors. By convening meetings of the Supervisory Committee and attending Board meetings, meetings of the Audit Committee, meeting of the Remuneration 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 pursuant to the instruction of the board of directors, 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.

In 2008, 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 2008.

For the year ended 31 December 2008, total fee for audit, audit-related and other services amounted to RMB15.00 million. Auditor's remuneration for the year ended 31 December 2008 is set out in Note 10 to the financial statements.

At the annual general meeting held on 12 June 2008, 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 three 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. In terms of auditing items, auditing should be focused on the operating entity. In terms of the substance of auditing, the primary task is the auditing of internal controls with in-depth investigations of business processes and management points sections. Special emphasis should be given to key financial management and auditing sections. While reflecting internal control situations through internal auditing, internal control assessment is being conducted through cooperation with other relevant departments. 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. 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. To address the challenges imposed by the external economic environment in 2008, the Company set up an umbrella risk management steering group to enhance control over operational risks of various business segments of the Company.

- In respect of the monitoring of price-sensitive information, the Company is fully aware of its obligations under the Listing Rules and gives full consideration to the "Guide on Disclosure of Price-sensitive Information" published by the Stock Exchange in handling related matters, disclosing information to the public extensively and on a non-exclusive basis through announcements, the Stock Exchange website and the Company's website.

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 one general meeting in 2008.

The annual general meeting held on 12 June 2008 was convened to consider and approve the Report of Directors for the year ended 31 December 2007; to consider and approve the audited financial statements of the Company and the auditor's report for the year ended 31 December 2007; to consider and approve the Report of Supervisory Committee for the year ended 31 December 2007; to consider and approve the resolution on the Company's profit distribution proposal for the year ended 31 December 2007; to consider the resolution authorising the directors of the Company to determine matters relating to the declaration, payment and recommendation for interim dividend or special dividend for 2008; to consider and approve the resolution on the re-election of Mr. Zhang Jianwei as executive director of the Company, the resolution on the re-election of Ms. Tao Suyun as executive director of the Company; the resolution on the re-election of Mr. Yang Yuntao as non-executive director of the Company, the resolution on the re-election of Mr. Sun shuyi as independent non-executive director of the Company, the resolution on the re-election of Mr. Miao Yuexin as independent non-executive director of the Company, the resolution on the re-election of Mr. Zhang Junkuo as supervisor of the Company and the resolution on the re-election of Mr. Shen Xiaobin as supervisor of the Company; to consider and approve the resolution authorising the board of directors of the Company to fix the remuneration of the directors; to consider and approve the resolution on the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs as the Company's international and PRC auditors respectively and authorising the board of directors of Company to fix the remuneration of auditors; to consider and approve the resolution on the general mandate for issuing shares.

All resolutions proposed in 2008 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.

Financial calendar

Announcement of 2008 annual results	24 March 2009
Close of register to determine entitlements for the 2008 final dividend	11 May 2009 to 11 June 2009
Payment of 2008 final dividend	On or before 26 June 2009
Annual General Meeting 2008	11 June 2009
Announcement of 2009 interim results	25 August 2009

The Company will publish announcements at the aforesaid dates in accordance with the requirements of relevant regulations. The above dates are subject to change by the Company by way of formal notices.

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.

EXECUTIVE DIRECTOR

Zhao Huxiang, age 54, 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 Company. On 3 March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company. Mr. Zhao is also a chairman and non-executive director of Sinotrans Shipping Limited, a non-wholly owned subsidiary of Sinotrans Group Company and which is listed on the main board of the Stock Exchange.

Zhang Jianwei, age 52, 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 and Vice-President. 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 55, 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 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 53, 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 43, 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 46, 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 58, 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 56, 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 December 2005, Exel was acquired by DPWN Group of Germany. In 1996, our subsidiary, Sinoair formed a joint venture company with Exel 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 69, 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 executive director of the Company in November 2002.

Lu Zhengfei, age 46, 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 executive director of the Company in September 2004.

Miao Yuexin, age 43, 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, Mr. Miao has been teaching in Sales and Marketing Department of Central University of Finance and Economics. Mr. Miao was appointed independent executive director of the Company in August 2005.

SUPERVISORS

Su Yi, age 55, 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.

Shen Xiaobin, age 36,. is a supervisor of the Company. Mr. Shen joined the Audit Department of China National Foreign Trade Transportation (Group) Corporation in 1995. Mr. Shen was pointed 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 was appointed supervisor of the Company in June 2008.

Zhang Junkuo, age 48, 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, Deputy 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 50, 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. 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 62, 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. Mr. Zeng was appointed vice-president of the Company in November 2002.

Ouyang Pu, age 56, 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 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 45, 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 44, is a Vice-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. From November 2002 to September 2008 ,Mr. Yu was become Assistant President of the Company. Mr. Yu was appointed vice-president of the Company in October 2008.

Wu Xueming, age 45, 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 55, 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 53, 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 43, 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.

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 2008.

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 2008 are set out in the financial statements on pages 51 to 152. 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 RMB0.030 per share (2007: RMB0.030 per share) was paid by the Company on 19 November 2008.

The Board has recommended the payment of a final dividend of RMB0.020 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2008 by shareholders at the Annual General Meeting to be held on Thursday, 11 June 2009. Please refer to the "Notice of the Annual General Meeting" for further details.

It is expected that the final dividend will be paid on or before Friday, 26 June 2009 to shareholders whose names appear on the register of members on Monday, 11 May 2009.

The register of members of the Company will be closed from Monday, 11 May 2009 to Thursday, 11 June 2009 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2008 final dividend and attendance at the upcoming Annual General Meeting and class meetings to approve, inter alia, the general mandates to issue and repurchase shares.

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, 8 May 2009, 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 (17 March 2009 to 24 March 2009) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.881215. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022696.

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

BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 35 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2008, 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 2008, 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 2008 are disclosed in Note 50 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 required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

Revenue/(expenses)	Note	2008 RMB'000
Transactions with Sinotrans Group Company and its subsidiaries	1	
Provision of transportation and logistics services		**213,952**
Receipt of transportation and logistics services		**(231,394)**
Vessel chartering fees		**(105,842)**
Container leasing fees		**(52,256)**
Vehicle rental		**(512)**
Property leasing expenses		**(48,508)**
Transactions with Connected Joint Venture Partners	2	
Provision of services		**141,732**
Receipt of services		**(87,439)**
Transactions with Connected Non-Wholly-Owned Subsidiaries	3	
Provision of services		**265,134**
Receipt of services		**(54,377)**

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 Extraordinary General Meetings held on 24 April 2006 and 11 June 2007. 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 13 June 2006, 19 January 2007, 27 March 2007 and 18 August 2008, 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 were:

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

(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; and

(c) entered into in accordance with the relevant agreements governing them.

The auditor of the Company has reviewed the transactions which are the subject matter of the above announcements and has confirmed to the Company in writing that these transactions:

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

(b) are in accordance with the pricing policies set out in Note 50 to the financial statements of the Company;

(c) have been entered into in accordance with the relevant agreements governing the transactions; and

(d) have not exceeded the cap as disclosed in announcements made in respect of those transactions.

ACQUISITIONS AND DISPOSALS

Details of the acquisitions and disposals of the Group for the year ended 31 December 2008 are set out in pages 7 to 16 of the management discussion and analysis.

PROPERTY, PLANT AND EQUIPMENT

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

TAXATION

Details of taxation of the Group as at 31 December 2008 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 137 of this Annual Report and Note 41 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2008 amounted to approximately RMB42,423,000.

SHARE CAPITAL STRUCTURE

For the year ended 31 December 2008, there was no change to the share capital structure of the Company, which, as at 31 December 2008, 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 2008, 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	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 (L)	Domestic Shares	57.93%	—
Deutsche Post AG	237,468,000 (L)	H Shares	5.59%	13.30%
Franklin Templeton Investments Corp.	179,344,000 (L)	H Shares	4.22%	10.03%
JPMorgan Chase & Co.	110,384,300 (L)	H Shares	2.60%	6.18%
	1,000,000 (S)	H Shares	0.02%	0.06%
	109,364,300 (P)	H Shares	2.57%	6.12%
The Bank of New York Mellon Corporation (Note 1)	125,361,800 (L)	H Shares	2.95%	7.01%
The Bank of New York Mellon (Note 2)	91,855,900 (L)	H Shares	2.60%	5.14%
	80,504,200 (P)	H Shares	1.89%	4.50%
The Bank of New York Mellon Corporation (Note 2)	91,855,900 (L)	H Shares	2.60%	5.14%
	80,504,200 (P)	H Shares	1.89%	4.50%

* Note (L) Long Positions, (S) Short Positions, (P) Lending Pool

Note 1: These Shares are directly held as to 124,875,800 Shares by The Boston Company Asset Management LLC ("Boston") and as to 486,000 Shares by Mellon Capital Management Corporation ("Mellon Capital"). The ultimate holding company of Boston and Mellon Capital is The Bank of New York Mellon Corporation.

Note 2: These Shares were held directly by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

Save as disclosed above, as at 31 December 2008, 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 2008.

DIRECTORS AND SUPERVISORS

As at 31 December 2008, the directors and supervisors of the Company were as follows:

Name	Date of Appointment
Executive directors:	
Zhao Huxiang	3 March 2006
Zhang Jianwei	19 November 2002
Tao Suyun	19 November 2002
Li Jianzhang	18 June 2003
Non-executive directors:	
Yang Yuntao	14 January 2003
Liu Jinghua	18 June 2003
Jerry Hsu	18 June 2003
Peter Landsiedel	29 May 2006
Independent non-executive directors:	
Sun Shuyi	19 November 2002
Lu Zhengfei	27 September 2004
Miao Yuexin	30 August 2005
Supervisors:	
Su Yi	18 June 2003
Shen Xiaobin	12 June 2008 (for a term of three years with effect from 19 November 2008)
Independent Supervisor:	
Zhang Junkuo	19 November 2002

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. Shen Xiaobin was elected a supervisor of the Company on 12 June 2008 for a term of three years with effect from 19 November 2008.

Mr. Zhang Jianwei (executive director), Ms Tao Suyun (executive director), Mr. Yang Yuntao (non-executive director), Mr. Sun Shuyi (independent non-executive director), Mr. Miao Yuexin (independent non-executive director) and Mr. Zhang Junkuo (supervisor) were re-elected on 12 June 2008.

Mr. Yu Jianmin was appointed a Vice President of the Company on 13 October 2008.

Mr. Wang Xiaozheng's term of office as a supervisor of the Company expired on 19 November 2008 without re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of directors, supervisors and senior management are set out on pages 25 to 29.

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 2008, 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 2008, 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 2008 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 o f 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 b 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 2008 are set out in Note 46 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2008 are set out in Notes 3(u) and 8 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 1 January 2008, the Group completed its acquisitions from its ultimate holding company, Sinotrans Group Company, for certain companies, assets and businesses, which primarily engage in freight forwarding, shipping agency, storage and terminal services for an aggregate cash consideration of RMB1,106 million. The companies acquired include: Sinotrans Chongqing Co., Ltd., Sinotrans Anhui Co., Ltd., Sinotrans Foshan Co., Ltd., Sinotrans Shandong Tsingdao International Logistics Co., Ltd., Sinotrans Jiangxi Co., Ltd., Shenzhen Haixing Harbour Development Co., Ltd., Sinotrans Ruichi Logistics Co., Ltd., Jingmao International Transportation Co., Ltd., Sinotrans (Hong Kong) Logistics Co., Ltd. and Guangdong Changyun International Freight Forwarding Co., Ltd..

2. In April 2008, Sinoair disposed of its entire 50% equity interests in Exel-Sinotrans to DHL Exel Supply Chain (Hong Kong) Limited for a total cash consideration of Euro 61,045,000 which was equivalent to RMB658,070,000.

3. Mr. Shen Xiaobin was elected a supervisor of the Company at the annual general meeting on 12 June 2008.

4. Mr. Zhang Jianwei and Ms Tao Suyun were re-elected as executive directors, Mr. Yang Yuntao was re-elected as a non-executive director, Mr. Sun Shuyi and Mr. Miao Yuexin were re-elected as independent non-executive directors and Mr. Zhang Junkuo was re-elected as supervisor at the annual general meeting on 12 June 2008.

5. Mr. Yu Jianmin was appointed a Vice President of the Company at the 28th board meeting of the Company on 13 October 2008.

6. Mr. Wang Xiaozheng's term of office as a supervisor of the Company expired on 19 November 2008 without re-election.

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 17 to 24, 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 2008, 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 51 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 2008, 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 2008 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 2008.

PROCEDURES FOR THE DEMAND OF VOTING BY SHAREHOLDERS

Pursuant to Article 104 of the Company Law of the People's Republic of China, "shareholders attending the general meeting shall have one vote in respect of each share held." All votings of the Company shall be conducted by way of a poll.

By Order of the Board

Zhao Huxiang
Chairman

Beijing, the PRC
24 March 2009

Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2008, the Supervisory Committee (the "Committee") performed its duties, undertook various tasks in a proactive and diligent manner in the principle of due care and good faith and supervised the legal compliance of the operations of the Company in a legal and effective manner, so as to ensure that the Company complied with the Company Law of the People's Republic of China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Articles of Association of the Company and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2008, the major duties of the Committee are to convene Supervisory Committee meetings, attend Board meetings, Audit Committee meetings, Remuneration Committee meetings and General Meetings, to give advice and recommendations to the Board in respect of the business operations and development plans of the Company and to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the State, the Listing Rules and the Articles of Association of the Company and are in the interest of the shareholders. The Committee is of the opinion that the Company had a normal and disciplined operation and the directors and the senior management had observed the laws and regulations as well as the Articles of Association of the Company in performing their duties, and that the report of the directors for the year ended 31 December 2008 reflected the true position of the Company. Charged by their accountability to shareholders, the Board and the senior management of the Company have discharged their respective duties in diligence and with dedication, especially given the background of a transportation logistics industry adversely affected by the aggravating global financial crisis, and have accomplished the mission entrusted by the shareholders by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development. The Committee is satisfied with the performance and economic efficiency achieved by the Company for 2008 and is fully confident in the Company's future prospects and development.

The Committee has carefully reviewed the financial statements prepared in accordance with International Financial Reporting Standards as well as Chinese Accounting Standard for Business Enterprises that the financial statements reflect a true and fair view of the financial position and results of operations of the Company.

In order to safeguard the lawful interests of the Company and the shareholders, the Committee will, as in the past, continue to perform its duties and put a stronger emphasis on supervision to realise a stable, healthy and sustainable development of the Company.

The Supervisory Committee

Beijing, the PRC
24 March 2009

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting (the "Annual General Meeting") of Sinotrans Limited (the "Company") for the year 2008 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, 11 June 2009 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 2008.

2. To review and approve the report of the supervisory committee for the year ended 31 December 2008.

3. To review and consider the audited accounts of the Company and the auditors' report for the year ended 31 December 2008.

4. To review and approve the profit distribution proposal and final dividend of the Company for the year ended 31 December 2008.

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 2009.

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

   "A. THAT the re-election of Zhao Huxiang as executive director of the Company be and is hereby approved."

   "B. THAT the re-election of Li Jianzhang as executive director of the Company be and is hereby approved."

   "C. THAT the re-election of Liu Jinghua as non-executive director of the Company be and is hereby approved."

   "D. THAT the re-election of Jerry Hsu as non-executive director of the Company be and is hereby approved."

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

SPECIAL RESOLUTIONS

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

8. "**THAT**:

   (a) subject to paragraph 8(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 ("H Shares") or domestic shares ("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 8(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 Shares or Domestic Shares 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 8(a) above shall not exceed 20 per cent. of the aggregate nominal amount of each of the H Shares or Domestic Shares 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 a special resolution of the shareholders of the Company in general meeting."

9. "**THAT**:

(a) subject to (i) paragraph 9(b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the holders of H Shares in a class meeting ("H Shares Class Meeting") and the passing of a special resolution by the holders of Domestic Shares in a class meeting ("Domestic Shares Class Meeting") to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H Shares be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph 9(a) above shall not exceed 10 per cent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) 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 a special resolution of the shareholders of the Company in general meeting."

By order of the Board

Gao Wei
Company Secretary

Beijing, China
3rd April, 2009

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, 11 May 2009 to Thursday, 11 June, 2009, both days inclusive, during which period no share transfers will be registered for the purposes of ascertaining entitlements to the Company's 2008 final dividend (see notes 6, 7 and 8 below) and attendance at the Annual General Meeting, the H Shares Class Meeting and the Domestic Shares Class Meeting. To qualify for any of the final dividend and attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class 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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 8 May 2009, 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, 22 May 2009.

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 the particulars of the Directors proposed to be elected or re-elected at the annual general meeting:

   Mr. Zhao Huxiang
   Zhao Huxiang, age 54, 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 China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group Company"). On 3 March 2006, Mr. Zhao was appointed Executive Director and the Chairman of the Company. Mr. Zhao is also a chairman and non-executive director of Sinotrans Shipping Limited, a non-wholly owned subsidiary of Sinotrans Group Company and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

   In accordance with the Articles of Association of the Company and the PRC Company Law, Mr. Zhao's appointment will be for three years with effect from the date on which the resolution for his re-appointment is passed at the Annual General Meeting. Save as disclosed above, Mr. Zhao 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. Zhao will enter into a service contract with the Company for a term of three years. He has not received any remuneration nor bonus payments as a director of the Company for the year ended 31 December 2008. He does not intend to receive any remuneration or bonus payments in the future.

There is no other information relation to the re-election of Mr. Zhao 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.

Li Jianzhang

Li Jianzhang, age 53, 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.

In accordance with the Articles of Association of the Company and the PRC Company Law, Mr. Li's appointment will be for three years with effect from the date on which the resolution for his re-appointment is passed at the Annual General Meeting. Save as disclosed above, Mr. Li 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. Li will enter into a service contract with the Company for a term of three years. Mr. Li has not received any remuneration nor bonus payments as a director of the Company for the year ended 31 December 2008 except that Mr. Li currently holds a total of 480,000 rights under the Company's share appreciation rights plan. He does not intend to receive any remuneration or bonus payments in the future.

There is no other information relation to the re-election of Mr. Li 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.

Liu Jinghua

Liu Jinghua, age 46, 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.

In accordance with the Articles of Association of the Company and the PRC Company Law, Ms. Liu's appointment will be for three years with effect from the date on which resolution for her re-appointment is passed at the Annual General Meeting. Save as disclosed above, Ms. Liu 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.

The Company does not intend to enter into a service contract with Ms. Liu. Ms. Liu has not received any remuneration or bonus payments as a director of the Company for the year ended 31 December 2008. She does not intend to receive any remuneration or bonus payments in the future.

There is no other information relation to the re-election of Ms. Liu 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.

Jerry Hsu*

Jerry Hsu, age 58, 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.

In accordance with the Articles of Association of the Company and the PRC Company Law, Mr. Hsu's appointment will be for three years with effect from the date on which resolution for his re-appointment is passed at the Annual General Meeting. Save as disclosed above, Mr. Hsu 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.

The Company does not intend to enter into a service contract with Mr. Hsu. Mr. Hsu has not received any remuneration or bonus payments as a director of the Company for the year ended 31 December 2008. He does not intend to receive any remuneration or bonus payments in the future.

There is no other information relation to the re-election of Mr. Hsu 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.

* For details of Mr. Hsu's interests in competing businesses of the Company, please refer to the section headed "Directors, Supervisors & Senior Management" in the 2008 annual report of the Company.

6. The Board has recommended the payment of a final dividend of RMB0.020 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2008 by shareholders at the Annual General Meeting to be held on Thursday, 11 June 2009. It is expected that the final dividend will be paid on or before Friday, 26 June 2009 to shareholders whose names appear on the register of members on Monday, 11 May 2009.

7. Pursuant to the Articles of Association 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 (17 March 2009 to 24 March 2009) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.881215. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022696.

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

9. 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.

Notice of H Shares Class Meeting

NOTICE IS HEREBY GIVEN that a class meeting for holders of H shares in the capital of the Company (the "H Shares Class Meeting") of Sinotrans Limited (the "Company") 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, 11 June 2009 at 10:00 a.m. or immediately after the conclusion of the annual general meeting ("Annual General Meeting") of the Company held on the same day at 9:30 a.m. for the following purposes:

SPECIAL RESOLUTION

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

"**THAT**:

(a) subject to (i) paragraph (b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the shareholders of the Company at the Annual General Meeting and the passing of a special resolution by the holders of domestic shares ("Domestic Shares") in the capital of the Company in a class meeting ("Domestic Shares Class Meeting") to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) 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 a special resolution of the shareholders of the Company in general meeting."

By order of the Board

Gao Wei
Company Secretary

Beijing, China
3rd April, 2009

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, 11 May 2009 to Thursday, 11 June, 2009, both days inclusive, during which period no share transfers will be registered for the purposes of ascertaining entitlements to the Company's 2008 final dividend (see notes 5, 6 and 7 below) and attendance at the Annual General Meeting, the H Shares Class Meeting and the Domestic Shares Class Meeting. To qualify for any of the final dividend and attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Shares Class 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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 8 May 2009, for registration.

2. Shareholders intending to attend the H Shares Class 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, 22 May 2009.

3. Shareholders entitled to attend and vote at the H Shares Class 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 H Shares Class Meeting.

5. The Board has recommended the payment of a final dividend of RMB0.020 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2008 by shareholders at the Annual General Meeting to be held on Thursday, 11 June 2009. It is expected that the final dividend will be paid on or before Friday, 26 June 2009 to shareholders whose names appear on the register of members on Monday, 11 May 2009.

6. Pursuant to the Articles of Association 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 (17 March 2009 to 24 March 2009) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.881215. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022696.

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

8. 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.

Notice of Domestic Shares Class Meeting

NOTICE IS HEREBY GIVEN that a class meeting for holders of domestic shares in the capital of the Company (the "Domestic Shares Class Meeting") of Sinotrans Limited (the "Company") 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, 11 June 2009 at 10:30 a.m. or immediately after the conclusion of the class meeting ("H Shares Class Meeting") for holders of H shares in the capital of the Company held on the same day at 10:00 a.m. for the following purposes:

SPECIAL RESOLUTION

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

"**THAT**:

(a) subject to (i) paragraph (b) below and compliance with all applicable laws and regulations of the People's Republic of China; and (ii) the passing of a special resolution by the shareholders of the Company at the annual general meeting ("Annual General Meeting") and the passing of a special resolution at the H Shares Class Meeting to confer the authority to Directors contemplated in this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its H shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of H shares in the capital of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the H shares in the capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) 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 a special resolution of the shareholders of the Company in general meeting."

By order of the Board

Gao Wei
Company Secretary

Beijing, China
3rd April, 2009

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, 11 May 2009 to Thursday, 11 June, 2009, both days inclusive, during which period no share transfers will be registered for the purposes of ascertaining entitlements to the Company's 2008 final dividend (see notes 5, 6 and 7 below) and attendance at the Annual General Meeting, the H Shares Class Meeting and the Domestic Shares Class Meeting. To qualify for any of the final dividend and attendance at the Annual General Meeting, the H Shares Class Meeting and/or the Domestic Class 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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 8 May 2009, for registration.

2. Shareholders intending to attend the Domestic Shares Class 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, 22 May 2009.

3. Shareholders entitled to attend and vote at the Domestic Shares Class 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 Domestic Shares Class Meeting.

5. The Board has recommended the payment of a final dividend of RMB0.020 per share, subject to passing of the resolution authorising the Board to propose, declare or pay the final dividend for 2008 by shareholders at the Annual General Meeting to be held on Thursday, 11 June 2009. It is expected that the final dividend will be paid on or before Friday, 26 June 2009 to shareholders whose names appear on the register of members on Monday, 11 May 2009.

6. Pursuant to the Articles of Association 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 (17 March 2009 to 24 March 2009) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.881215. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.022696.

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

8. 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

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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 51 to 152, which comprise the consolidated and company balance sheets as of 31 December 2008, 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 as to 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 of 31 December 2008, 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, 24 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	For the year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Continuing operations			
Revenue	6	**41,019,100**	40,145,542
Other income		**350,099**	323,986
Business tax and other surcharges		**(330,864)**	(331,964)
Transportation and related charges		**(32,706,393)**	(32,448,766)
Staff costs	8	**(2,514,077)**	(2,289,829)
Depreciation and amortisation		**(456,847)**	(423,374)
Repairs and maintenance		**(174,902)**	(151,737)
Fuel		**(1,245,242)**	(863,531)
Travel and promotional expenses		**(389,681)**	(406,062)
Office and communication expenses		**(226,423)**	(234,219)
Rental expenses		**(1,653,217)**	(1,436,337)
Other losses, net	9	**(282,034)**	(9,368)
Other operating expenses		**(591,752)**	(588,671)
Operating profit	10	**797,767**	1,285,670
Gain on disposal of a jointly controlled entity	45	**514,070**	—
		1,311,837	1,285,670
Finance costs, net	11	**(31,734)**	(18,804)
		1,280,103	1,266,866
Share of profit of associates	22	**30,206**	28,870
Profit before income tax		**1,310,309**	1,295,736
Income tax expense	12	**(471,806)**	(380,412)
Profit for the year from continuing operations		**838,503**	915,324
Discontinued operations			
Profit for the year from discontinued operations		**—**	229,524
Profit for the year		**838,503**	1,144,848

Consolidated Income Statement

For the year ended 31 December 2008

	Note	For the year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Attributable to:			
Equity holders of the Company		**568,569**	839,047
Minority interests		**269,934**	305,801
		838,503	1,144,848
Dividends	14	**212,450**	254,940
Earnings per share for profit from continuing operations attributable to the equity holders of the Company, basic and diluted (RMB)	15	**0.13**	0.16
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company, basic and diluted (RMB)	15	**–**	0.04

The notes on pages 61 to 152 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated, Note 44)
ASSETS			
Non-current assets			
Land use rights	18	**1,098,863**	1,005,341
Prepayments for acquisition of land use rights	17	**388,514**	317,471
Property, plant and equipment	16	**5,330,998**	4,331,384
Investments in associates	22	**911,530**	478,837
Deferred income tax assets	12	**185,448**	182,849
Intangible assets	19	**85,388**	86,476
Available-for-sale financial assets	26	**367,454**	2,210,600
Prepaid consideration for acquisition from ultimate holding company	44	**–**	550,000
Held-to-maturity financial assets	25	**–**	58,437
Other non-current assets		**80,007**	58,873
		8,448,202	9,280,268
Current assets			
Prepayments, deposits and other current assets	27	**481,074**	582,511
Inventories	28	**36,235**	31,250
Trade and other receivables	29	**5,149,605**	6,412,031
Financial assets at fair value through profit or loss	31	**421**	1,257
Restricted cash	32	**474,044**	296,115
Term deposits with initial terms of over three months	33	**1,188,730**	420,326
Cash and cash equivalents	34	**4,447,670**	4,432,894
		11,777,779	12,176,384
Total assets		**20,225,981**	21,456,652
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	40	**4,249,002**	4,249,002
Reserves	41	**3,655,350**	4,957,699
Proposed final dividends	14	**84,980**	127,470
		7,989,332	9,334,171
Minority interests in equity		**1,848,609**	2,282,286
Total equity		**9,837,941**	11,616,457

Consolidated Balance Sheet

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000 (Restated, Note 44)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	**140,835**	506,323
Provisions	36	**104,874**	141,683
Borrowings	35	**315,712**	42,420
Other non-current liabilities		**1,380**	7,918
		562,801	698,344
Current liabilities			
Trade payables	37	**3,660,755**	4,575,039
Other payables, accruals and other current liabilities	38	**2,145,335**	1,427,085
Receipts in advance from customers	39	**1,085,452**	1,198,433
Current income tax liabilities		**98,731**	202,754
Borrowings	35	**2,101,563**	1,312,063
Derivative financial instruments	30	**311,907**	—
Salary and welfare payables		**421,496**	426,477
		9,825,239	9,141,851
Total liabilities		**10,388,040**	9,840,195
Total equity and liabilities		**20,225,981**	21,456,652
Net current assets		**1,952,540**	3,034,533
Total assets less current liabilities		**10,400,742**	12,314,801

The notes on pages 61 to 152 are an integral part of these financial statements.

Zhao Huxiang
Chairman

Zhang Jianwei
Director

Balance Sheet

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**3,885,462**	3,715,166
Interests in jointly controlled entities	21	**10,150**	7,650
Investments in associates	22	**155,069**	162,440
Property, plant and equipment	16	**63,872**	60,096
Intangible assets	19	**24,689**	25,675
Prepaid consideration for acquisition from ultimate holding company	44	**–**	550,000
Held-to-maturity financial assets	25	**–**	58,437
Other non-current assets		**938**	2,057
		4,140,180	4,581,521
Current assets			
Prepayments, deposits and other current assets	27	**66,977**	46,230
Trade and other receivables	29	**5,307,253**	2,637,794
Restricted cash	32	**800**	5,800
Term deposits with initial terms of over three months	33	**–**	10,229
Cash and cash equivalents	34	**506,504**	378,409
		5,881,534	3,078,462
Total assets		**10,021,714**	7,659,983
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	40	**4,249,002**	4,249,002
Reserves	41	**1,596,904**	724,797
Proposed final dividends	14	**84,980**	127,470
Total equity		**5,930,886**	5,101,269

Balance Sheet

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Provisions	36	**6,160**	6,160
		6,160	6,160
Current liabilities			
Trade payables	37	**113,069**	85,870
Other payables, accruals and other current liabilities	38	**2,484,936**	1,544,229
Current income tax liabilities		**—**	2,381
Borrowings	35	**1,402,232**	814,159
Derivative financial instruments	30	**11,893**	—
Salary and welfare payables		**72,538**	105,915
		4,084,668	2,552,554
Total liabilities		**4,090,828**	2,558,714
Total equity and liabilities		**10,021,714**	7,659,983
Net current assets		**1,796,866**	525,908
Total assets less current liabilities		**5,937,046**	5,107,429

The notes on pages 61 to 152 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 2008

	As at and for the year ended 31 December 2008								
	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007, as previously reported	4,249,002	987,819	220,437	943,388	–	2,475,911	8,876,557	2,478,967	11,355,524
Reserves and minority interests arising on the common control combinations (Note 44)	–	497,998	–	–	677	(41,061)	457,614	(196,681)	260,933
As at 31 December 2007 as restated and 1 January 2008	4,249,002	1,485,817	220,437	943,388	677	2,434,850	9,334,171	2,282,286	11,616,457
Fair value losses on available-for-sale financial assets, net of taxation	–	–	–	(888,717)	–	–	(888,717)	(511,683)	(1,400,400)
Currency translation differences	–	–	–	–	(22,664)	–	(22,664)	–	(22,664)
Net expenses recognised directly in equity	–	–	–	(888,717)	(22,664)	–	(911,381)	(511,683)	(1,423,064)
Profit for the year	–	–	–	–	–	568,569	568,569	269,934	838,503
Total recognised (expenses)/income for the year	–	–	–	(888,717)	(22,664)	568,569	(342,812)	(241,749)	(584,561)
Dividends paid	–	–	–	–	–	(254,940)	(254,940)	–	(254,940)
Dividends declared to minority shareholders	–	–	–	–	–	–	–	(163,286)	(163,286)
Capital injection from minority shareholders of a subsidiary	–	–	–	–	–	–	–	981	981
Acquisition of additional equity interests in subsidiaries from minority shareholders	–	2,713	–	–	–	–	2,713	(29,623)	(26,910)
Reserves arising on the common control combinations (Note 44)	–	(749,800)	–	–	–	–	(749,800)	–	(749,800)
Transfer to statutory reserve (Note 41)	–	–	4,714	–	–	(4,714)	–	–	–
As at 31 December 2008	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,848,609	9,837,941
Representing:									
Share capital and reserves	4,249,002	738,730	225,151	54,671	(21,987)	2,658,785	7,904,352	1,848,609	9,752,961
2008 proposed final dividends (Note 14)	–	–	–	–	–	84,980	84,980	–	84,980
As at 31 December 2008	4,249,002	738,730	225,151	54,671	(21,987)	2,743,765	7,989,332	1,848,609	9,837,941

Consolidated Statement of Changes in Equity

As at and for the year ended 31 December 2008

	As at and for the year ended 31 December 2007 (Restated, Note 44)								
	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	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2007, as previously reported	4,249,002	1,070,945	396,852	85,107	–	1,708,267	7,510,173	1,709,280	9,219,453
Reserves and minority interests arising on the common control combinations (Note 44)	–	467,851	–	–	17,366	(76,429)	408,788	(87,009)	321,779
As at 1 January 2007, as restated	4,249,002	1,538,796	396,852	85,107	17,366	1,631,838	7,918,961	1,622,271	9,541,232
Fair value gains on available-for-sale financial assets, net of taxation	–	–	–	858,281	–	–	858,281	494,159	1,352,440
Reversal of deferred income tax assets arising from revaluation surplus deductible for income tax purposes	–	(29,311)	–	–	–	–	(29,311)	–	(29,311)
Currency translation differences	–	–	–	–	(16,689)	–	(16,689)	–	(16,689)
Net (expenses)/income recognised directly in equity	–	(29,311)	–	858,281	(16,689)	–	812,281	494,159	1,306,440
Profit for the year	–	–	–	–	–	839,047	839,047	305,801	1,144,848
Total recognised (expenses)/income for the year	–	(29,311)	–	858,281	(16,689)	839,047	1,651,328	799,960	2,451,288
Dividends paid	–	–	–	–	–	(212,450)	(212,450)	–	(212,450)
Dividends declared to minority shareholders	–	–	–	–	–	–	–	(141,387)	(141,387)
Capital injection from minority shareholders of a subsidiary	–	–	–	–	–	–	–	933	933
Acquisition of additional equity interests in subsidiaries from minority shareholders	–	(53,815)	–	–	–	–	(53,815)	(73,685)	(127,500)
Acquisition of subsidiaries	–	–	–	–	–	–	–	74,194	74,194
Reserves arising on the common control combinations (Note 44)	–	30,147	–	–	–	–	30,147	–	30,147
Transfer to statutory reserve	–	–	77,989	–	–	(77,989)	–	–	–
Reversal of statutory reserves due to the adoption of Chinese Accounting Standards	–	–	(254,404)	–	–	254,404	–	–	–
As at 31 December 2007, as restated	4,249,002	1,485,817	220,437	943,388	677	2,434,850	9,334,171	2,282,286	11,616,457
Representing:									
Share capital and reserves	4,249,002	1,485,817	220,437	943,388	677	2,307,380	9,206,701	2,282,286	11,488,987
2007 proposed final dividends (Note 14)	–	–	–	–	–	127,470	127,470	–	127,470
As at 31 December 2007, as restated	4,249,002	1,485,817	220,437	943,388	677	2,434,850	9,334,171	2,282,286	11,616,457

The notes on pages 61 to 152 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	For the year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Cash flows from operating activities			
Cash generated from operations	43	**1,917,900**	1,230,354
Interest paid		**(81,066)**	(18,833)
Income tax paid		**(477,116)**	(456,031)
Net cash generated from operating activities		**1,359,718**	755,490
Cash flows from investing activities			
Net cash inflow in acquisition of subsidiaries and jointly controlled entities		**1,904**	33,267
Cash paid for acquisition of associates		**(127,506)**	(84,409)
Proceeds from disposal of associates		**—**	600
Net cash inflow on disposal of a jointly controlled entity	45	**540,537**	—
Proceeds from disposal of held-to-maturity financial assets		**55,870**	—
Purchase of property, plant and equipment		**(1,539,562)**	(1,034,569)
Proceeds from disposal of property, plant and equipment		**48,686**	35,364
Purchase of intangible assets		**(15,139)**	(15,473)
Purchase of land use rights		**(82,775)**	(108,275)
Cash prepaid for acquisition of land use rights		**(100,505)**	(126,439)
Purchase of other non-current assets		**(62,297)**	(55,352)
(Increase)/decrease in term deposits with initial terms of over three months		**(768,404)**	451,623
Interest income received		**99,934**	79,894
Dividends received from associates		**32,071**	10,105
Proceeds from disposal of financial assets at fair value through profit or loss		**543**	—
Purchase of financial assets at fair value through profit or loss		**—**	(550)
Payment of consideration for acquisition from ultimate holding company		**(156,030)**	(550,000)
Purchase of available-for-sale financial assets		**(24,054)**	—
Proceeds from disposal of non-current assets classified as held for sale		**—**	15,964
Dividend income on available-for-sale financial assets		**5,472**	3,936
Acquisition of additional equity interests in subsidiaries from minority shareholders		**(27,314)**	(114,750)
Net cash used in investing activities		**(2,118,569)**	(1,459,064)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	For the year ended 31 December 2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Cash flows from financing activities			
New bank borrowings		**4,250,534**	2,323,127
Repayments of bank borrowings		**(3,187,742)**	(1,139,297)
Borrowings from ultimate holding company		**233,810**	29,900
Dividends paid to the Company's shareholders		**(181,093)**	(212,450)
Contributions from minority shareholders in subsidiaries		**981**	933
Dividends paid to minority shareholders in subsidiaries		**(164,934)**	(141,201)
Increase in restricted cash		**(177,929)**	(259,829)
Net cash generated from financing activities		**773,627**	601,183
Net increase/(decrease) in cash and cash equivalents		**14,776**	(102,391)
Cash and cash equivalents as at 1 January, as restated		**4,432,894**	4,535,285
Cash and cash equivalents as at 31 December	34	**4,447,670**	4,432,894

The notes on pages 61 to 152 are an integral part of these 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 other services such as trucking and air cargo transportation.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2009.

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 (including derivative financial instruments) 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) Amendments and interpretations effective in 2008

- The IAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets; and

- IFRIC Int 11, "IFRS 2 — Group and treasury share transactions", 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. This interpretation does not have an impact on the Group's financial statements.

2 BASIS OF PREPARATION (CONTINUED)

(b) Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- IFRIC — Int 12, "Service concession arrangements";
- IFRIC — Int 14, "IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction".

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009.
- IAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009.
- IAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment 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. The Group will apply IAS 23 (Revised) from 1 January 2009, but it is not expected to have material impact on the Group's financial statements.
- IAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

2 BASIS OF PREPARATION (CONTINUED)

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

- IAS 32 (Amendment), "Financial instruments: Presentation", and IAS 1 (Amendment), "Presentation of financial statements" — "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of 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 as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 (Amendment) and IAS 1(Amendment) from 1 January 2009, but it is not expected to have material impact on the Group's financial statements.

- IFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009.

- IFRS 3 (Revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively from 1 January 2010.

- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement — Eligible hedged items" (effective from 1 July 2009). This amendment is to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations. The Group will apply IAS 39 (Amendment) from 1 January 2010.

2 BASIS OF PREPARATION (CONTINUED)

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

- IASB's annual improvements project published in May 2008:

  — IAS 1 (Amendment), "Presentation of financial statements" (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, "Financial instruments: Recognition and measurement" are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 January 2009.

  — IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply IAS 23 (Amendment) from 1 January 2009.

  — IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

  — IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

  — IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009.

2 BASIS OF PREPARATION (CONTINUED)

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

- IASB's annual improvements project published in May 2008 (Continued):

  — IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009).

  i. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  ii. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  iii. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, "Operating segments" which requires disclosure for segments to be based on information reported to the chief operating decision maker. Currently, for segment reporting purposes, each subsidiary designates and documents (including effectiveness testing) contracts with group treasury as fair value or cash flow hedges so that the hedges are reflected in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision maker) but the Group will not formally document and test this hedging relationship.

  iv. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

  — IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to IFRS 1, "First-time adoption") (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

2 BASIS OF PREPARATION (CONTINUED)

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

- IASB's annual improvements project published in May 2008 (Continued):

  — There are a number of minor amendments to IFRS 7, "Financial instruments: Disclosures", IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10, "Events after the balance sheet date", IAS 18, "Revenue" and IAS 34, "Interim financial reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

- IFRIC — Int 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), 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. This interpretation does not have a material impact on the Group's financial statements.

- IFRIC — Int 16, "Hedges of a net investment in a foreign operation" (effective from 1 October 2008). IFRIC — Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, "The effects of changes in foreign exchange rates", do apply to the hedged item. The Group will apply IFIC — Int 16 if it has relevant hedges.

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- IFRIC — Int 15, "Agreements for construction of real estates" (effective from 1 January 2009).

- IFRIC — Int 17, "Distributions of non-cash assets to owners" (effective from 1 July 2009).

- IFRIC — Int 18, "Transfers of Assets from Customers" (effective for transfers on or after 1 July 2009).

- IFRS 1 (Amendment), "First time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements" (effective from 1 July 2009).

- IASB's annual improvements project published in May 2008:

  — IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows") (effective from 1 January 2009).

  — IAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009).

  — IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance" (effective from 1 January 2009).

  — IAS 27 (Amendment), "Consolidated and separate financial statements" (effective from 1 January 2009).

2 BASIS OF PREPARATION (CONTINUED)

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations (Continued)

- IASB's annual improvements project published in May 2008 (Continued):

  — IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009).

  — IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 January 2009).

  — IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

  — IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009).

  — IAS 40 (Amendment), "Investment property" (and consequential amendments to IAS 16) (effective from 1 January 2009).

  — IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009).

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.

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 at 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

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. These consolidated financial statements have been prepared using the concept of merger accounting. 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

(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.

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

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 by the Company on the basis of dividend received and receivable.

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. Gain or losses on disposals to minority are also recorded in equity.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Jointly controlled entities (Continued)

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 include 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.

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 returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

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.

(vi) Trucking

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

(vii) Air cargo transportation

Revenue from the air cargo transportation is recognised when the services are rendered.

(viii) Rental income

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

(ix) Interest income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

(x) 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. When there is impairment, the impairment is expensed in the consolidated 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 consolidated 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

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 consolidated 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 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.

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the software product so that it will be available for use;

— management intends to complete the software product and use or sell it;

— there is an ability to use or sell the software product;

— it can be demonstrated how the software product will generate probable future economic benefits;

— adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

— the expenditure attributable to the software product during its development can be reliably measured.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (Continued)

(ii) Computer software (Continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

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

(j) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(k) 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.

(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. Trading derivatives are classified as current assets or liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (Continued)

(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 consolidated 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 consolidated 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. Held-to-maturity financial assets, 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 consolidated income statement within 'other gains/(losses), net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated 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 consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (Continued)

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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 3(n).

(l) 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 consolidated 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.

(m) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other receivables

Trade and other 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 and other 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 and other 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 consolidated income statement within 'other operating expenses'. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables.

(o) 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 consolidated balance sheet.

(p) 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.

(q) Trade payables

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

(r) 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 consolidated 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.

(s) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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.

(u) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (Continued)

(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 consolidated 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 consolidated 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 36).

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 Share Appreciation Rights Plan, "SAR")

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 consolidated income statement (Note 42).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) 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 RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance costs'.

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. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currency translation (Continued)

(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 consolidated 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.

(x) 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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.

(z) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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.

(aa) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) 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 summarised 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, interest rate risk and price 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 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, borrowings and trade payables denominated in foreign currencies, mainly US$. Analyses of these assets and liabilities by currency are disclosed in Note 29, Note 34, Note 35 and Note 37 respectively. As at 31 December 2008, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit attributable to equity holders of the Group for the year would have no material impacts.

Also, the Group is exposed to foreign exchange risk arising from its structured foreign exchange forward contracts under which the Group are contracted to sell Japanese Yen ("JPY") and buy US$ as disclosed in Note 30.

Management has set up certain policies to manage and instruct the Group companies to mitigate their foreign exchange risk against their functional currencies by optimising the structure of foreign currency denominated net assets.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The Group has monitored the performance of the equity securities and reported regularly to the Board of Directors. As at 31 December 2008, with all other variables held constant, if the average market price of equity securities goes by 10% higher/lower, the reserve attributable to equity holders of the Group will have no material impact.

The Group is also exposed to fuel oil price risk because fuel oil forward contract held by the Group are classified on the consolidated balance sheet as at fair value through profit or loss as disclosed in Note 30.

(iii) 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 and borrowings. 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 maintains a mixed portfolio of borrowings subject to variable and fixed interest rates. And if necessary, the Group also regularly analyses its interest rate exposure by considering alternative financing, etc. 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.

With all other variables held constant, if the interest rate had increased/decreased by 100 basis-points, the corresponding increase/decrease in net finance costs would have no material impact on the profit and reserve attributable to equity holders of the Group.

(iv) Credit risk

The aggregate carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables 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 term deposit with initial terms of over three months and restricted cash 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. These financial institutions mainly comprised Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communication, China Merchants Bank and certain foreign banks such as Hong Kong and Shanghai Banking Corporation Limited.

In general, 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. Credit terms are normally given to customers according to their credit quality individually. The credit period of the Group's and the Company's trade and other receivables generally ranges from 1 to 6 months. The Group has transactions with a large number of customers, both locally and internationally dispersed, so the Directors consider that the Group does not have a significant concentration of credit risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic 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 35. Generally there is no uniform credit period granted by the suppliers but the related trade payables are normally expected to be settled within three months after rendering of services.

Management monitors rolling forecasts of the Group's liquidity reserve comprises cash and cash equivalents (Note 34) on the basis of expected cash flow. This is generally carried out at the operating companies' level in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyses the Group's and the Company's financial liabilities and financial instruments based on the remaining period from the balance sheet date to the contractual maturity date. The spot rate as at balance sheet date is used for the cash flow calculation in relation to the amounts settled with foreign currencies. 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.

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
As at 31 December 2008				
Borrowings	**2,203,051**	**45,834**	**175,711**	**147,123**
Derivative financial instruments				
— net settled	**59,051**	**—**	**—**	**—**
Derivative financial instruments				
— gross settled				
— Outflow	**750,036**	**615,504**	**492,890**	**—**
— Inflow	**(668,949)**	**(549,343)**	**(439,990)**	**—**
Trade and other payables*	**5,806,090**	**—**	**—**	**—**
As at 31 December 2007 (Restated, Note 44)				
Borrowings	1,380,718	9,546	43,635	—
Trade and other payables*	6,002,124	—	—	—

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

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
As at 31 December 2008				
Borrowings	**1,437,147**	**—**	**—**	**—**
Trade and other payables*	**2,598,005**	**—**	**—**	**—**
As at 31 December 2007				
Borrowings	863,232	—	—	—
Trade and other payables*	1,630,099	—	—	—

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

The Company does not expose to any individual significant financial risk in 2007 and 2008.

(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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Capital risk management (Continued)

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 debt cash position according to the operating segment and profitability of each major subsidiary. The net debt cash position is calculated as total cash and cash equivalents as shown in the consolidated balance sheet less total borrowings.

	As at 31 December	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Cash and cash equivalents	**4,447,670**	4,432,894
Less: total borrowings	**(2,417,275)**	(1,354,483)
Net cash position	**2,030,395**	3,078,411

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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 addressed below.

(a) 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.

(b) 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(n). 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. For the structured foreign exchange forward contracts and the structured fuel oil forward contract, the Group uses its judgement to select certain methods and make assumptions that mainly based on the conditions existing at each balance sheet dates. There are many interdependent parameters and variables such as the forward rates and volatilities input into the model used as the valuation techniques. These parameters affect the valuation of the derivative and the Group's results significantly.

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 coast of Australia, 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, air cargo transportation 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 2008							
	Freight forwarding	Shipping agency	Express services	Marine transportation	Storage and terminal services	Others	Inter-segment elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations								
Turnover — external	31,620,702	681,102	3,508,721	3,007,202	1,386,969	814,404	–	41,019,100
Turnover — inter-segment	396,893	55,244	13,353	416,834	177,078	124,750	(1,184,152)	–
	32,017,595	736,346	3,522,074	3,424,036	1,564,047	939,154	(1,184,152)	41,019,100
Segment results	456,861	296,643	359,327	(120,380)	312,002	(67,237)	–	1,237,216
Unallocated costs								(439,449)
Operating profit								797,767
Gain on disposal of a jointly controlled entity								514,070
								1,311,837
Finance costs, net								(31,734)
								1,280,103
Share of profit of associates								30,206
Profit before income tax								1,310,309
Income tax expense								(471,806)
Profit for the year from continuing operations								838,503
Discontinued operations								
Profit for the year from discontinued operations								–
Profit for the year								838,503
Assets								
Segment assets	9,506,184	1,389,758	2,641,789	1,287,530	3,240,909	857,821	(749,922)	18,174,069
Investments in associates								911,530
Available-for-sale financial assets								367,454
Unallocated assets								772,928
Total assets								20,225,981
Liabilities								
Segment liabilities	4,955,021	933,492	939,217	799,063	465,722	402,511	(749,922)	7,745,104
Unallocated liabilities								2,642,936
Total liabilities								10,388,040

6 SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format business segments (Continued)

As at and for the year ended 31 December 2007 (Restated, Note 44)

	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	31,407,689	673,399	3,321,587	2,834,019	1,330,403	578,445	—	40,145,542
Turnover — inter-segment	135,379	35,578	6,260	393,149	183,410	128,802	(882,578)	—
	31,543,068	708,977	3,327,847	3,227,168	1,513,813	707,247	(882,578)	40,145,542
Segment results	549,592	316,290	376,338	(144,586)	314,033	13,364	—	1,425,031
Unallocated costs								(139,361)
Operating profit								1,285,670
Finance costs, net								(18,804)
								1,266,866
Share of profit of associates								28,870
Profit before income tax								1,295,736
Income tax expense								(380,412)
Profit for the year from continuing operations								915,324
Discontinued operations								
Profit for the year from discontinued operations			229,524					229,524
Profit for the year								1,144,848
Assets								
Segment assets	9,147,564	1,402,248	2,811,917	1,551,620	2,937,703	515,073	(933,577)	17,432,548
Investments in associates								478,837
Available-for-sale financial assets								2,210,600
Unallocated assets								1,334,667
Total assets								21,456,652
Liabilities								
Segment liabilities	5,467,280	971,424	1,045,200	1,084,226	389,409	150,696	(933,577)	8,174,658
Unallocated liabilities								1,665,537
Total liabilities								9,840,195

6 SEGMENTAL INFORMATION (CONTINUED)

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

	For the year ended 31 December 2008								
	Freight forwarding	Shipping agency	Express services	Marine transportation	Storage and terminal services	Others	Discontinued operations	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information									
Capital expenditure	562,806	10,001	82,062	155,544	526,659	366,521	—	34,388	1,737,981
Depreciation	123,882	11,965	82,827	35,992	113,609	57,461	—	14,884	440,620
Amortisation	4,584	132	244	6	270	381	—	10,610	16,227
Operating lease charges on land use rights	11,520	208	1,339	639	10,189	959	—	—	24,854
Provision for impairment loss on property, plant and equipment	986	—	—	—	—	—	—	—	986
Provision for impairment loss of inventories	86	—	5	—	33	11	—	—	135
Provision for/(reversal of) impairment loss of receivables	6,228	4,611	16,336	434	(94)	205	—	—	27,720

	For the year ended 31 December 2007 (Restated, Note 44)								
	Freight forwarding	Shipping agency	Express services	Marine transportation	Storage and terminal services	Others	Discontinued operations	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information									
Capital expenditure	526,873	6,321	161,154	22,751	496,652	33,635	—	37,370	1,284,756
Depreciation	112,322	9,868	81,365	36,964	114,983	33,446	—	15,461	404,409
Amortisation	2,403	61	4,278	—	472	30	—	11,721	18,965
Operating lease charges on land use rights	7,359	202	555	429	9,236	1,655	—	—	19,436
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	14,800	4,053	1,201	792	323	(32)	(3,732)	—	17,405

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, Anhui, Jiangxi 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, Hubei, Chongqing and Hong Kong 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.

	As at and for the year ended 31 December 2008					
	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	6,658,058	109,992	6,768,050	26,125	4,831,148	529,702
Eastern China	28,004,705	312,051	28,316,756	828,473	9,492,714	712,375
Southern China	5,609,591	85,513	5,695,104	368,518	3,197,851	416,025
Other locations	746,746	45,369	792,115	14,100	732,665	79,879
Inter-segment elimination	—	(552,925)	(552,925)	—	(80,309)	—
	41,019,100	—	41,019,100	1,237,216	18,174,069	1,737,981
Unallocated costs				(439,449)		
Operating profit				797,767		
Investments in associates					911,530	
Available-for-sale financial assets					367,454	
Unallocated assets					772,928	
Total assets					20,225,981	

6 SEGMENTAL INFORMATION (CONTINUED)

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

As at and for the year ended 31 December 2007 (Restated, Note 44)

	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	6,296,094	22,738	6,318,832	42,632	4,530,375	247,107
Eastern China	28,052,650	211,539	28,264,189	917,391	9,406,410	473,575
Southern China	5,132,953	35,398	5,168,351	457,998	2,951,736	343,121
Other locations	663,845	41,777	705,622	7,010	694,559	220,953
Inter-segment elimination	—	(311,452)	(311,452)	—	(150,532)	—
	40,145,542	—	40,145,542	1,425,031	17,432,548	1,284,756
Unallocated costs				(139,361)		
Operating profit				1,285,670		
Investments in associates					478,837	
Available-for-sale financial assets					2,210,600	
Unallocated assets					1,334,667	
Total assets					21,456,652	
Discontinued operations						
Northern China	—	—	—	773		
Eastern China	—	—	—	2,681		
Southern China	—	—	—	278		
	—	—	—	3,732		
Unallocated costs				—		
Operating profit				3,732		

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:

	2008 RMB'000	2007 RMB'000
Directors:		
Fees	411	411
Other emoluments		
— Basic salaries, housing allowances, other allowances and benefits in kind	503	506
— Discretionary bonuses	633	1,448
— Contributions to pension plans	47	42
— Long term bonus plan	—	—
Supervisors:		
Fees	63	63
Other emoluments		
— Basic salaries, housing allowances, other allowances and benefits in kind	314	135
— Discretionary bonuses	191	150
— Contributions to pension plans	45	21
— Long term bonus plan	—	—

Directors' fees disclosed above include RMB411,000 (2007: RMB411,000) paid to independent non-executive directors.

The emoluments of directors and supervisors for the year ended 31 December 2008 are as follows:

	2008					
	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Long term bonus plan RMB'000	Total RMB'000
Name of director						
Zhang Jianwei	–	267	633	23	–	923
Tao Suyun	–	236	(*)	23	–	259
Sun Shuyi	137	–	–	–	–	137
Lu Zhengfei	137	–	–	–	–	137
Miao Yuexin	137	–	–	–	–	137
Name of supervisor						
Zhang Junkuo	63	–	–	–	–	63
Wang Xiaozheng	–	169	99	21	–	289
Shen Xiaobin	–	145	92	23	–	260

* Tao Suyun, Director, was also a Vice President of Sinotrans Group Company, which was responsible for determining and approving the amount of her discretionary bonus. Such amount is not disclosed in this annual report as it has not yet been determined and approved by Sinotrans Group Company.

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

(a) Emoluments of directors and supervisors (Continued)

	2007					
	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Long term bonus plan RMB'000	Total RMB'000
Name of director						
Zhang Jianwei	—	264	770	21	—	1,055
Tao Suyun	—	242	678	21	—	941
Sun Shuyi	137	—	—	—	—	137
Lu Zhengfei	137	—	—	—	—	137
Miao Yuexin	137	—	—	—	—	137
Name of supervisor						
Zhang Junkuo	63	—	—	—	—	63
Wang Xiaozheng	—	135	150	21	—	306

No directors and supervisors of the Company waived any remuneration in 2008 (2007: nil).

(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	
	2008	2007
Directors	**1**	2
Senior management	**4**	3

The five individuals whose emoluments were the highest in the Group during the year include 1 (2007: 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:

	2008 RMB'000	2007 RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	**1,501**	1,332
Discretionary bonuses	**1,629**	1,319
Contributions to pension plans	**93**	63
Long term bonus plan	**—**	—

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

(b) Five highest paid individuals (Continued)

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

	Number of individuals	
	2008	2007
Nil — Hong Kong Dollar (HK$) 1,000,000	**3**	2
HK$1,000,001 — HK$1,500,000	**1**	1
	4	3

8 STAFF COSTS

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

	Note	2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Wages and salaries		**1,706,545**	1,628,397
Housing benefits	(a)	**114,362**	106,641
Contributions to pension plans	(b)	**197,397**	180,403
Termination benefits and early retirement benefits	(c)	**10,711**	13,792
Welfare and other expenses		**485,062**	384,854
		2,514,077	2,314,087
Representing:			
Staff costs from continuing operations		**2,514,077**	2,289,829
Staff costs from discontinued operations		**—**	24,258

(a) These include the Group's contributions to government sponsored housing funds (at rates ranging from 5% to 25% (2007: 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% (2007: 5% to 29%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2008, contributions totalling RMB6,831,000 (2007, restated: RMB11,738,000) were payable to these plans.

(c) Certain employees of the Group were directed to retire early or terminate their employment services. 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.

9 OTHER LOSSES, NET

	2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Financial assets at fair value through profit or loss:		
— fair value losses	**(293)**	—
— fair value gains	**—**	363
Derivative financial instruments (Note 30):		
— fair value losses on foreign exchange forward contracts	**(256,183)**	—
— fair value losses on fuel oil forward contract	**(55,724)**	—
Change in fair values of SAR (Note 42)	**30,166**	(9,731)
	(282,034)	(9,368)

10 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Crediting		
Rental income from		
— Buildings	25,045	30,137
— Plant and machinery	189,236	123,959
Gains on disposal of property, plant and equipment	3,299	12,065
Dividend income on available-for-sale financial assets	5,472	3,936
Reversal of provision for impairment losses of receivables	23,427	19,459
Income from property management	15,551	13,639
Gains on disposal of non-current assets classified as held for sale	—	6,940
Excess of interest in the fair value of net identifiable assets over cost of acquiring a jointly controlled entity	—	108
Reversal of provision for impairment losses of inventories	—	59
Charging		
Depreciation		
— owned property, plant and equipment	429,632	393,267
— owned property, plant and equipment leased out under operating leases	10,988	11,142
Losses on disposal of property, plant and equipment	6,638	14,341
Auditor's remuneration		
— Audit fee	8,500	10,675
— Audit-related and other services fee	6,500	6,500
Provision for impairment losses of property, plant and equipment	986	2
Provision for impairment losses of receivables	51,147	40,596
Provision for impairment losses of inventories	135	132
Provision for impairment losses of investments in associates	—	390
Operating lease charges on		
— land use rights	24,854	19,436
— buildings	269,947	247,089
— plant and equipment	1,358,416	1,169,812
Amortisation of intangible assets	16,227	18,965
Charges on property management and facilities	113,001	107,672
Other tax expenses	62,058	38,345
Provision for onerous contract and foreseeable losses	36,828	—
Charges on IT support	31,658	27,589
Provision for outstanding claims	3,994	59,699

11 FINANCE COSTS, NET

	2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Interest income on bank balances	**107,905**	79,939
Interest expenses on bank borrowings wholly repayable within five years	**(73,739)**	(17,215)
Interest expenses on bank borrowings wholly repayable over five years	**(7,711)**	(2,821)
Exchange losses, net	**(34,238)**	(66,482)
Bank charges	**(23,951)**	(12,225)
	(31,734)	(18,804)

12 TAXATION

Income tax expense in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Current income tax		
— Hong Kong profits tax	**81**	182
— PRC income tax expense	**373,012**	462,488
Deferred PRC income tax	**98,713**	(32,507)
	471,806	430,163
Representing:		
Income tax from continuing operations	**471,806**	380,412
Income tax from discontinued operations	**—**	49,751

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

PRC income tax expense has been provided on the estimated assessable profit for the year according to the tax laws and regulations applicable to the PRC enterprises.

The 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 PRC current income tax is based on the statutory rate of 25% (2007: 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 20% (2007: 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 25% (2007: 33%) in the PRC is as follows:

	2008 RMB'000	2007 RMB'000 (Restated, Note 44)
Profit before income tax from continuing operations	**1,310,309**	1,295,736
Profit before income tax from discontinued operations	**—**	279,275
Profit before income tax	**1,310,309**	1,575,011
Less: Share of profit of associates	**(30,206)**	(28,870)
	1,280,103	1,546,141
Tax calculated at the statutory tax rate of 25% (2007: 33%)	**320,026**	510,227
Tax effects of:		
Utilisation of prior year unrecognised tax losses	**(3,534)**	(8,425)
Deferred income tax benefits arising from tax losses in certain entities not recognised	**189,967**	51,943
Non-taxable income	**(24,210)**	(32,256)
Expenses not deductible for tax purposes	**50,162**	44,912
Preferential tax rates on the income of certain subsidiaries/jointly controlled entities	**(59,555)**	(122,192)
Others	**(1,050)**	(14,046)
Income tax expense	**471,806**	430,163

The weighed average applicable tax rate was 37% (2007, restated: 28%).

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 2008 and 2007, 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	
	2008	2007
	RMB'000	RMB'000
		(Restated, Note 44)
At beginning of year (Restated, Note 44)	**182,849**	249,253
Credited/(charged) to consolidated income statement	**2,599**	(37,093)
Charged directly to equity	**—**	(29,311)
At end of year	**185,448**	182,849
Provided for in respect of:		
Asset revaluation surplus during the Reorganisation deductible for income tax purposes (Note i)	**135,583**	137,107
Provision for impairment of receivables	**14,089**	15,674
Provision for one-off cash housing subsidies	**8,593**	8,833
Salary payable which is not deductible for income tax purposes	**11,436**	8,019
Provision for claims	**3,027**	3,504
Depreciation on property, plant and equipment	**4,953**	3,100
Tax losses	**4,088**	3,437
Other temporary differences	**3,679**	3,175
	185,448	182,849

(i) 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.

12 TAXATION (CONTINUED)

Deferred income tax assets (Continued)

	The Group		The Company	
	2008	2007	**2008**	2007
	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	**6,883**	7,169	**6,883**	7,169
Depreciation on property, plant and equipment	**218**	—	**218**	—
Tax losses (Note ii)	**1,183,452**	498,916	**—**	—
	1,190,553	506,085	**7,101**	7,169

(ii) 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 2008, the Group did not recognise deferred income tax assets of RMB295,863,000 (2007: RMB124,725,000) 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 (2007: RMB12,976,000), RMB291,208,000 (2007: RMB291,208,000), RMB194,732,000 (2007: RMB194,732,000) and RMB684,536,000 (2007: nil) would expire in 2010, 2011, 2012 and 2013 respectively.

Deferred income tax liabilities

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
At beginning of year (Restated, Note 44)	**506,323**	145,163
Charged/(credited) to consolidated income statement	**101,312**	(69,600)
(Credited)/charged directly to equity	**(466,800)**	430,760
At end of year	**140,835**	506,323
Provided for in respect of:		
Change in fair values of available-for-sale financial assets	**26,000**	492,800
Operating lease charges on land use rights	**5,379**	5,567
Depreciation on property, plant and equipment	**7,192**	6,289
Deferred income recognised arising from disposal of a jointly controlled entity	**97,564**	—
Other temporary differences	**4,700**	1,667
	140,835	506,323

12 TAXATION (CONTINUED)

Deferred income tax liabilities (Continued)

	The Group	
	2008	2007
	RMB'000	RMB'000
		(Restated, Note 44)
Deferred income tax assets to be recovered after more than 12 months	**172,488**	133,428
Deferred income tax assets to be recovered within 12 months	**12,960**	49,421
	185,448	182,849
Deferred income tax liabilities to be recovered after more than 12 months	**73,173**	—
Deferred income tax liabilities to be recovered within 12 months	**67,662**	506,323
	140,835	506,323

The temporary differences associated with the Group's underlying investments in subsidiaries, jointly controlled entities and associates amounted to RMB610,579,000 (2007, restated: RMB617,075,000) as at 31 December 2008 for which deferred income tax liabilities have not been recognised. Within the above amounts was mainly a gain of RMB543,944,000 (2007: 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.

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 RMB1,084,559,000 (2007: RMB345,990,000).

14 DIVIDENDS

	The Company	
	2008	2007
	RMB'000	RMB'000
Interim, paid, of RMB0.03 (2007: RMB0.03) per ordinary share	**127,470**	127,470
Final, proposed, of RMB0.02 (2007: RMB0.03) per ordinary share	**84,980**	127,470
	212,450	254,940

At the Board of Directors' meeting held on 24 March 2009, the directors proposed a final dividend of RMB0.02 per ordinary share totaling RMB0.05 for the year ended 31 December 2008. 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 2009.

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 ended 31 December 2008 and 31 December 2007 respectively.

	2008	2007 (Restated, Note 44)
Continuing operations		
Profit attributable to equity holders of the Company (RMB '000)	**568,569**	677,006
Weighted average number of ordinary shares in issue (thousands)	**4,249,002**	4,249,002
Basic and diluted earnings per share (RMB per share)	**0.13**	0.16
Discontinued operations		
Profit attributable to equity holders of the Company (RMB '000)	**–**	162,041
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

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	Total RMB'000
Cost									
At 1 January 2008 (Restated, Note 44)	2,102,197	142,804	428,903	26,206	1,207,193	1,283,732	613,202	588,117	6,392,354
Exchange differences	(3,868)	—	—	53	(244)	(15,467)	(694)	—	(20,220)
Additions	23,864	4,115	3,982	21,710	102,528	565,957	73,943	740,619	1,536,718
Disposals	(11,969)	(36,014)	(6,285)	(1,681)	(40,737)	(74,282)	(37,671)	—	(208,639)
Disposal of a jointly controlled entity	—	(13,786)	—	—	(15,713)	(3,829)	(36,365)	—	(69,693)
Transfer upon completion	166,604	27,254	104,071	—	89,802	22,565	15,368	(425,664)	—
At 31 December 2008	2,276,828	124,373	530,671	46,288	1,342,829	1,778,676	627,783	903,072	7,630,520
Accumulated depreciation and impairment losses									
At 1 January 2008 (Restated, Note 44)	(385,601)	(82,270)	(108,695)	(20,882)	(414,699)	(673,534)	(375,289)	—	(2,060,970)
Exchange differences	2,239	—	—	12	19	8,609	218	—	11,097
Depreciation	(76,276)	(19,508)	(18,930)	(1,352)	(98,799)	(144,142)	(81,613)	—	(440,620)
Disposals	3,692	32,665	627	1,622	33,234	59,878	24,896	—	156,614
Disposal of a jointly controlled entity	—	7,110	—	—	9,440	1,892	15,129	—	33,571
Reversal of provision for impairment losses	236	—	—	—	—	550	—	—	786
At 31 December 2008	(455,710)	(62,003)	(126,998)	(20,600)	(470,805)	(746,747)	(416,659)	—	(2,299,522)
Net book value									
At 31 December 2008	1,821,118	62,370	403,673	25,688	872,024	1,031,929	211,124	903,072	5,330,998
At 1 January 2008 (Restated, Note 44)	1,716,596	60,534	320,208	5,324	792,494	610,198	237,913	588,117	4,331,384

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Port and rail facilities RMB'000	Containers RMB'000	Plant and machinery RMB'000	Motor vehicles and vessels RMB'000	Furniture and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost									
At 1 January 2007 (Restated, Note 44)	1,763,970	121,744	367,623	24,178	1,052,501	1,243,263	561,734	306,562	5,441,575
Exchange differences	(1,761)	(52)	–	–	–	(13,674)	(55)	–	(15,542)
Additions	12,575	14,392	18,055	3,519	102,069	90,303	68,002	786,152	1,095,067
Acquisition of subsidiaries and jointly controlled entities	11,462	–	4,238	3	5,061	252	383	67,165	88,564
Disposals	(39,972)	(4,404)	(847)	(1,494)	(41,570)	(86,839)	(42,184)	–	(217,310)
Transfer upon completion	355,923	11,124	39,834	–	89,132	50,427	25,322	(571,762)	–
At 31 December 2007 (Restated, Note 44)	2,102,197	142,804	428,903	26,206	1,207,193	1,283,732	613,202	588,117	6,392,354
Accumulated depreciation and impairment losses									
At 1 January 2007 (Restated, Note 44)	(344,656)	(67,861)	(91,342)	(20,787)	(358,332)	(623,995)	(333,858)	–	(1,840,831)
Exchange differences	323	14	–	–	–	6,668	70	–	7,075
Depreciation	(71,231)	(18,152)	(17,606)	(1,389)	(92,786)	(124,197)	(79,048)	–	(404,409)
Disposals	29,963	3,729	253	1,294	36,420	67,891	37,547	–	177,097
Reversal of provision for impairment losses	–	–	–	–	(1)	99	–	–	98
At 31 December 2007 (Restated, Note 44)	(385,601)	(82,270)	(108,695)	(20,882)	(414,699)	(673,534)	(375,289)	–	(2,060,970)
Net book value									
At 31 December 2007 (Restated, Note 44)	1,716,596	60,534	320,208	5,324	792,494	610,198	237,913	588,117	4,331,384
At 1 January 2007 (Restated, Note 44)	1,419,314	53,883	276,281	3,391	694,169	619,268	227,876	306,562	3,600,744

The Group's buildings are mainly located in the Mainland, the PRC. Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 35(c).

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	Total RMB'000
Cost						
At 1 January 2008	2,720	2,148	6,448	84,716	15,238	111,270
Additions	105	117	–	3,510	15,248	18,980
Disposals	–	–	–	(13)	–	(13)
Transfer upon completion	756	926	–	4,706	(6,388)	–
At 31 December 2008	3,581	3,191	6,448	92,919	24,098	130,237
Accumulated depreciation						
At 1 January 2008	(1,196)	(1,007)	(2,792)	(46,179)	–	(51,174)
Depreciation	(552)	(436)	(1,042)	(13,174)	–	(15,204)
Disposals	–	–	–	13	–	13
At 31 December 2008	(1,748)	(1,443)	(3,834)	(59,340)	–	(66,365)
Net book value						
At 31 December 2008	1,833	1,748	2,614	33,579	24,098	63,872
At 1 January 2008	1,524	1,141	3,656	38,537	15,238	60,096

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company (Continued)

	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	Total RMB'000
Cost						
At 1 January 2007	2,543	1,901	5,161	81,409	9,715	100,729
Additions	177	247	1,287	5,369	6,577	13,657
Disposals	—	—	—	(3,116)	—	(3,116)
Transfer upon completion	—	—	—	1,054	(1,054)	—
At 31 December 2007	2,720	2,148	6,448	84,716	15,238	111,270
Accumulated depreciation						
At 1 January 2007	(705)	(642)	(1,965)	(35,147)	—	(38,459)
Depreciation	(491)	(365)	(827)	(14,054)	—	(15,737)
Disposals	—	—	—	3,022	—	3,022
At 31 December 2007	(1,196)	(1,007)	(2,792)	(46,179)	—	(51,174)
Net book value						
At 31 December 2007	1,524	1,141	3,656	38,537	15,238	60,096
At 1 January 2007	1,838	1,259	3,196	46,262	9,715	62,270

The Company's buildings are located in the Mainland, the PRC.

17 PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	The Group	
	2008	2007
	RMB'000	RMB'000
At beginning of year	**317,471**	277,907
Additions	**100,505**	126,439
Acquisition of subsidiaries and jointly controlled entities	**—**	26,831
Transfer to land use rights	**(29,462)**	(113,706)
At end of year	**388,514**	317,471

18 LAND USE RIGHTS

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
At beginning of year (Restated, Note 44)	**1,005,341**	669,014
Additions	**93,760**	128,786
Transfer from prepayments for acquisition of land use rights	**29,462**	113,706
Acquisition of subsidiaries and jointly controlled entities	**—**	113,271
Disposal of a jointly controlled entity	**(4,846)**	—
Operating lease charges	**(24,854)**	(19,436)
At end of year	**1,098,863**	1,005,341

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 (2007: 10 to 50 years).

Land use rights pledged as security for bank borrowings are disclosed in Note 35(c).

19 INTANGIBLE ASSETS

	The Group			
			2008	2007
	Software	Goodwill	**Total**	Total
	RMB'000	RMB'000	**RMB'000**	RMB'000
				(Restated, Note 44)
Cost				
At beginning of year (Restated, Note 44)	133,992	47,611	**181,603**	165,721
Additions	15,139	—	**15,139**	15,882
At end of year	149,131	47,611	**196,742**	181,603
Accumulated amortisation				
At beginning of year (Restated, Note 44)	(95,127)	—	**(95,127)**	(76,162)
Amortisation	(16,227)	—	**(16,227)**	(18,965)
At end of year	(111,354)	—	**(111,354)**	(95,127)
Net book value				
At end of year	37,777	47,611	**85,388**	86,476
At beginning of year (Restated, Note 44)	38,865	47,611	**86,476**	89,559

For the purposes of impairment testing, goodwill has been allocated to 16 (2007: 16) individual cash generating units ("CGU") which comprise 14 (2007: 14) subsidiaries and 2 (2007: 2) jointly controlled entities.

The recoverable amount was determined based on value-in-use calculations. The recoverable amount of each CGU 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 discount rate of 8%. 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 2008, management of the Group was of the view that there was no impairment of goodwill.

19 INTANGIBLE ASSETS (CONTINUED)

	The Company	
	2008	2007
	Software	Software
	RMB'000	RMB'000
Cost		
At beginning of year	**73,491**	61,049
Additions	**9,710**	12,442
At end of year	**83,201**	73,491
Accumulated amortisation		
At beginning of year	**(47,816)**	(35,963)
Amortisation	**(10,696)**	(11,853)
At end of year	**(58,512)**	(47,816)
Net book value		
At end of year	**24,689**	25,675
At beginning of year	**25,675**	25,086

20 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	RMB'000
Investments at cost:		
Unlisted equity interests	**2,732,355**	2,562,059
Shares in a company listed in the PRC	**1,153,107**	1,153,107
	3,885,462	3,715,166
Market value of the listed shares	**3,378,870**	11,337,604

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

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries as at 31 December 2008:

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	80%	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
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

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 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	RMB59,382,238	90%	100%	Freight forwarding, shipping agency and express services
Shandong Sinotrans Lishen Hoisting and Transporting Company Limited (“Sinotrans Lishen”)	Jinan, the PRC Limited liability company	RMB37,600,000	80%	80%	Hoisting and transporting
Sinotrans Anhui Company Limited*	Hefei, the PRC Limited liability company	RMB78,266,081	100%	100%	Freight forwarding
Sinotrans Chongqing Company Limited*	Chongqing, the PRC Limited liability company	RMB27,925,642	100%	100%	Freight forwarding
Sinotrans (Hong Kong) Logistics Company Limited*	Hong Kong, the PRC Limited liability company	HK$500,000	60%	100%	Freight forwarding, shipping agency
Sinotrans Jiangxi Company Limited*	Jiujiang, the PRC Limited liability company	RMB9,924,241	100%	100%	Freight forwarding

* Subsidiaries acquired in 2008 under common control.

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 2008, 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
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.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The aggregate amounts of assets, liabilities, net assets, revenues, expenses and profit for the year attributable to the Group's interests in the jointly controlled entities that are included in the consolidated balance sheet and consolidated income statement are summarised as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Non-current assets	**1,134,110**	832,720
Current assets	**1,384,164**	1,677,998
Non-current liabilities	**(269,466)**	(11,293)
Current liabilities	**(807,024)**	(1,135,995)
Net assets	**1,441,784**	1,363,430
Revenues	**6,087,627**	7,734,658
Expenses	**(5,536,567)**	(7,061,321)
Profit for the year	**403,591**	540,207

There are no significant commitments and contingent liabilities related to the Group'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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
At beginning of year (Restated, Note 44)	**478,837**	386,214	**162,440**	88,750
Acquisition of associates	**447,829**	84,409	**—**	73,690
Share of profit of associates				
— profit before income tax	**40,275**	40,755	**—**	—
— income tax expense	**(10,069)**	(11,885)	**—**	—
	30,206	28,870	**—**	—
Disposals	**—**	(600)	**—**	—
Additional interests of an associate acquired	**(2,450)**	—	**—**	—
Currency translation differences of an associate	**(10,821)**	(9,561)	**—**	—
Provision for impairment	**—**	(390)	**—**	—
Dividends received	**(32,071)**	(10,105)	**(7,371)**	—
At end of year	**911,530**	478,837	**155,069**	162,440

Investments in associates as at 31 December 2008 include goodwill of RMB38,011,000 (2007: RMB22,042,000).

The Group'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	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Assets	**1,399,908**	694,008
Liabilities	**488,378**	215,171
Revenues	**803,253**	569,309
Profit for the year	**30,206**	28,870

22 INVESTMENTS IN ASSOCIATES (CONTINUED)

The following is a list of the principal associates as at 31 December 2008:

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	—	20%	Air freight forwarding
Sinotrans Logistics Investment Holding Company Limited	Beijing, the PRC Limited liability company	RMB200,000,000	35%	43.79%	Investment activities
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	RMB70,000,000	30%	30%	Storage and terminal services
Jiangsu Jiangyin Port Company Limited	Jiangyin, the PRC Limited liability company	RMB87,750,000	20%	20%	Storage and terminal services
Weidong Ferry Company Limited*	Shandong, the PRC Sino-foreign equity joint venture	US$15,000,000	—	30%	International marine transportation
Shenzhen Haixing Harbour Development Company Limited*	Guangdong, the PRC Sino-foreign equity joint venture	US$15,151,500	—	33%	Storage and terminal services
Wuhan Port Container Company Limited*	Wuhan, the PRC Limited liability company	RMB400,000,000	—	30%	Container loading and freight forwarding

* Associates acquired in 2008.

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					
As at 31 December 2008					
Available-for-sale financial assets (Note 26)	**—**	**—**	**—**	**367,454**	**367,454**
Trade and other receivables (Note 29)	**5,149,605**	**—**	**—**	**—**	**5,149,605**
Financial assets at fair value through profit or loss (Note 31)	**—**	**421**	**—**	**—**	**421**
Restricted cash (Note 32)	**474,044**	**—**	**—**	**—**	**474,044**
Term deposits with initial terms of over three months (Note 33)	**1,188,730**	**—**	**—**	**—**	**1,188,730**
Cash and cash equivalents (Note 34)	**4,447,670**	**—**	**—**	**—**	**4,447,670**
Total	**11,260,049**	**421**	**—**	**367,454**	**11,627,924**
As at 31 December 2007 (Restated, Note 44)					
Held-to-maturity financial assets (Note 25)	—	—	58,437	—	58,437
Available-for-sale financial assets (Note 26)	—	—	—	2,210,600	2,210,600
Trade and other receivables (Note 29)	6,412,031	—	—	—	6,412,031
Financial assets at fair value through profit or loss (Note 31)	—	1,257	—	—	1,257
Restricted cash (Note 32)	296,115	—	—	—	296,115
Term deposits with initial terms of over three months (Note 33)	420,326	—	—	—	420,326
Cash and cash equivalents (Note 34)	4,432,894	—	—	—	4,432,894
Total	11,561,366	1,257	58,437	2,210,600	13,831,660

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			
As at 31 December 2008			
Trade and other receivables (Note 29)	**5,307,253**	**—**	**5,307,253**
Restricted cash (Note 32)	**800**	**—**	**800**
Cash and cash equivalents (Note 34)	**506,504**	**—**	**506,504**
Total	**5,814,557**	**—**	**5,814,557**
As at 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 32)	5,800	—	5,800
Term deposits with initial terms of over three months (Note 33)	10,229	—	10,229
Cash and cash equivalents (Note 34)	378,409	—	378,409
Total	3,032,232	58,437	3,090,669

The Group	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per consolidated balance sheet		
As at 31 December 2008		
Trade payables (Note 37)	**—**	**3,660,755**
Other payables, accruals and other current liabilities (Note 38)	**—**	**2,145,335**
Borrowings (Note 35)	**—**	**2,417,275**
Derivative financial instruments (Note 30)	**311,907**	**—**
Total	**311,907**	**8,223,365**
As at 31 December 2007 (Restated, Note 44)		
Trade payables (Note 37)	—	4,575,039
Other payables, accruals and other current liabilities (Note 38)	—	1,427,085
Borrowings (Note 35)	—	1,354,483
Total	—	7,356,607

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The Company	At fair value through profit or loss RMB'000	Measured at amortised cost RMB'000
Financial liabilities as per balance sheet		
As at 31 December 2008		
Trade payables (Note 37)	**—**	**113,069**
Other payables, accruals and other current liabilities (Note 38)	**—**	**2,484,936**
Borrowings (Note 35)	**—**	**1,402,232**
Derivative financial instruments (Note 30)	**11,893**	**—**
Total	**11,893**	**4,000,237**
As at 31 December 2007		
Trade payables (Note 37)	—	85,870
Other payables, accruals and other current liabilities (Note 38)	—	1,544,229
Borrowings (Note 35)	—	814,159
Total	—	2,444,258

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 2008, the Group's trade and other receivables of RMB4,803,961,000 (2007, restated: RMB6,044,590,000) and the Company's trade and other receivables of RMB5,246,898,000 (2007: RMB2,591,549,000) 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 2008 and 2007. 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 2008 and 2007, 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 2008 and 2007.

25 HELD-TO-MATURITY FINANCIAL ASSETS

	The Group and the Company	
	2008	2007
	RMB'000	RMB'000
At beginning of year	**58,437**	62,470
Exchange differences	**(2,567)**	(4,033)
Disposal	**(55,870)**	—
At end of year	**—**	58,437

There were no gains or losses realised on the disposal of held-to-maturity financial assets in 2008.

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Available-for-sale financial assets	**367,454**	2,210,600

The available-for-sale financial assets include:

(a) Listed investment represented Sinoair's subscription of 80 million ordinary shares of RMB2.80 each in Air China 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, with a fair value of RMB328,000,000 (2007: RMB2,195,200,000) as at 31 December 2008. Air China was incorporated in the PRC whose principal activities were air transportation.

(b) Unlisted investments comprise equity interests in entities which are engaged in logistics and freight forwarding operations.

In 2008 and 2007, there were no disposals of the available-for-sale financial assets. As at 31 December 2008 and 2007, 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Prepayments on behalf of customers	**421,782**	520,673	**51,653**	42,758
Prepaid expenses	**41,804**	48,166	**1,610**	2,890
Due from related parties	**11,643**	13,221	**13,714**	582
Others	**5,845**	451	**—**	—
	481,074	582,511	**66,977**	46,230

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 2008, the inventories of the Group stated at net realisable value amounted to RMB10,918,000 (2007, restated: RMB9,271,000).

29 TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**RMB'000**	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Trade receivables	(a)	**4,491,649**	5,814,552	**150,310**	128,917
Bills receivables	(b)	**98,445**	81,840	**1,300**	—
Other receivables	(c)	**315,033**	277,163	**1,726**	5,696
Due from related parties	(d)	**244,478**	238,476	**5,153,917**	2,503,181
		5,149,605	6,412,031	**5,307,253**	2,637,794

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

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
RMB	**3,824,322**	4,416,994	**5,175,250**	2,519,913
US$	**1,223,583**	1,911,682	**131,935**	117,865
HK$	**49,458**	77,644	**—**	—
Others	**52,242**	5,711	**68**	16
	5,149,605	6,412,031	**5,307,253**	2,637,794

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.

As at 31 December 2008 and 2007, the following trade and other receivables were impaired. The factors considered by management in determining the impairment are described in Note 5. 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Within 6 months	**6,005**	3,729	**—**	—
Between 6 and 12 months	**80,112**	70,747	**10,438**	5,767
Between 1 and 2 years	**34,058**	70,606	**787**	32,722
Between 2 and 3 years	**14,361**	19,915	**1,285**	622
Over 3 years	**33,910**	43,655	**528**	—
	168,446	208,652	**13,038**	39,111
Less: Provision for impairment of receivables	**(106,678)**	(118,399)	**(2,133)**	(13,668)
	61,768	90,253	**10,905**	25,443

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2008 and 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Within 6 months	**282,907**	273,188	**49,450**	20,802
Between 6 and 12 months	**936**	2,337	**—**	—
Between 1 and 2 years	**11**	1,530	**—**	—
Between 2 and 3 years	**1**	31	**—**	—
Over 3 years	**21**	102	**—**	—
	283,876	277,188	**49,450**	20,802

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
At beginning of year (Restated, Note 44)	**(118,399)**	(116,558)	**(13,668)**	(4,514)
Provision for impairment	**(51,147)**	(40,596)	**(1,391)**	(9,154)
Receivables written off as uncollectible	**39,441**	15,564	**7,138**	—
Unused amounts reversed	**23,427**	23,191	**5,788**	—
At end of year	**(106,678)**	(118,399)	**(2,133)**	(13,668)

The creation and release of provision for impaired receivables have been included in 'other operating expenses' and 'other income' in the consolidated 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.

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

	The Group		The Company	
	2008 RMB'000	2007 RMB'000 (Restated, Note 44)	2008 RMB'000	2007 RMB'000
Trade receivables	4,567,850	5,900,989	152,034	142,202
Less: Provision for impairment of receivables	(76,201)	(86,437)	(1,724)	(13,285)
	4,491,649	5,814,552	150,310	128,917

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

	The Group		The Company	
	2008 RMB'000	2007 RMB'000 (Restated, Note 44)	2008 RMB'000	2007 RMB'000
Within 6 months	4,435,954	5,729,187	139,412	103,744
Between 6 and 12 months	79,508	69,697	10,438	5,578
Between 1 and 2 years	33,305	67,462	772	32,448
Between 2 and 3 years	11,622	15,326	884	432
Over 3 years	7,461	19,317	528	—
	4,567,850	5,900,989	152,034	142,202

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

(c) Other receivables

	The Group		The Company	
	2008 RMB'000	2007 RMB'000 (Restated, Note 44)	2008 RMB'000	2007 RMB'000
Deposits receivables	290,799	263,016	1,695	904
Dividend and investment income receivables	1,373	—	—	—
Interests receivables	8,154	183	31	31
Others	44,489	44,001	—	4,761
	344,815	307,200	1,726	5,696
Less: Provision for impairment of receivables	(29,782)	(30,037)	—	—
	315,033	277,163	1,726	5,696

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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Trade receivables:				
Ultimate holding company and fellow subsidiaries	**99,045**	42,989	**5,201**	1,384
Jointly controlled entities	**11,846**	24,534	**—**	—
Associates	**14,274**	14,181	**—**	—
Other PRC state-owned enterprises	**44,300**	23,035	**12,520**	2,710
	169,465	104,739	**17,721**	4,094
Less: Provision for impairment of receivables	**(675)**	(1,896)	**(409)**	(383)
	168,790	102,843	**17,312**	3,711
Other receivables:				
Ultimate holding company and fellow subsidiaries	**61,374**	112,683	**5,136,551**	2,499,398
Jointly controlled entities	**13,169**	14,913	**—**	—
Associates	**444**	510	**54**	72
Other PRC state-owned enterprises	**721**	7,556	**—**	—
	75,708	135,662	**5,136,605**	2,499,470
Less: Provision for impairment of receivables	**(20)**	(29)	**—**	—
	75,688	135,633	**5,136,605**	2,499,470
	244,478	238,476	**5,153,917**	2,503,181

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

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Due from related parties (Continued)

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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Within 6 months	**167,426**	97,558	**17,305**	3,442
Between 6 and 12 months	**1,496**	3,011	**—**	189
Between 1 and 2 years	**48**	3,234	**15**	274
Between 2 and 3 years	**406**	652	**401**	189
Over 3 years	**89**	284	**—**	—
	169,465	104,739	**17,721**	4,094

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

30 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Company	
		2008	2007	**2008**	2007
		RMB'000	RMB'000	**RMB'000**	RMB'000
Current liabilities					
— Foreign exchange forward contracts					
— held for trading	(a)	**256,183**	—	**11,893**	—
— Fuel oil forward contract					
— held for trading	(b)	**55,724**	—	**—**	—
Total		**311,907**	—	**11,893**	—

30 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group's and the Company's derivative financial instruments are as follows:

(a) Foreign exchange forward contracts

As at 31 December 2008, the Group had certain outstanding gross-settled foreign exchange forward contracts with banks. Upon the spot rate as at balance sheet date, the Group is to buy approximately US$242,630,000 and simultaneously sell approximately JPY24,566,150,000 as notional principal amount in aggregate over the remaining periods of the contracts, subject to certain structured terms. These contracts are settled on a monthly basis and will expire through 2010 and 2011. In addition, as at 31 December 2008, the Group and Company had an outstanding net-settled foreign exchange forward contract with a bank. Upon the spot rate as at balance sheet date, the notional principal amount of the contract is US$500,000 to buy US$ and simultaneously sell JPY over the remaining period of the contract, subject to certain structured terms. The contract is settled on a monthly basis and will expire in October 2011. These contracts may be terminated before the maturity date when certain conditions are met.

During the year ended 31 December 2008, the realised net losses of the above foreign exchange forward contracts amounting to RMB2,539,000 were charged in the consolidated financial statements.

(b) Fuel oil forward contract

As at 31 December 2008, the Group had an outstanding fuel oil forward contract with a bank to buy fuel oil from 24,000 metric tons to 48,000 metric tons in aggregate over the remaining period of the contract, subject to certain structured terms. The contract is settled on a monthly basis and will expire in December 2009. This contract may be terminated before the maturity date when certain conditions are met.

During the year ended 31 December 2008, no realised gains or losses of the fuel oil forward contract have been charged in the consolidated financial statements.

As at 28 February 2009, the fair value of the Group's then outstanding derivative financial instruments was negative RMB171,000,000. The realised losses in January and February 2009 totaled RMB19,428,000.

31 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2008	2007
	RMB'000	RMB'000
Listed equity securities in the PRC, at market value	**421**	1,257

Financial assets at fair value through profit or loss, comprising principally 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 43) as it is relating to the operating activities of the Group.

Losses on changes in fair values of financial assets at fair value through profit or loss are recorded in "other losses, net" in the consolidated income statement.

32 RESTRICTED CASH

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Deposits denominated in RMB in banks restricted for				
— bank borrowings	**438,412**	245,493	**—**	—
— other business purposes	**35,632**	50,622	**800**	5,800
	474,044	296,115	**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 4.14% (2007: 3.53%) and 0% (2007: 0.72%) respectively as at 31 December 2008.

33 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
RMB	**1,188,730**	419,687	**—**	10,229
US$	**—**	345	**—**	—
HK$	**—**	294	**—**	—
	1,188,730	420,326	**—**	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 2008, the weighted average effective interest rates per annum on term deposits with initial terms of over three months of the Group was 3.41% (2007: 3.16%).

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.

34 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Cash at bank and in hand	**3,462,499**	2,969,666	**347,737**	363,409
Short-term bank deposits	**985,171**	1,463,228	**158,767**	15,000
	4,447,670	4,432,894	**506,504**	378,409

(a) As at 31 December 2008 and 2007, the Group's and the Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
RMB	**3,389,018**	3,551,069	**251,531**	241,096
US$	**989,599**	809,032	**254,061**	130,003
HK$	**46,793**	49,898	**851**	644
JPY	**12,334**	17,748	**10**	6,617
Others	**9,926**	5,147	**51**	49
	4,447,670	4,432,894	**506,504**	378,409

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 2.08% (2007: 2.26%) and 1.35% (2007: 2.88%) respectively as at 31 December 2008.

35 BORROWINGS

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Current				
Bank borrowings denominated in				
— RMB	**549,508**	502,456	**400,000**	450,000
— US$	**683,706**	751,356	**273,412**	311,908
— HK$	**352,800**	52,251	**352,800**	52,251
— JPY	**376,020**	—	**376,020**	—
— Euro ("EUR")	**139,529**	—	**—**	—
Current portion of non-current borrowings denominated in RMB	**—**	6,000	**—**	—
	2,101,563	1,312,063	**1,402,232**	814,159
Non-current				
Bank borrowings repayable between 1 to 2 years				
— denominated in RMB	—	7,056	—	—
— denominated in US$	52,080	—	—	—
Bank borrowings repayable between 2 to 5 years				
— denominated in RMB	55,308	35,364	—	—
— denominated in US$	78,122	—	—	—
Bank borrowings repayable over 5 years				
— denominated in US$	130,202	—	—	—
	315,712	42,420	—	—
Total borrowings	2,417,275	1,354,483	1,402,232	814,159
Borrowings				
— Unsecured	1,621,895	1,020,789	1,402,232	814,159
— Secured or guaranteed	795,380	333,694	—	—
	2,417,275	1,354,483	1,402,232	814,159

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair values.

35 BORROWINGS (CONTINUED)

(b) The weighted average effective interest rates per annum of the borrowings for the Group were 6.90% (2007, restated: 5.79%) for bank borrowings denominated in RMB, 5.66% (2007: 5.93%) for bank borrowings denominated in US$, 5.45% (2007: 5.66%) for bank borrowings denominated in HK$, 3.90% (2007: nil) for bank borrowings denominated in JPY and 7.67% (2007: nil) for bank borrowings denominated in EUR as at 31 December 2008.

The weighted average effective interest rates per annum of the borrowings for the Company were 6.81% (2007: 4.05%) for bank borrowings denominated in RMB, 5.55% (2007: 3.65%) for bank borrowings denominated in US$, 5.45% (2007: 5.66%) for bank borrowings denominated in HK$ and 3.90% (2007: nil) for bank borrowings denominated in JPY as at 31 December 2008.

(c) Securities and guarantees

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Restricted cash pledged	**438,412**	245,493
Net book value of property, plant and equipment pledged	**455,224**	120,005
Net book value of land use rights pledged	**22,145**	8,612
Guarantees provided by companies within the Group	**—**	5,000
Guarantees provided by third parties	**28,816**	44,476
Corresponding borrowings		
— pledged by restricted cash	**431,554**	235,218
— pledged by property, plant and equipment	**326,895**	47,000
— pledged by land use rights	**8,115**	2,000
— guaranteed by companies within the Group	**—**	5,000
— guaranteed by third parties	**28,816**	44,476
	795,380	333,694

(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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
6 months or less	**1,933,042**	670,335	**1,202,232**	364,159
6–12 months	**428,925**	641,728	**200,000**	450,000
1–5 years	**55,308**	42,420	**—**	—
	2,417,275	1,354,483	**1,402,232**	814,159

36 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 2008 (Restated, Note 44)	**33,841**	**8,200**	**79,464**	**20,178**	**—**	**141,683**
Additional provision	**—**	**—**	**3,994**	**26,663**	**10,165**	**40,822**
Utilised during the year	**(1,068)**	**(22)**	**(56,363)**	**(20,178)**	**—**	**(77,631)**
As at 31 December 2008	**32,773**	**8,178**	**27,095**	**26,663**	**10,165**	**104,874**
As at 1 January 2007 (Restated, Note 44)	36,024	8,178	20,955	54,919	8,176	128,252
Additional provision	—	22	59,699	—	—	59,721
Utilised during the year	(2,183)	—	(1,190)	(34,741)	(8,176)	(46,290)
As at 31 December 2007 (Restated, Note 44)	33,841	8,200	79,464	20,178	—	141,683

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 outstanding claims provision as at the respective balance sheet dates relates to certain legal claims brought against the Group by customers.

Onerous contracts provision as at the respective balance sheet dates were made for Group's vessels which were sub-let with a loss.

	The Company Outstanding claims
	RMB'000
As at 1 January 2007 and 2008	**6,160**
Additional provision	**—**
As at 31 December 2007 and 2008	**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.

37 TRADE PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Trade payables	**3,453,518**	4,415,970	**92,883**	50,832
Due to related parties	**207,237**	159,069	**20,186**	35,038
	3,660,755	4,575,039	**113,069**	85,870

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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
RMB	**2,797,929**	3,142,817	**31,898**	19,516
US$	**770,760**	1,334,539	**78,915**	64,590
HK$	**53,687**	87,802	**—**	—
Others	**38,379**	9,881	**2,256**	1,764
	3,660,755	4,575,039	**113,069**	85,870

(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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Within 6 months	**3,033,513**	4,065,741	**76,010**	38,500
Between 6 and 12 months	**212,398**	145,017	**5,205**	5,029
Between 1 and 2 years	**112,273**	115,800	**5,026**	6,185
Between 2 and 3 years	**41,065**	43,734	**6,031**	1,118
Over 3 years	**54,269**	45,678	**611**	—
	3,453,518	4,415,970	**92,883**	50,832

37 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Ultimate holding company and fellow subsidiaries	**121,819**	81,285	**20,036**	35,027
Jointly controlled entities	**1,763**	5,397	**88**	11
Associates	**10,329**	7,980	**—**	—
Other PRC state-owned enterprises	**73,326**	64,407	**62**	—
	207,237	159,069	**20,186**	35,038

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Within 6 months	**177,138**	124,148	**19,233**	34,451
Between 6 and 12 months	**8,700**	8,880	**835**	2
Between 1 and 2 years	**7,294**	5,929	**118**	516
Between 2 and 3 years	**2,259**	11,147	**—**	69
Over 3 years	**11,846**	8,965	**—**	—
	207,237	159,069	**20,186**	35,038

38 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Other payables and accruals	**650,882**	694,267	**66,582**	70,106
Due to related parties	**1,494,453**	732,818	**2,418,354**	1,474,123
	2,145,335	1,427,085	**2,484,936**	1,544,229

(a) Other payables and accruals

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Payables for property, plant and equipment	**145,972**	136,181	**—**	—
Customers' deposits	**297,808**	304,956	**13,297**	14,798
Accrued expenses	**84,214**	110,811	**21,594**	18,398
Dividends payable to minority shareholders of subsidiaries	**9,198**	10,846	**—**	—
Temporary receipts	**29,030**	30,345	**26,348**	36,910
Other current tax liabilities	**58,900**	68,950	**5,343**	—
Others	**25,760**	32,178	**—**	—
	650,882	694,267	**66,582**	70,106

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Ultimate holding company and fellow subsidiaries	**1,491,978**	729,551	**2,418,354**	1,474,123
Jointly controlled entities	**278**	805	**—**	—
Associates	**988**	602	**—**	—
Other PRC state-owned enterprises	**1,209**	1,860	**—**	—
	1,494,453	732,818	**2,418,354**	1,474,123

The amounts due to related parties are generally unsecured, non-interest bearing and have no fixed repayment terms.

39 RECEIPTS IN ADVANCE FROM CUSTOMERS

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Receipts in advance from customer	**713,718**	785,930
Collection and payment on others' behalf	**371,734**	412,503
	1,085,452	1,198,433

40 SHARE CAPITAL

	The Company	
	2008	2007
	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 2008 and 2007, 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$.

41 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.

For the year ended 31 December 2008, the Company transferred of 10% of the Company's profit after tax (2007: 10%) determined under the PRC accounting standards, after reduction of accumulative losses, of RMB4,714,000 to the statutory surplus reserve fund.

As at 31 December 2008, the Company's retained earnings available for distribution was approximately RMB42,423,000, being the amount determined in accordance with the PRC accounting standards.

42 CASH-SETTLED SHARE-BASED PAYMENT

The Group had cash-settled share-based payment arrangements, also known as 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 Group 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.

As at 31 December 2008, the Company has granted SAR to a total of 5 (2007: 5) directors, 1 (2007: 1) supervisor and 122 (2007: 123) senior employees of the Group. As at 31 December 2008, the directors and the supervisor had received 2,740,000 SAR (31 December 2007: 2,740,000 SAR) and the senior employees of the Group had received 22,644,000 SAR (31 December 2007: 22,804,000 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	**2008 (Thousands)**	2007 (Thousands)
Tranche I	20 January 2003 (Note (i))	20 January 2013	2.19	**21,324**	21,484
Tranche II	24 June 2003 (Note (ii))	24 June 2013	2.18	**4,060**	4,060
				25,384	25,544

42 CASH-SETTLED SHARE-BASED PAYMENT (CONTINUED)

(a) Determination of fair values (Continued)

(i) The fair value of SAR granted under Tranche I as at 31 December 2008 determined using the Black-Scholes valuation model was HK$ 0.23 (2007: HK$1.48). The significant inputs into the model were share price of HK$1.50 as at 31 December 2008 (2007: HK$3.44), exercise price per share shown above, expected life of SAR of 2.03 years (2007: 2.53 years), expected dividend rate of 4.54% (2007: 1.23%) and risk-free interest rate of 0.55% (2007: 2.69%). 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 2008 determined using the Black-Scholes valuation model was HK$0.25 (2007: HK$1.51). The significant inputs into the model were share price of HK$1.50 as at 31 December 2008 (2007: HK$3.44), exercise price shown above, expected life of SAR of 2.24 years (2007: 2.74 years), expected dividend rate of 4.54% (2007: 1.23%) and risk-free interest rate of 0.60% (2007: 2.74%). The expected volatility is estimated based on historical daily share price of the Company.

(iii) The intrinsic value of SAR vested at 31 December 2008 for both Tranche I and II is nil (31 December 2007: HK$1.25 per share for Tranche I and HK$1.26 per share for Tranche II respectively).

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

	2008		2007	
	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**	**25,544**	2.19	27,770
Forfeited	**—**	**—**	2.19	(2,090)
Exercised	**2.19**	**(160)**	2.19	(136)
At end of year	**2.19**	**25,384**	2.19	25,544

All of the outstanding SAR as at 31 December 2008 (31 December 2007: all) were exercisable. 296,000 (2007: 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	
	2008 RMB'000	2007 RMB'000
At beginning of year	**35,441**	25,710
(Credited)/charged to other losses, net	**(30,166)**	9,731
At the end of the year	**5,275**	35,441

43 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Profit for the year	**838,503**	1,144,848
Interest income	**(107,905)**	(79,939)
Interest expenses	**81,450**	20,036
Exchange losses on held-to-maturity financial assets	**2,567**	4,033
Losses on disposal of property, plant and equipment	**3,339**	2,276
Provision for impairment on receivables	**27,720**	17,405
Losses/(Gains) on financial assets at fair value through profit and loss	**293**	(363)
Depreciation of property, plant and equipment	**440,620**	404,409
Provision for impairment on property, plant and equipment	**986**	2
Provision for impairment on inventories	**135**	73
Amortisation of intangible assets	**16,227**	18,965
Operating lease charges on other non-current assets	**41,361**	29,956
Operating lease charges on land use rights	**24,854**	19,436
Share of profit of associates, net of taxation	**(30,206)**	(28,870)
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	**(5,472)**	(3,936)
Provision for impairment on investments in associates	**—**	390
Gain on disposal of a jointly controlled entity	**(514,070)**	—
Fair value losses on derivative financial instruments	**311,907**	—
Fair value (gains)/losses on SAR	**(30,166)**	9,731
Operating profit before working capital changes	**1,102,143**	1,551,404
(Increase)/decrease in deferred income tax assets	**(2,599)**	37,093
Decrease/(increase) in prepayments, deposits and other current assets	**101,437**	(167,843)
(Increase)/decrease in inventories	**(5,120)**	1,765
Decrease/(increase) in trade and other receivables	**974,941**	(942,617)
Increase/(decrease) in deferred income tax liabilities	**101,312**	(69,597)
Decrease in other non-current liabilities	**(1,854)**	(866)
(Decrease)/increase in provisions	**(36,809)**	13,431
(Decrease)/increase in trade payables	**(687,250)**	329,868
Increase in other payables, accruals and other current liabilities	**54,196**	16,988
(Decrease)/increase in receipts in advance from customers	**(105,769)**	426,088
Increase in income tax liabilities	**378,466**	469,304
Increase/(decrease) in salary and welfare payables	**44,806**	(118,335)
Decrease in deferred income arising from discontinued operations	**—**	(316,329)
Cash generated from operations	**1,917,900**	1,230,354

44 ACQUISITIONS FROM ULTIMATE HOLDING COMPANY

On 1 January 2008, the Group completed acquisition from its ultimate holding company, Sinotrans Group Company, for certain companies, assets and businesses, which primarily engage in freight forwarding, shipping agency, storage and terminal services for an aggregate cash consideration of RMB1,106,030,000. As at 31 December 2007, part of the consideration paid by the Company of RMB550,000,000 was recorded as prepaid consideration for acquisition in the balance sheet. During 2008, the Company paid another part of consideration amounting to RMB156,030,000 and the remaining unpaid consideration amounting to RMB400,000,000 was recorded in "Other payables, accruals and other current liabilities" in the Balance Sheet as at 31 December 2008.

Details of the companies acquired and their respective accounting treatments in these consolidated financial statements are as follows:

Company name	Percentage of equity interests acquired	Cash consideration
		RMB'000
(a) Common control combinations using merger accounting		
Sinotrans Shandong Tsingdao International Logistics Company Limited	100%	483,120
Sinotrans Anhui Company Limited	100%	88,350
Sinotrans Foshan Company Limited	100%	65,030
Sinotrans Ruichi Logistics Company Limited	100%	51,960
Sinotrans Chongqing Company Limited	100%	29,580
Sinotrans (Hong Kong) Logistics Company Limited	60%	19,550
Sinotrans Jiangxi Company Limited	100%	10,260
Jingmao International Transportation Company Limited	100%	1,950
		749,800
(b) Acquisition of an associate using purchase accounting		
Shenzhen Haixing Harbour Development Company Limited	33%	340,890
(c) Acquisition of additional equity interests in a subsidiary from minority shareholders		
Guangdong Changyun International Freight Forwarding Company Limited	49%	15,340
		1,106,030

These consolidated financial statements have been prepared under merger accounting.

44 ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

Statements of the adjustments to the assets, liabilities and reserves of the Group as at 31 December 2007 and 31 December 2008 as a consequence of the common control combinations are as follows:

As at 31 December 2007

	The Group, as previously reported RMB'000	Companies acquired under common control RMB'000		Adjustments RMB'000	The Group, as restated RMB'000
Assets					
Non-current assets	8,503,495	951,188	(v)	(174,415)	9,280,268
Current assets	11,798,098	555,981	(i)	(177,695)	12,176,384
Total assets	20,301,593	1,507,169		(352,110)	21,456,652
Equity					
Capital and reserves					
— Share capital	4,249,002	120,160	(iv)	(120,160)	4,249,002
— Reserves	4,500,085	337,454	(iv)	120,160	4,957,699
— Proposed final dividend	127,470	—		—	127,470
	8,876,557	457,614		—	9,334,171
Minority interests	2,478,967	2,530	(v)	(199,211)	2,282,286
Total equity	11,355,524	460,144		(199,211)	11,616,457
Liabilities					
Non-current liabilities	650,140	48,204		—	698,344
Current liabilities	8,295,929	998,821	(i)	(152,899)	9,141,851
Total liabilities	8,946,069	1,047,025		(152,899)	9,840,195
Total equity and liabilities	20,301,593	1,507,169		(352,110)	21,456,652

44 ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

As at 31 December 2008

	The Group excluding companies acquired under common control RMB'000	Companies acquired under common control RMB'000		Adjustments RMB'000	The Group RMB'000
Assets					
Non-current assets	8,204,062	1,178,010	(iii)(v)	(933,870)	8,448,202
Current assets	12,172,588	614,372	(i)	(1,009,181)	11,777,779
Total assets	20,376,650	1,792,382		(1,943,051)	20,225,981
Equity					
Capital and reserves					
— Share capital	4,249,002	124,303	(iii)	(124,303)	4,249,002
— Reserves	3,936,157	344,690	(iii)	(625,497)	3,655,350
— Proposed final dividends	84,980	—		—	84,980
	8,270,139	468,993		(749,800)	7,989,332
Minority interests	2,029,646	3,033	(v)	(184,070)	1,848,609
Total equity	10,299,785	472,026		(933,870)	9,837,941
Liabilities					
Non-current liabilities	532,413	73,927		(43,539)	562,801
Current liabilities	9,544,452	1,246,429	(i)	(965,642)	9,825,239
Total liabilities	10,076,865	1,320,356		(1,009,181)	10,388,040
Total equity and liabilities	20,376,650	1,792,382		(1,943,051)	20,225,981

44 ACQUISITIONS FROM ULTIMATE HOLDING COMPANY (CONTINUED)

Statements of the adjustments to the net profit or loss of the Group for the years ended 31 December 2007 and 31 December 2008 as a consequence of the common control combinations are as follows:

For year ended 31 December 2007

	The Group, as previously reported RMB'000	Companies acquired under common control RMB'000		Adjustments RMB'000	The Group, as restated RMB'000
Revenue	38,876,916	1,448,317	(ii)	(179,691)	40,145,542
Profit for the year	1,108,654	36,194		—	1,144,848
Attributable to equity holders of the Company	803,679	32,302	(v)	3,066	839,047
Attributable to minority interests	304,975	3,892	(v)	(3,066)	305,801

For year ended 31 December 2008

	The Group excluding companies acquired under common control RMB'000	**Companies acquired under common control RMB'000**		**Adjustments RMB'000**	**The Group RMB'000**
Revenue	**39,930,003**	**1,380,512**	**(ii)**	**(291,415)**	**41,019,100**
Profit for the year	**789,267**	**49,236**		**—**	**838,503**
Attributable to equity holders of the Company	**519,333**	**48,859**	**(v)**	**377**	**568,569**
Attributable to minority interests	**269,934**	**377**	**(v)**	**(377)**	**269,934**

Note (i) Adjustments to eliminate the intra-group balances as at 31 December 2008 and 31 December 2007

Note (ii) Adjustments to eliminate the intra-group transactions for the years ended 31 December 2008 and 31 December 2007

Note (iii) Adjustment to eliminate the investment cost, the share capital and capital reserves of the companies acquired under common control to capital reserve as at 31 December 2008

Note (iv) Adjustment to eliminate the share capital of the companies acquired under common control to capital reserve as at 31 December 2007

Note (v) Adjustments to reduce minority interests as a result of the purchase of minority interests through the common control combinations

No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

45 DISPOSAL OF A JOINTLY CONTROLLED ENTITY

In April 2008, Sinoair disposed of its entire 50% equity interests in Exel-Sinotrans Freight Forwarding Company Limited ("Exel-Sinotrans") to DHL Exel Supply Chain (Hong Kong) Limited at a total cash consideration of EUR61,045,000, which was equivalent to RMB 658,070,000.

Details of net assets disposed of and gain on disposal of the jointly controlled entity are as follows:

	RMB'000
Total consideration	658,070
Less: Net assets disposed of — as shown below	(144,000)
Gain on disposal	514,070

The details of the net assets disposed of are as follows:

	RMB'000
Trade and other receivables	288,329
Cash and cash equivalents	117,533
Property, plant and equipment	36,310
Land use rights	4,846
Other non-current assets	51
Trade payables	(227,034)
Other payables, accruals and other current liabilities	(39,103)
Salary and welfare payable	(19,662)
Receipts in advance from customers	(7,212)
Current income tax liabilities	(5,373)
Other non-current liabilities	(4,685)
Net assets disposed of	144,000
Total consideration settled in cash	658,070
Less: Cash and cash equivalents of the jointly controlled entity disposed of	(117,533)
Net cash inflow on disposal of the jointly controlled entity	540,537

46 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 the legal advice, provisions have been made for the probable losses which are included in Note 36. Where management cannot reasonably estimate the outcome of the lawsuits or believe the probability of loss is remote, no provision has been made. As at 31 December 2008, the maximum exposure of such lawsuits to the Group amounted to approximately RMB55,336,000 (2007: RMB10,851,000).

47 GUARANTEES

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

	The Group	
	2008	2007
	RMB'000	RMB'000
Performance guarantees provided by Group for the benefit of a jointly controlled entity	**–**	3,000
Tariff guarantees provided by Group for the benefit of third parties	**2,000**	–

In addition, in its ordinary course of business, Sinoair has issued various performance and liability guarantees of unspecified amount to the Civil Aviation Administration 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 2011, while the others have no expiry dates.

48 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Authorised and contracted for but not provided for	**535,647**	997,295	**–**	568,780
Authorised but not contracted for	**250,815**	687,480	**–**	67,240
	786,462	1,684,775	**–**	636,020
An analysis of the above capital commitments by nature is as follows:				
Acquisition of property, plant and equipment	**288,525**	251,546	**–**	25,380
Construction commitments	**154,862**	520,180	**–**	41,860
Investments in subsidiaries/jointly controlled entities/associates	**343,075**	913,049	**–**	568,780
	786,462	1,684,775	**–**	636,020

49 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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000 (Restated, Note 44)	**RMB'000**	RMB'000
Land and buildings				
— Not later than one year	**154,575**	142,587	**6,945**	6,945
— Later than one year but not later than five years	**251,299**	259,286	**27,780**	27,780
— Later than five years	**235,739**	286,145	**62,505**	69,451
Vessels, containers and other equipment				
— Not later than one year	**799,523**	823,042	**192,297**	125,497
— Later than one year but not later than five years	**685,292**	1,269,666	**61,547**	—
— Later than five years	**3,853**	1,420	**—**	—
	2,130,281	2,782,146	**351,074**	229,673

(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	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Land and buildings		
— Not later than one year	**15,739**	16,078
— Later than one year but not later than five years	**16,778**	18,763
— Later than five years	**6,142**	5,443
Machinery		
— Not later than one year	**163,175**	74,804
— Later than one year but not later than five years	**119,914**	—
	321,748	115,088

50 SIGNIFICANT RELATED PARTY TRANSACTIONS

On 26 January 2006, the Group entered into a business service agreement with Sinotrans Group Company, the ultimate holding 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.

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.

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.

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Transactions with ultimate holding company and fellow subsidiaries		
Revenue:		
Revenue from provision of transportation and logistics services	**213,952**	216,234
Revenue from provision of information technology services	**—**	71
Expenses:		
Service fees	**(231,394)**	(179,794)
Rental expenses for office buildings, warehouses and depots	**(48,508)**	(34,361)
Rental expenses for containers	**(52,256)**	(47,415)
Rental expenses for vessels	**(105,842)**	(94,639)
Rental expenses for motor vehicles	**(512)**	(2,520)
Transactions with associates of the Group		
Revenue:		
Revenue from provision of services	**154,790**	74,566
Rental income from buildings leased out	**53**	—
Expenses:		
Service fees	**(80,355)**	(43,088)

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Transactions with jointly controlled entities (after elimination of the Group's proportionate interests in those jointly controlled entities)		
Revenue:		
Revenue from provision of services	**103,925**	109,602
Revenue from provision of information technology services	**687**	—
Rental income from buildings leased out	**234**	2,461
Expenses:		
Service fees	**(82,557)**	(82,313)
Rental expenses for containers	**(382)**	—
Rental expenses for office buildings, warehouses and depots	**—**	(609)
Transactions with other PRC state-owned enterprises		
Revenue:		
Revenue from provision of services	**320,827**	239,792
Interest income from bank deposits	**102,032**	75,351
Expenses:		
Service fees	**(1,451,346)**	(1,119,088)

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Balances with the ultimate holding company and fellow subsidiaries		
Trade and other receivables	**160,419**	155,672
Prepayments, deposits and other current assets	**4,513**	2,960
Trade payables	**(121,819)**	(81,285)
Other payables, accruals and other liabilities	**(1,491,978)**	(729,551)
Receipts in advance from customers	**(2,887)**	(30,786)
Balances with jointly controlled entities		
Trade and other receivables	**25,015**	39,447
Prepayments, deposits and other current assets	**403**	544
Trade payables	**(1,763)**	(5,397)
Other payables, accruals and other liabilities	**(278)**	(805)
Receipts in advance from customers	**(427)**	(1,053)
Balances with associates of the Group		
Trade and other receivables	**14,718**	14,691
Prepayments, deposits, and other current assets	**173**	—
Trade payables	**(10,329)**	(7,980)
Other payables, accruals and other liabilities	**(988)**	(602)
Receipts in advance from customers	**(915)**	(26)
Balances with other PRC state-owned enterprises		
Held-to-maturity financial assets	**—**	58,437
Restricted cash	**474,044**	296,115
Terms deposits with initial terms of over three months	**1,147,184**	331,791
Cash and cash equivalents	**4,205,585**	4,178,484
Trade and other receivables	**45,021**	30,591
Prepayments, deposits and other current assets	**6,554**	9,717
Trade payables	**(73,326)**	(64,407)
Other payables, accruals and other current liabilities	**(1,209)**	(1,860)
Receipts in advance from customers	**(57,170)**	(38,984)

(c) Purchase of property, plant and equipment

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Transactions with other PRC state-owned enterprises	**237,113**	193,713

50 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Borrowings

	The Group	
	2008	2007
	RMB'000	RMB'000 (Restated, Note 44)
Borrowings from the PRC state-owned banks		
At beginning of year (Restated, Note 44)	**1,352,427**	174,909
Proceeds from borrowings	**4,250,534**	2,308,721
Repayment of borrowings	**(3,186,194)**	(1,131,203)
At end of year	**2,416,767**	1,352,427
Interest charged	**81,450**	16,591
Interest paid	**(81,066)**	(15,681)

As at 31 December 2008, the weighted average effective interest rate of the borrowings was 5.96% (2007, restated: 5.83%) per annum.

(e) Key management compensation

Key management includes executive directors, senior management and supervisors. The compensation paid or payable to key management for employee services is shown below:

	The Group	
	2008	2007
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances and benefits in kind	**3,364**	3,195
Discretionary bonuses	**4,127**	5,216
Contributions to pension plans	**292**	249
Long term bonus plan	**—**	—

51 SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2008:

(a) On 20 January 2009, Sinotrans Lishen acquired trucking business related assets and businesses of Rugao Benchi Transportation Company Limited ("Rugao") which is mainly engaged in providing trucking businesses in the PRC. The total cash consideration is RMB60,000,000 and RMB36,000,000 was prepaid as at 31 December 2008. Management is measuring the fair values of assets acquired.

(b) At the Board of Directors' meeting held on 24 March 2009, the Directors proposed a final dividend of RMB0.02 per ordinary share totaling RMB0.05 for the year ended 31 December 2008.

52 IMMEDIATE AND ULTIMATE HOLDING COMPANY

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