





Zhao Huxiang
*Executive Director
and Chairman*

To the shareholders,

I am pleased to present the annual report of Sinotrans Limited (the "Company") for the year ended 31 December 2005.

REVIEW OF OPERATING RESULTS

China has maintained a rapid economic growth throughout 2005, the gross domestic product of the PRC grew by 9.5% compared to 2004, underpinned by a 35.7% growth in foreign trade. The strong growth momentum propelled the velocity of growth of China's logistics market. However, growing market competition was observed. With China's undertaking for the accession to the WTO, China's logistics industry has fully opened up in December 2005 and the complicated and diversified market competition hence resulted has turned the transportation and logistics market into a new era of development. We observed that logistics services have reverted to intensive, instead of extensive, development while the degree of professionalism kept rising. Besides, the ever expansion of the service chain, the active market consolidation coupled with the seasonal fluctuation of the global shipping business have posed vigorous challenges to the Company.

In 2005, the Group (the Company and its subsidiaries) continued to optimise its resources allocation, actively promote business integration, improve coverage of its overseas network, promote the business development of NVOCC, enhance service professionalism and new product development, extend its efforts in marketing, perfect client portfolio while making efforts in innovation and promoting the changes in modes of operations and the path of growth. Besides, the Company has strengthened and standardised its corporate governance to promote the logic and transparency of the decision-making process and has taken proactive measures in the innovation of corporate system and mechanism.

The Group, leveraging on its commitments as mentioned above, has managed to attain a stable growth. In 2005, the Group achieved turnover (continuing and discontinued operations) of approximately of RMB28,789.0 million, representing an increase of 30.10% (compared with the same period in 2004). Profit for the period attributable to equity holders of the Company amounted to RMB856.9 million, representing a growth of 6.59% as compared to the corresponding period in 2004. Earnings per share was RMB0.20 (corresponding period in 2004: RMB0.19).

Chairman's Statement

DIVIDENDS

In view of the Company's healthy financial position, the Board proposed to recommend the payment of a dividend of RMB0.038 per share at the forthcoming annual shareholders' meeting, in addition to the interim dividend of RMB0.038 per share, to reward shareholders' continuing support to the Group. The total dividend for the year was RMB0.076 per share.

Prospects

In 2006, China's overall economy is expected to maintain a steady growth. With a stronger macroeconomic policy, the gross domestic product is expected to maintain a growth of 8%. China's stronger emphasis on the quality and efficiency of economic growth will promote the adjustments on economic structure and the growth direction while the further liberalisation of the scope of services and the perfection of the export product mix will contribute to the persistent growth of export.

The external environment in which the Group operates is also encouraging. However, we are still aware of various factors that could impact the Group, such as the intensifying competition arising from further market liberalisation, the rise of trade protection and trade conflicts, the increase in oil prices and the fluctuation in the shipping market.

Taking into consideration of the external operating environment and the industry development, we will accelerate our pace of adjustment on working out the new direction of development. While achieving a stable growth, we will spare no efforts in improving the quality and efficiency of our work, adjusting the management mode and the business structure and optimising the resources allocation. Through making innovation in the mode of operation and shifting the growth direction, the Group will resume to a more comprehensive, coordinated, healthy and persistent development.

I firmly believe that, benefiting from the PRC's persistent, healthy and rapid economic growth and supported by our adequate resources and competitive edges, our leading development strategy and our ever improving corporate structure and strength in management, we are able to enhance the Company's position in value creation.

Corporate governance

We firmly believe that superior corporate governance is the key to success. Our first priority is to improve the standard of corporate governance to protect the interests of investors and to improve the value of the Company. Since our listing in February 2003, the Company has strived to upgrade its standard of corporate



Chairman's Statement

governance on the basis of its characteristics and requirements with reference to the "Company Law of the People's Republic of China", the "Listing Rules of the Stock Exchange of Hong Kong Limited", the "Article of Association of the Company" and other relevant laws and regulations as revised from time to time.

To ensure a higher standard of corporate governance, the Company strives to implement the major principles in relation to corporate governance, maintain the smooth operation of the Board meetings, ensure the formulation and implementation of constructive strategies, strengthen the internal control mechanism and a healthy risk management system and to maintain a high standard of information disclosure after taking into consideration of the interests of investors and stakeholders.

Investors Relationship

We firmly believe that outstanding investor relations will enhance the Company's corporate governance and help create values for shareholders. The Company endeavours to maintain the communications between the investors and the management of the Company and considers that the continual maintenance of relationship between investors and the Company will allow investors to grasp better understanding of our notion of operation, market competition and future development strategies, hence improving the degree of transparency of the Company and investors' understanding of the Company.

Appreciation

With the support of shareholders, I was appointed as the Company's executive director and chairman at the extraordinary general meeting held on 3 March 2006. Accompanied with the honour of the appointment are responsibilities. I will work closely with all the staff to maximise the interests of shareholders with our spirit of proactiveness, innovation and cooperation.

I would like to express my deepest gratitude to the continued support of shareholders, customers and others over the past three years and to the extraordinary efforts undertaken by all the directors, supervisors and staff in the last year.

I would also like to express my deepest gratitude to Mr. Zhang Bin, our former executive director, and Mr. Lee Chong Kwee, our former non-executive director, for their invaluable contributions to our Company.

Zhao Huxiang

Chairman

Beijing, 28 March 2006