



# Chairman's Statement

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**Zhao Huxiang**  
*Executive Director and Chairman*

To the shareholders,

I am pleased to present to all the shareholders the annual report of Sinotrans Limited (the "Company") for the financial year ended 31 December 2006.

## REVIEW OF OPERATING RESULTS

China has maintained a steady and rapid economic growth throughout 2006, of which the coordination of stability and development was enhanced and improved. The gross domestic product (the "GDP") of the PRC grew by 10.7% year on year, with a 23.8% year-on-year growth in import and export trade. Benefiting from the expansion in China's aggregate economic size and the strong growth in foreign import and export trade business, China's logistics market was more robust with total social logistics volume grew by 24% year on year. As the logistics market became fully open, the market competition grew increasingly fierce. There were more and more different major players, which compete in various ways in the market. Meanwhile, as social logistics became more professionalised, market consolidation was very active.

In 2006, the Group (the Company and its subsidiaries) was in the process of continuous development by increasing investments and enhancing the constructions in the weak sectors concerning the sea, land and air capacities. The Group promoted an optimised mix of traditional businesses for enhancing the operation quality, strengthened the marketing integration and carried out major clients marketing strategy. We also promoted professional services and the development of new products. The Group timely adjusted shipping capacity and coverage with enhanced cost control to effectively reduce market risks against greater decrease in freight rate resulting from the severe imbalance in supply and demand structure of shipping market and adverse impacts caused by the rising fuel and lease expense. At the same time, we had made great progress in many aspects, including corporate governance and internal management and control.

In 2006, the Group achieved turnover (continuing and discontinued operations) of approximate RMB32,220.9 million, representing an increase of 11.92% when compared to 2005. Affected by the freight decrease in the shipping industry, the profit attributable to equity holders of the Company amounted to RMB618.8 million, representing a decrease of 27.79% when compared to 2005. Earnings per share was RMB0.15 (2005: RMB0.20).

## DIVIDENDS

In view of the Company's healthy financial position, the Board proposed to recommend the payment of a final dividend of RMB0.020 per share at the forthcoming annual shareholders' meeting, in addition to the interim dividend of RMB0.030 per share, to reward shareholders' continuing support to the Group. The total dividend for the year was RMB0.050 per share.



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## PROSPECTS

In 2007, the steady growth of the world economy is expected to continue. The globalisation of the economy accelerates, and the international industry structure, mainly supported by the technological progress and the flows of production factors, will continue to undergo significant changes. However, there are still some potential risks, including oil price fluctuation at its high levels in the international market, possible slowdown of growth of some economies, global imbalance of international payments and new trade protectionist measures, which may bring uncertainty to the global economic development.

As for the domestic environment, the continuity and stability of China's macroeconomic policies are expected to remain. As a result, macro adjustment is expected to be strengthened and improved and the quality and benefits of economic growth as well as the overall liberalisation will be generally enhanced. The rapid and strong development of China's economy is expected to continue, and the gross national products will likely grow by approximately 8%. The logistics transportation market where the Group operates is expected to expand. However, the market competition will be much more intensive.

In 2007, both the challenges and opportunities ahead of the Group will be favourable for the operations and development of the Group as a whole.

We will focus on the economic benefits from the major operations, innovation, and management with quicker integration of resources and operations, to improve competitive capabilities of the core business as soon as possible. Therefore, the Group will gain development in the aspects of completeness, harmony, continuance, steadiness as well as health.

I firmly believe that, riding on the Group's established advantages of both network resources and talents, solid development strategies, rich administrative and management experiences as well as the increasingly strengthened operation control power, we have the ability to continue promoting the improvement of operation scale and efficiency, and to create greater value for our shareholders, customers and employees.



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## INVESTORS RELATIONSHIP

The Group consistently values the relationship with investors. It secures the communication between the investors and our management with effort by various means to convey the latest information on the Group's business development and operations. The Group discloses accurate information in accordance with the corporate governance principles.

I firmly believe that an effective communication with the investors will enhance the Company's management transparency and corporate governance and help create values for the shareholders.

## APPRECIATION

Shareholders, customers and employees are our valuable resources and fortunes, which lead to our success. In spite of fierce competition, the Group can still continue to develop and expand due to the endeavor and supports by all staff and various parties. I would like to express my deepest gratitude to the continued support of shareholders, customers and others over the past four years and to the extraordinary efforts undertaken by all the directors, supervisors and staff in the last year. Your confidence and support to our Group will encourage us to make more successes in the future.

**Zhao Huxiang**  
*Chairman*

Beijing, 27 March 2007