

# Chairman's Statement





ZHANG BIN  
CHAIRMAN

To the Shareholders,

The year of 2004 is the first complete financial year following the listing of Sinotrans Limited (the "Company") on the Main Board of the Stock Exchange of Hong Kong Limited. I am pleased to report to the shareholders that the Company saw a steady growth in its results for 2004 and substantial improvements in our business development, product development, network coverage and corporate governance were also achieved. Such accomplishment lays a solid foundation for the Company's healthy and sustainable development and the enhancement of our profitability in the future.

### REVIEW OF OPERATING RESULTS

Driven by the PRC's rapid economic growth as maintained throughout 2004, the gross domestics product of the PRC grew by 9.5% compared to the same period in 2003, underpinned by a 35.7% growth in foreign trade, and the actual amount of foreign investment used increased by 13.3%. The rapid growth of the market demand from the transportation and logistics market of the PRC, as driven by the persistently strong domestic economy, has brought a golden opportunity for the business development of the Company and its subsidiaries (the "Group"). However, the liberalisation of the PRC market would intensify and complicate the market competition, causing customers to ask for a wider scope of services and higher efficiency. Such a development poses vigorous challenges to the Company. As such, the Company faced vigorous challenges.

In the face of a complex and ever-changing market environment, the Company is committed to making the decision-making process more systematic and more transparent by reinforcing its corporate governance. The Company will promote the development of new services and products and its capability in providing value-added service and reinforce its network development. In addition, it will also strive to integrate the corporate resources to raise the level of standardisation of operations, and to optimise the client portfolio by committing stronger efforts in marketing. The Company is also targeted at optimising and innovating its management system by consolidating the bases of management, and participating proactively in the resources integration of the PRC's transportation and logistics market.

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Despite the increasing pressure brought forward by the further liberalisation of the PRC market, the Group, leveraging on its commitments as mentioned above, was managed to attain the highest achievements on records. In 2004, the Group realised revenues of approximately RMB21,879.8 million, representing an increase of 25.9% as compared to the same period last year. Operating profits increased by 10.6% as compared to the same period last year to approximately RMB1,237.2 million. Net profit was approximately RMB802.8 million, representing a growth of 13.9% as compared to the same period last year while earnings per share amounted to RMB0.19. All of the Group's core business segments, namely freight forwarding, express services and shipping agency, have all managed to deliver outstanding results on records, with operating revenues increased by 27.7%, 24.9% and 20.9% respectively, as compared to those of the previous year.

### DIVIDENDS

Since its listing in 2003, the Company has maintained a relatively stable dividend policy. In view of the Group's excellent results and healthy financial position, the board of directors of the Company recommended the payment of a dividend of RMB0.034 per share, in addition to the interim dividend of RMB0.030 per share, to reward the continuing support and confidence of our shareholders towards the Company. The dividend paid for the year was RMB0.064 per share.

### PROSPECTS

In 2005, further growth in the Company's business is expected as the global economy continues to grow, international trade continues to expand and the China economic growth continues to gain pace. However, we should be aware of the impacts to the Company's business caused by various potential factors such as high international oil price, trade protection, growing trade conflict and periodical changes in the international marine transportation market. According to the commitment for entering WTO, the transportation and logistics market of the PRC would be fully opened up this year, and we will definitely face competitions and will be under even more intensive pressure.

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This year, the PRC will continue to strengthen and improve its macro-economic control, with an objective to achieve a healthier economic growth of approximately 8%. Under such an objective, the PRC government is committed to lifting economic growth, with an emphasis on quality and effectiveness; and to expedite the economic restructuring and the shift of growth pattern, with a view to achieving a stable but speedy GDP growth. The State's macro-economic policy of this year has deep implications and has provided much guidance to development. On the one hand, it requires us to grasp every opportunity as presented by the PRC's industrialisation, so as to boost up our core business by means of strengthening our innovative capability and our core competencies; on the other hand, it requires us to establish and implement a scientific development strategy to promote business growth while enhancing the quality and optimising the structures of our service delivery, so as to realise standardisation in terms of speed of growth, structure, quality and effectiveness.

The Company is confident about the Group's future development. We will continue to make effort to perfect our corporate governance, enhance our internal control, improve coverage of our business network, expand our new product development, upgrade our products, extend our effort in sales and marketing and optimise the client portfolio. I firmly believe that with its capability and its abundance of resources, and under its established development strategies, the Group can grasp the invaluable opportunities presented by the rapid development of the PRC economy and will attain even more outstanding results in future. It will generate handsome return and value growth for our shareholders, staff, customers as well as the community, so as to promote a harmonious development between the community, the enterprise, the shareholders and the staff.

I wish to take this opportunity to express my sincere gratitude to the shareholders, customers and staff of the Group for their support and contributions.

**Zhang Bin**

*Chairman*

Beijing, 22 March 2005