SINOTRANS LIMITED

2016

ANNUAL REPORT

SUCCESS IN SERVICE

Corporate Positioning

Integrator of Logistics Service, with capabilities of designing and operating comprehensive solutions which integrate flows of logistics, trade, capital and information.

Corporate Mission

Focusing on Clients' Demands, continuously create business value and social value through optimal solutions and services.




CONTENTS

None of the forward-looking statements or opinions contained in this annual report constitutes a commitment by the Company to the investors. Investors are advised to be aware of the investment risks.

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 100082
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:

Room F&G, 20/F., MG Tower
133 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Zhao Huxiang

JOINT COMPANY SECRETARY:

Mr. Li Shichu and Ms. Hui Wai Man, Shirley

INVESTOR AND MEDIA RELATIONS:

Securities and Legal Affairs Department
Tel: (86) 10 5229-6667
Fax: (86) 10 5229-6600
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 BANKER:

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

AUDITORS:

International Auditor:

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

PRC Auditor:

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
30/F, Bund Center
222 Yan An Road East
Shanghai 200002
People's Republic of China

LEGAL ADVISER:

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

HIGHLIGHTS OF 2016

Profit attributable to owners of the Company
(RMB)

1,629.5 million

+9.1%

Sea Freight Forwarding Container Volume

+5.3%

Basic earnings per share
(RMB yuan)

0.35

Logistics Volume

+16.7%

New Projects related to "ONE BELT, ONE ROAD"

169 projects

Revenue
(RMB)

46,784.2 million

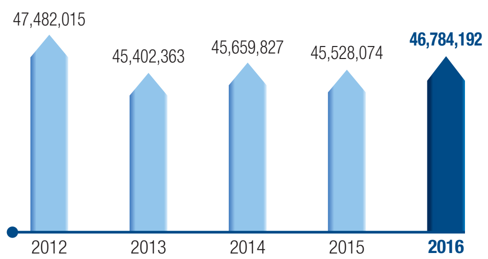
Dividend payout ratio

31.43%

KEY FINANCIAL PERFORMANCE

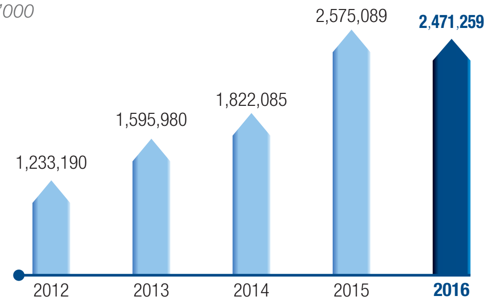
REVENUE

RMB'000



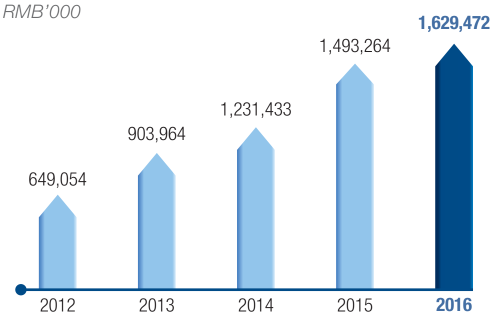
PROFIT BEFORE INCOME TAX

RMB'000



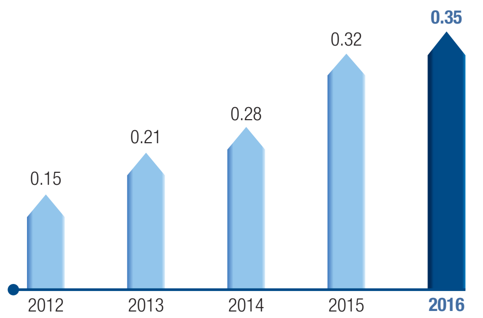
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RMB'000



BASIC EARNINGS PER SHARE

RMB yuan



As at 31 December	**2016 RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**37,366,945**	35,084,861	32,709,339	30,950,761	30,441,757
Total liabilities	**17,737,067**	16,625,058	16,404,220	16,898,816	17,051,863
Non-controlling interests	**3,557,621**	3,337,456	2,882,626	2,515,909	2,386,022
Equity attributable to owners of the Company	**16,072,257**	15,122,347	13,422,493	11,536,036	11,003,872

Note 1: Basic earnings per share for the two years ended 31 December 2012 and 2013 have been computed by dividing the profit attributable to owners of the Company by, respectively, 4,249,002,200 shares, being the weighted average number of shares in issue during the year ended 31 December 2012 and 2013. In July 2014, an aggregate of 357,481,000 new H shares were allotted and issued by the Company. Upon completion, the total number of shares of the Company increased to 4,606,483,200 shares. Therefore, basic earnings per share for 2014 have been computed by dividing the profit attributable to owners of the Company by 4,405,706,200 shares, being the weighted average number of shares in issue. Basic earnings per share for 2015 and 2016 have been computed by dividing the profit attributable to owners of the Company by 4,606,483,200 shares, being the weighted average number of shares in issue. As there are no potentially dilutive securities, diluted earnings per share is not presented.

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 Sinotrans 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%.

Note 3: During the period from April 2015 to May 2015, the Company disposed of an aggregate of 31,329,596 shares of Sinoair, representing approximately 3.46% of the total number of issued shares of Sinoair. Upon the completion of the disposal, the percentage of issued shares of Sinoair held by the Company decreased from 63.46% to 60.00%. During the period from July 2015 to September 2015, the Company increased holdings of an aggregate of 8,573,198 shares of Sinoair, representing approximately 0.95% of the total number of issued shares of Sinoair. Upon the completion of the increased holdings, the percentage of issued shares of Sinoair held by the Company increased from 60.00% to 60.95%.

Note 4: The figures in 2013 and 2012 have been restated as a result of acquisition of the equity interests of various entities from Sinotrans & CSC. The acquisition was accounted for as business combinations under common control and its consolidated financial statements were prepared by applying pooling of interest method.


LEADING INTEGRATED
LOGISTICS PLATFORM
IN THE WORLD

CHAIRMAN'S STATEMENT

To the shareholders,

I am pleased to present the annual report of Sinotrans Limited (the "Company", collectively with its subsidiaries, the "Group") for the financial year ended 31 December 2016 for your review.

Zhao Huxiang
Chairman

REVIEW OF OPERATIONS

In 2016, as the beginning year of the "13th Five-Year" Plan, the Group took "integration, transformation and innovation" as the main theme and all aspects of work were substantially enhanced. It was a year of "Black Swan" with intensified trade protectionism. At the same time, the economic globalization was confronting with severe challenges. The growth rate of international trade remained sluggish and the volatility of global capital flow exacerbated, which played a role to push up the prices of bulk commodities amid high vitality. As for the economy entities, the growth rates of developed economies differentiated while those of emerging markets and developing economies continued to stabilize gradually. The economic growth in China was slow but stable. In 2016, China's GDP recorded a year-on-year growth of 6.7%; the imports and exports in China recouped quarter-on-quarter with its total value decreased by 6.8% year-on-year in US dollar, of which, exports and imports dropped by 7.7% and 5.5% respectively. From the industry perspective, key production indicators such as the annual port throughput demonstrated a trend of "constant improving". The container throughput of nationwide ports above designated size increased by 3.9% year-on-year. China export container shipping market remained sluggish with 18.5% year-on-year decrease in the China Containerized Freight Index and 10.2% year-on-year decrease in the Shanghai Containerized Freight Index.

Chairman's Statement

In response to the depressive macroeconomic situation and market environment, the Group was able to maintain a healthy development and continued to achieve growths by unremitting efforts of the management and staff. In 2016, the Group topped the list of Top 100 Logistics Companies in China, and ranked fifth and eighth on the Global Freight Forwarders List and the Global Third-Party Logistics Providers List respectively, according to the ranking of Armstrong & Associates, Inc., demonstrating a continuous improvement in its comprehensive competitive edges and brand influence. For the year ended 31 December 2016, the Group achieved revenue of approximately RMB46,784.2 million, representing an increase of 2.8% as compared 2015, profits attributable to owners of the Company amounted to approximately RMB1,629.5 million, representing an increase of 9.1% as compared with 2015. Earnings per share was RMB0.35 (2015: RMB0.32).

DIVIDENDS

The Board of the Company (the "Board") has proposed to recommend the payment of a final dividend of RMB0.075 per share at the forthcoming Annual General Meeting to reward shareholders for their continuous support to the Group.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

We believe that active performance of social responsibilities represents an essential quality for a good 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 ISO9001:2008/ISO14001:2004/OHSAS18001:2007 quality and EHS (Environment, Health and Safety) 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 have been conducted. Controllable environmental factors in the operating activities and relevant services of the Group that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention is given to significant environmental factors and effective control is exercised to minimize adverse impact on the environment. Since 2015, the Company has been preparing and issuing an "Environmental, Social and Governance Report" annually, stating its performance of the previous year. For more information on the Group's performance of 2016 environmental and social responsibilities, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

Chairman's Statement

INVESTOR RELATIONS

With a strong emphasis on investor relations, the Group has always sought to ensure effective communications between investors and 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 deeply convinced that sustained and effective communications with investors will improve the management transparency and corporate governance standards, and create value for shareholders.

PROSPECTS

Looking forward into 2017, the international economic environment will remain complex and uncertain. Given an overall deepened adjustment of the global economy and a weak and unstable recovery, the global economy seems to be reviving amid twists and turns. Among certain developed economies, the prolonged sluggish economy has led to the rise of populism, increased political upheaval as well as the significant resurgence of trade protectionism. The policies of the United States are also highly uncertain. Meanwhile, the international political instability and the US dollar interest rate hike will send to the drastic fluctuation of oil price and exchange rate, which will place more difficulties on cost management and risk control. Against the backdrop of great downward pressure on China's economy led by austere foreign trade situation, it is expected that the overall domestic economy will remain stable in 2017. From the industry perspective, the overall demand for logistics services in the sector will remain stable along with constant changes in structure. The overall shipping market is stabilizing, of which the container shipping is basically flat while the growth of high-end break-bulk cargo markets remain relatively stable, and opportunities are expected from periodic changes in the dry bulk cargo shipping.

In this new year, the Group will continue to, pulling together, overcome the obstacles and difficulties, so as to promote the integration of logistics resources effectively and to enhance our business collaboration. We will stick to our business strategies and improve our competitive strengths continually through enhancing internal quality and efficiency and putting more emphasis on mergers and acquisitions. We will speed up our transformation and innovation with the aim to achieve visualization, automation, informatization and intellectualization, to lead the industry development by intelligent logistics network. We will also improve the construction of management system and emphasize on safety production and risk control.

At the end of 2015, upon approval by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), Sinotrans & CSC Holdings Co., Ltd. (the "Sinotrans & CSC", collectively with its subsidiaries, the "Sinotrans & CSC Group"), the controlling shareholder of the Group carried out strategic reorganization with China Merchants Group Limited (the "China Merchants", collectively with its subsidiaries the "China Merchants Group"). The Group will deeply promote the integration of logistics resources and will keep to our original aspiration to develop ourselves into a China-leading and world-rate comprehensive logistics enterprise that able to continuously creating business and social value for clients, employees, shareholders and stakeholders based on market-oriented awareness and approaches.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to all shareholders, partners and clients for their long-term care, support and help to the Group. Besides, I would like to express the deepest gratitude and respect to all directors, supervisors, management team and all the staff for their years of diligence and precious contribution. Sinotrans Limited will continue to reform and achieve breakthroughs and do its utmost to create more value in the long-term interests of shareholders.

Zhao Huxiang
Chairman

Beijing, the PRC
21 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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.

Li Guanpeng
Executive Director
and President

BUSINESS OVERVIEW

The group is a leading integrated logistics services provider in the People's Republic of China ("PRC") whose principal businesses include freight forwarding, logistics, storage and terminal services, and other services mainly engaged in trucking, shipping and express services.

The geographical areas covered by the Group's businesses operation mainly include Guangdong, Fujian, Shanghai, Zhejiang, Jiangsu, Hubei, Shandong, Tianjin, Liaoning, Anhui, Jiangxi, Sichuan, Chongqing, Guangxi and Hong Kong etc., being coastal regions and strategic locations under rapid growth in China. We also have an extensive domestic service network, as well as a well-covered overseas network.

With comprehensive service networks and the mode of integrated logistics services and professional capability, the Group is able to provide customers with all-rounded integrated logistics services and become our customers' professional collaborative partner in logistics, maintaining its leading position amidst market competition.

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF OPERATION

The Group was under great challenges arising from the downtrend of the economy and the decrease in freight rates in 2016, but we proactively responded to the challenges, succeeded to achieve satisfactory operating results through propelling external expansion and internal exploration and improved the quality of our business operations as a whole. Most of our major operations achieved sustained growth in business volume; obvious results were achieved in the structural adjustment of our business and the implementation of the "One, Three, Five" strategy; the customer structure was actively improved, and the revenue generated by core direct customers as a proportion of the total revenue of the Group was increased.

The Group has made great progress in the following aspects:

- The Group put more efforts on execution and achieved satisfactory results in the implementation of the "13th Five-Year" Plan. The Group further refined the transformation direction and processes of its three major business sectors and formulated the development plannings for each subsidiary and five particular sub-plannings regarding human resource, information, investment, cross-border e-commerce related business and cold chain logistics. The Group reviewed and evaluated the implementation of its strategies, and timely adjusted the development targets and business indicators of logistics segments in the "13th Five-Year" Plan according to the changes of internal and external conditions. Guiding by their respective plannings, each functional and business line made solid progress in accordance with the requirements of "Making a clearer blueprint, Adopting effective measures, Focusing on key work and Achieving results".

- The Group achieved a remarkable success in market exploration by adopting a combination of measures. In the tough market environment, the headquarters and business units made joint efforts to proactively explore the markets through adopting measures such as strengthening the strategic "headquarters to headquarters" cooperation, managing the top 5% customers and developing large "One Belt, One Road" related projects, to achieve growth in the results.

- The Group promoted innovation-driven development and accelerated the transformation and upgrade of its three major business sectors. The freight forwarding and related business started the transformation to the whole supply chain management and made breakthroughs in providing service-oriented products in respect of the full container load, less than container load and bulk commodity business; the logistics segment started the transformation to the value chain integration and achieved remarkable results in the implementation of the "industry-oriented sales, customer-oriented solutions, integrated services and integrated operation" strategy; the e-commerce related business segments started the transformation to platform operation, strengthened overall planning and differentiated guidance, and made great progress in the online operation of core business, cross-border e-commerce logistics and logistics e-commerce platform construction.

Management Discussion and Analysis of Results of Operations and Financial Position

- The Group made major breakthroughs in the construction of the five channels leveraging the integrated networks. In respect of the shipping channel, the Group promoted the strategic cooperation with Maersk, carried out the centralized procurement of carrying capacity across the regions, and at the same time, the Group started the construction of quality container lines centered on the China-US route. In respect of the land transport channel, the Group launched eight China-Europe and China-Central Asia railway liner routes, jointly established the logistics channels between China and Russia and organized transport fleet with Pakistan to provide transport services through the China-Pakistan Economic Corridor, and the project in Shilong, Dongguan was selected as one of the first batch of multimodal transportation demonstration projects in China. In respect of the trucking channel, the headquarters of the Group strengthened the research on the operating mode leveraging vehicle-cargo platform, on which some subsidiaries also conducted positive trials and made significant progress. In respect of the air transport channel, the Group strengthened the "headquarters to headquarters" cooperation and the centralized procurement of carrying capacity with major airline companies. In respect of the overseas channel, the Group identified one single overseas investment platform and put more efforts on the overall management of overseas branches and agencies.

- The Group overcame obstacles and continued to deepen the resources integration. Driven by the implementation of "Ports and the Coastal Lead the Inland" strategy, the Group made breakthroughs in regional integration, established the headquarters in South China and Central China and deeply promoted the regional integration within the two areas; the Group practically reduced the layers of management and the number of legal entity subsidiaries, which further improved the efficiency; the integration of logistics resources was further propelled and business collaboration was strengthened.

- The Group continued to reform and improve its organizational and management systems. In order to ensure the implementation of plannings and the completion of budget indicators, the Group deeply promoted the transformation of organizational functions and management innovation in respect of the organizational structure, operation management and control, management mechanism, human resources and risk control, and accelerated the establishment of organizational and management systems that could match with the "13th Five-Year" Plan.

OPERATING STATISTICS

The table below sets forth certain operating statistics of the Group's major business segments for the years indicated:

	For the year ended 31 December	
	2016	2015
Freight forwarding		
Sea freight forwarding (in ten thousand TEUs)	**1,002.6**	952.0
Air freight forwarding (in million kilograms)	**532.4**	522.6
Shipping agency (in ten thousand TEUs)	**1,669.4**	1,652.0
Shipping agency (in million tonnes)	**246.3**	208.6
Logistics (in million tonnes)	**18.2**	15.6
Storage and terminal services		
Warehouse and yard operation (in ten thousand TEUs)	**794.7**	769.8
Warehouse and yard operation (in million tonnes)	**12.4**	11.6
Terminal throughput (in ten thousand TEUs)	**378.2**	363.7
Other services		
Trucking (in ten thousand TEUs)	**80.4**	103.2
Shipping (in ten thousand TEUs)	**245.1**	214.9
Express services (in ten thousand units)	**772.9**	277.9

Management Discussion and Analysis of Results of Operations and Financial Position

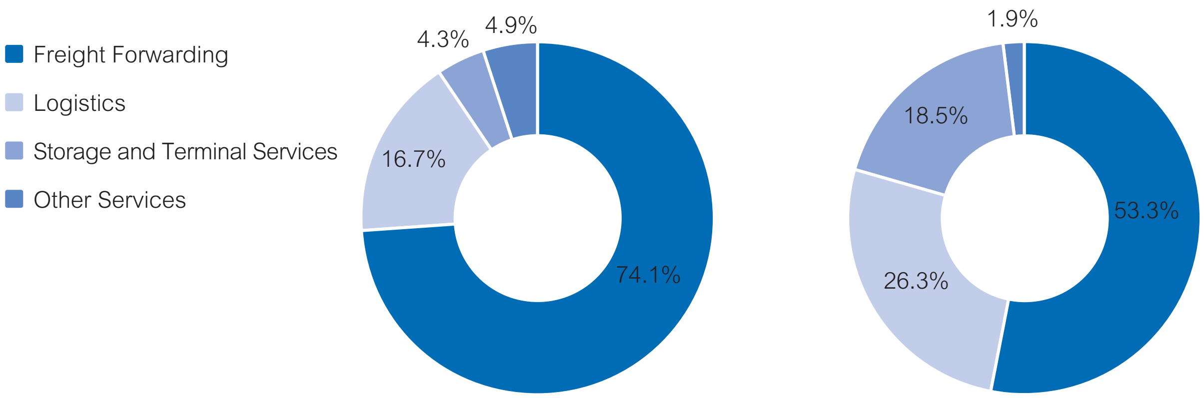
OPERATING RESULTS

The table below sets forth the external revenue (in RMB million) of each of the Group's major business segments and the contribution to total revenue for the years indicated:

	For the year ended 31 December			
	2016		2015	
Freight forwarding	**34,665.8**	**74.1%**	34,603.9	76.0%
Logistics	**7,803.1**	**16.7%**	6,921.0	15.2%
Storage and terminal services	**2,015.2**	**4.3%**	1,935.6	4.3%
Other services	**2,300.0**	**4.9%**	2,067.5	4.5%

The table below sets forth the segment results (in RMB million) of each of the Group's major business segments and the contribution to total segment results for the years indicated:

	For the year ended 31 December			
	2016		2015	
Freight forwarding	**725.0**	**53.3%**	716.7	49.6%
Logistics	**358.3**	**26.3%**	322.2	22.3%
Storage and terminal services	**252.1**	**18.5%**	354.0	24.5%
Other services	**25.3**	**1.9%**	51.8	3.6%



Revenue Contribution in 2016

Segment results Contribution in 2016

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

Revenue

In 2016, the Group's revenue amounted to RMB46,784.2 million, up by 2.8% from RMB45,528.1 million in 2015.

Freight Forwarding

External revenue from the Group's freight forwarding services slightly increased by 0.2% to RMB34,665.8 million during 2016, compared to RMB34,603.9 million in 2015, and the segment profit amounted to RMB725.0 million, up by 1.2% from RMB716.7 million in 2015, which were mainly because the positive growth in the Group's business volume overcame the impact of the decline of freight rates.

The volume of containers handled by sea freight forwarding was 10.026 million TEUs in 2016, representing an increase of 5.3% from 9.520 million TEUs in 2015, which was mainly attributable to the Group's active efforts to develop the customers of the international freight forwarding business. Cargo tonnage handled by the air freight forwarding services increased by 1.9% to 532,400 tonnes in 2016 from 522,600 tonnes in 2015, which was mainly attributable to the Group's efforts to strengthen the cooperation with airline companies and the new customers development. The number of containers handled by the shipping agency services rose by 1.1% to 16,694,000 TEUs in 2016 from 16,520,000 TEUs in 2015. The volume of bulk cargo handled by the shipping agency services increased by 18.1% to 246.30 million tonnes in 2016 from 208.60 million tonnes in 2015, which was mainly attributable to the Group's reinforced development in bulk commodities such as crude oil, iron ore and LNG, and the strengthened business cooperation with shipping companies, as well as the rapid growth in the scale of the business model of general agent.

Logistics

In 2016, external revenue from the Group's logistics service amounted to RMB7,803.1 million, representing an increase of 12.8% from RMB6,921.0 million in 2015, and the segment profit amounted to RMB358.3 million, representing an increase of 11.2% from RMB322.2 million in 2015, which were mainly attributable to the rapid growth of business volume of logistics service.

The business volume handled by the Group's logistics service increased by 16.7% to 18.20 million tonnes in 2016 from 15.60 million tonnes in 2015, which was mainly attributable to the Group's active development of new customers, and continuous efforts to explore the international market, as well as the rapid growth in "One Belt, One Road" related business volume.

Management Discussion and Analysis of Results of Operations and Financial Position

Storage and Terminal Services

In 2016, external revenue from the Group's storage and terminal services amounted to RMB2,015.2 million, representing an increase of 4.1% from RMB1,935.6 million in 2015. Segment profit from the Group's storage and terminal services amounted to RMB252.1 million, representing a decrease of 28.8% from RMB354.0 million in 2015, which was mainly attributable to the dividend reduction from equity investment held in a terminal company, and loss from certain newly operated warehouses.

In 2016, the number of containers handled in the Group's warehouse and yard operation increased by 3.2% to 7.947 million TEUs from 7.698 million TEUs in 2015, which was mainly attributable to the Group's strengthened cooperation with shipping companies and active development of new businesses. The volume of bulk cargo handled in warehouse and yard operation increased by 6.9% to 12.40 million tonnes from 11.60 million tonnes in 2015, which was mainly attributable to the Group's reinforced exploration on the bulk commodity market. The number of containers handled through terminals increased by 4.0% to 3.782 million TEUs from 3.637 million TEUs in 2015, which was mainly attributable to the further deepening of the business cooperation with the shipping companies, hub ports and other core customers.

Other Services

In 2016, the Group's external revenue from other services (mainly from trucking, shipping, express services and so on) amounted to RMB2,300.0 million, representing an increase of 11.3% from RMB2,067.5 million in 2015, which was mainly attributable to the volume growth in shipping agency and express service. Segment profit from the Group's other services amounted to RMB25.3 million, representing a decrease of 51.3% from RMB51.8 million in 2015, which was mainly attributable to the loss from cross-border e-commerce related business.

In 2016, the volume of containers handled by the Group's trucking services decreased by 22.1% to 804,000 TEUs from 1,032,000 TEUs in 2015, which was mainly because the Group changed from self-operating to outsourcing model in certain trucking services. The number of containers handled by shipping increased by 14.1% to 2.451 million TEUs from 2.149 million TEUs in 2015, which was mainly attributable to the continuous efforts to optimize the route setting and the reinforcement of the business cooperation with the trunk shipping companies. The number of documents and parcels handled by the express services increased by 178.1% to 7,729,000 units from 2,779,000 units in 2015, which was mainly attributable to the significant expansion in the business cooperation with cross-border e-commerce business of Cainiao Logistics.

The Group's joint ventures recorded an investment gain of RMB806 million from the operation of express business, representing a year-on-year decrease of 9.1%. The business volume of international express services of the joint ventures was up by 3.4% from 22.39 million units in 2015 to 23.15 million units in 2016.

Management Discussion and Analysis of Results of Operations and Financial Position

Transportation and Related Charges

Transportation and related charges was RMB40,653.6 million in 2016, increased by 2.5% as compared to RMB39,680.3 million in 2015, the growth rate was slightly below that of the revenue.

Staff Costs

Staff costs increased by 5.8% to RMB3,544.9 million in 2016, as compared to RMB3,349.4 million in 2015, which was mainly attributable to the increase in salaries and remuneration, as well as the rigid increase in social insurance expenses.

Depreciation and Amortisation

Depreciation and amortisation increased by 3.5% to RMB647.4 million in 2016, as compared to RMB625.3 million in 2015.

Office and Related Expenses

In 2016, office and related expenses amounted to RMB492.9 million, representing an increase of 5.5% from RMB467.3 million in 2015, which was mainly attributable to increase of travel expenses.

Other Gains and Losses, Net

Other gains and losses, net increased by 7.8% to a gain of RMB407.8 million in 2016, as compared to a gain of RMB378.3 million in 2015. This was mainly attributable to the combined influences of gains from disposing of the Sungang land, which was recorded last year, and the gains from equity disposal, which were recorded to the reporting year.

Other Operating Expenses

Other operating expenses increased by 24.2% to RMB487.6 million in 2016, as compared to RMB392.5 million in 2015, which was mainly because of the provisions for impairment loss of receivables recorded for this reporting year.

Operating Profit

The Group's operating profit was RMB1,574.3 million in 2016, representing a decrease of 4.3% from RMB1,644.4 million in 2015. Operating profit as a percentage of total revenue decreased to 3.3% in 2016 from 3.6% in 2015, or a decrease of 24.4% in 2016 from 26.4% in 2015 as a percentage of net revenue (total revenue less transportation and related charges).

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures was RMB828.4 million in 2016, representing a decrease of 13.9% from RMB962.1 million in 2015. Such decrease was mainly attributable to the decrease in the profit of DHL-Sinotrans International Air Courier Ltd..

Management Discussion and Analysis of Results of Operations and Financial Position

Income Tax Expense

The Group's income tax expense decreased by 37.3% from RMB613.2 million in 2015 to RMB384.7 million in 2016. Such decrease was mainly because the provision of land appreciation tax caused by the disposal of Sungang land in 2015, while there was no such issue for this reporting year; also the actual amount of tax paid in that regard was lower than the provision so that the difference was released during this reporting year.

Profit for the Year

The Group's profit for the period was RMB2,086.5 million in the year ended 31 December 2016, representing an increase of 6.4% from RMB1,961.9 million in 2015.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests decreased by 2.5% from RMB468.6 million in 2015 to RMB457.0 million in 2016. This was mainly attributable to the decrease in the profit of the non-wholly owned subsidiaries of the Company.

Profit Attributable to Owners of the Company

The Group's profit attributable to shareholders of the Company for the year ended 31 December 2016 amounted to RMB1,629.5 million, representing an increase of 9.1% from RMB1,493.3 million in 2015.

Liquidity and Capital Resources

Liquidity of the Group is mainly derived from cash from operating activities.

The following table summarises the Group's cash flows for each of the two years ended 31 December 2016 and 2015:

	For the year ended 31 December	
	2016 **In RMB million**	2015 In RMB million
Net cash generated from operating activities	**1,701.3**	2,433.6
Net cash used in investing activities	**(256.5)**	(905.5)
Net cash used in financing activities	**(487.0)**	(741.3)
Exchange gains on cash and cash equivalents	**27.6**	14.4
Net increase in cash and cash equivalents	**985.3**	801.2
Cash and cash equivalents at end of the period	**7,118.6**	6,133.3

Management Discussion and Analysis of Results of Operations and Financial Position

Operating Activities

Net cash inflows generated from operating activities decreased by 30.1% from RMB2,433.6 million in 2015 to RMB1,701.3 million in 2016, which was mainly due to the increase of RMB479.9 million in prepayments and other current assets (2015: decrease of RMB199.9 million), the increase of RMB480.4 million in trade and other receivables (2015: increase of RMB79.1 million), partly offset by the increase of RMB534.0 million in trade payables (2015: increase of RMB154.8 million).

The average age of trade receivables in 2016 was 58 days, which was the same as that in 2015.

Investing Activities

For the year ended 31 December 2016, net cash used in investing activities amounted to RMB256.5 million, and mainly comprised RMB1,280.6 million for purchase of property, plant and equipment, RMB287.5 million for the purchase of available-for-sale financial assets, as well as an increase in over-three-month time deposit of RMB427.1 million, partly offset by RMB958.0 million of dividends received from joint ventures and RMB740.3 million received from the disposal of available-for-sale financial assets.

For the year ended 31 December 2015, net cash used in investing activities amounted to RMB905.5 million, and mainly comprised RMB1,496.3 million for purchase of property, plant and equipment, RMB157.6 million for acquisition of joint ventures and RMB132.7 million for purchase of land use rights, partly offset by RMB891.9 million of dividends received from joint ventures.

Financing Activities

Net cash used in financing activities in 2016 amounted to RMB487.0 million, and mainly comprised RMB5,500.0 million of repayment of long-term and short-term bonds, RMB1,815.8 million for the repayment of the borrowings, RMB732.5 million for the payment of dividend and RMB294.0 million for the payment of interest of borrowings and bonds, partly offset by RMB4,990.8 million of new long-term and short-term bonds, RMB2,678.2 million new borrowings, and RMB214.4 million of capital injection from non-controlling interests.

Net cash used in financing activities in 2015 amounted to RMB741.3 million, and mainly comprised RMB905.5 million of repayment of bank borrowings, RMB253.4 million of interest paid for medium-term notes and RMB196.7 million of cash outflow from business combinations under common control, partly offset by RMB527.2 million of new bank borrowings and RMB42.1 million of capital injection from non-controlling interests.

Capital Expenditure

In 2016, the Group's capital expenditure amounted to RMB1,463.4 million, consisting primarily of RMB1,280.6 million for purchase of property, plant and equipment, RMB27.2 million for purchase of intangible assets, RMB135.6 million for purchase of land use rights and RMB20.0 million for purchase of other non-current assets, among which RMB985.2 million were used for construction of terminals, warehouses, logistics centers and container yards, RMB233.0 million were used for purchase of vehicles, vessels, plant and equipment, RMB87.8 million were used for IT investment and refurbishment and purchase of office equipment, and RMB157.4 million were used for purchase of property and others.

Management Discussion and Analysis of Results of Operations and Financial Position

Securities Investment

As at 31 December 2016, the listed equity investments held by the Group was RMB791.6 million, the details of which are set out in Note 21 to the financial statements.

Contingent Liabilities and Guarantees

As at 31 December 2016, contingent liabilities mainly comprised outstanding lawsuits of the Group arising from its ordinary course of business amounting to RMB83.4 million (2015: RMB241.7 million).

As at 31 December 2016, the amount of guarantees provided by the Group in favor of its joint ventures was RMB151.4 million (2015: the amount of guarantees provided by the Group in favor of its joint ventures was RMB220.7 million).

Borrowings and Bonds

As at 31 December 2016, the Group's total borrowings amounted to RMB1,449.1 million (31 December 2015: RMB564.6 million), which comprised RMB1,284.1 million denominated in Renminbi, RMB80.1 million in US dollars and RMB85.0 million in Hong Kong dollars. Of the above borrowings, RMB325.1 million borrowings shall be payable within a year.

As at 31 December 2016, the Group's total long-term bonds amounted to RMB4,493.4 million (31 December 2015: RMB5,038.2 million), among which RMB998.7 million will be due within a year.

The details of the Group's borrowings and bonds as at 31 December 2016 are set out in Notes 28 and 29 to the financial statements.

Secured and Guaranteed Borrowings

As at 31 December 2016, the Group pledged property, plant and equipment (with net book value of approximately RMB62.4 million) and land use rights (with net book value of approximately RMB18.4 million) for borrowings.

Debt-to-asset Ratio

As at 31 December 2016, the debt-to-asset ratio of the Group was 47.5% (2015: 47.4%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2016.

Foreign Exchange Rate Risk

Since a portion of the Group's revenue and transportation and related charges is denominated in foreign currencies, the Group's exposure to foreign exchange risk is mainly related to the fluctuations in foreign currencies including US dollars, Hong Kong dollars and Japanese Yen. There is no assurance that future fluctuations in Renminbi against the US dollars and other currencies would not adversely affect the Group's results and its financial position (including the ability to declare dividends).

Credit Risk

The Group's exposure to credit risk is represented by the aggregated balances of trade and other receivables, available-for-sale financial assets, restricted cash, term deposits with initial terms of over three months and financial guarantee. The maximum credit risk exposure in the event that other parties fail to perform their obligations under these financial instruments was the carrying values of these financial instruments.

Employees

At the end of 2016, the Group had 26,693 (2015: 27,150) employees.

In order to establish an incentive and restraint mechanism in which salary is linked to position and performance of employees, the Group has established a series of rules for salary management, performance evaluation and award and punishment management system applicable for the headquarter and companies of the Group respectively, which not only complies with the national and local policies, but also ensures reasonable salary level that is competitive in the market. At the same time, the Group respects gender equality. At Sinotrans, the same salary level and structure are applied to male and female employees equally. Salaries of male and female employees are determined in the same manner to facilitate healthy and sustainable development. The Group has also attached greater importance to training and development of staff's integrated capabilities to ensure opportunities for individual growth of employees.

At Sinotrans, we believe that people come first and that employees should be taken good care of. We endeavor to provide employees with a good working environment as well as opportunities for development, thereby enhancing team spirit and staff creativity to facilitate mutual development of the Group and its employees in harmony.

OUTLOOK OF BUSINESS DEVELOPMENT

In 2017, a slow-moving global economy in general is expected. Challenges brought by policy orientation of the new administration of American government and its spillover effects, the changes in global assets pricing, flow of international capital, and changes in leverage of financial institutions under the Federal Reserve's rate hiking cycle, Brexit and potential political risk from elections in several European countries, weak international trade and rising of trade protectionism, high geopolitical risk and tension in international security, emerging markets economy, and financial risk prevention are the key factors affecting the economy movement and the market volatility in the year. According to the forecast of International Monetary Fund (IMF), in 2017, the global economic growth may hopefully increase to 3.4% from 3.1% in 2016, with growth rates of 1.8% and 4.6% for developed economies and emerging economies respectively. China will continue to restructure its economy, with the manner of "slowdown in growth but improvement in quality", while its economic policies will continue the structural transformation from relying on the stimulation of demand side to supply side. The total social logistics costs in China is expected to increase by around 4%. The proportion of total social logistics cost as a percentage of GDP will grow in a steady trend of downward growth rate, weighing on the industry.

Management Discussion and Analysis of Results of Operations and Financial Position

Meanwhile, international development of Chinese enterprises and construction regarding “One Belt, One Road” initiative will bring Chinese logistics companies enormous demand of international logistics services, which require higher level of international door-to-door logistics capability, supply chain organization and overseas network. With the rise of sharing economy and sharing platform as well as the arrival of intelligent logistics era, the development of logistics business is now facing both opportunities and challenges. With more potential mergers and acquisitions in the industry, the development trend of integration of online and offline logistics business becomes more obvious. Vigorous support from the Chinese government on developing logistics e-commerce, multimodal transportation (railway-ocean through logistics, international railway liner services and river-ocean through logistics) and other logistics promotes the development of scale operation and emerging logistics model. The reorganization of Sinotrans & CSC with China Merchants is expected contribute new development potentials to the Company.

Focusing on “exploring, integrating, transforming, innovating, reforming and managing”, the Group will insist on implementing its strategy, actively implement the resolutions of the Board and enhance its ability of organization. The Group will also improve quality and enhance efficiency, and proactively cultivate new business growth, aiming to develop as a leading integrated logistics platform in the world.

- Accelerate its strategic transformation, cultivate new competitive advantages and business growth. The Group will promote the strategy of “production service, network operation, platform management, internationalization and capitalization” in logistics service, and further expand “One Belt, One Road” related projects. The Group will also strive to achieve a balanced development between offline and online business, a balanced development between domestic and overseas business, and a balanced development between organic growth and mergers and acquisitions.

- Implement the development positioning as an “integrator of logistics services” and accelerate the transformation of core business. The Group will promote transforming freight forwarding and related businesses into a whole supply chain, transforming logistics business into integrated value chain, and transforming e-commerce related business into platform operation and industry ecology. The Group will also strengthen the effort in core resources integration, to build its core capabilities and develop core products.

- Promote integration through consolidation and strive to implement an integrated operation. The Group will continue to promote regional integration to build operating layout of five operation regions throughout the country. The Group will accelerate the classification and integration of internal logistics resources, so as to develop an operation system for the five specialized subsidiaries, including logistics, overseas businesses, e-commerce related business, logistics real estate and air freight forwarding. The Group will also deepen the logistics resources integration with China Merchants and with Sinotrans & CSC to improve the economy of scale. The Group will strive to compress the layers of management with organization simplification to improve the quality and efficiency, and take up its entrusted management tasks to enhance the overall efficiency.

- Insist on continuous reform and greatly improve the operation ability. In terms of managing the clients, the organization and the team, the Group will strengthen the strategy-driven systematic management and promote the innovation of market-oriented network organization. The Group also will refine the corporate culture which matches the strategy and continue to enhance the soft power.

- Strive to cut cost and expand sources of income, and achieve quality and efficiency elevation. The Group will manage the marketing of major clients and the implementation of "headquarters to headquarters" cooperation, to further strengthen the client-driven momentum. The Group will further reduce the cost during the period and control risks by setting "alerting levels", to further reduce the pressure on the receivables.

- Strengthen fundamental management and enhance operation and controlling standard. The Group will enhance the data-driven ability and speed up the information presence and promote the construction of operating and controlling platform, based on "targeted management, customer relationship management and supplier management". The Group also will enhance the overall management and controlling system to improve its ability of risk management. The Group will persist in pursuing green logistics development and solidify the foundation of safe production.

Strategic Reorganisation and Resources Integration

At the end of 2015, SASAC approved the strategic reorganisation of Sinotrans & CSC, the parent company of the Company, with China Merchants, according to which, Sinotrans & CSC will be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of, China Merchants, and therefore, the Company will become a listed subsidiary of China Merchants. On the date the financial statement is approved by the Board of Directors, the business registration process in relation to the above reorganisation has not been completed yet.

The Group will continue to negotiate with China Merchants and Sinotrans & CSC regarding further resources integration, in order to integrate appropriate logistics business and its relevant assets into the Group, which can not only reduce the potential competition in logistics business among the Group, China Merchants and Sinotrans & CSC but also expand the business coverage of the Group. Any mode or material matters in relation to such integration is still under consideration, and a period of time may be needed to have such integration actually implemented. Once such integration is implemented, it will constitute a connected transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company will disclose the relevant information and seek the shareholders' approval pursuant to the requirement of the Listing Rules. The Group will or will not carry out such transactions.

CORPORATE GOVERNANCE REPORT

Sound corporate governance represents a long-standing 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 "Company Law"), 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 principles and provisions of Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as the Company's code on corporate governance. The Company trusts that promoting sound corporate governance is very important to maintain the operation and performance of the Group. During the reporting period for 2016, the Company deviated from Code Provisions A.1.1 and E.1.2.

Code Provision A.1.1. stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. The Board held only three physical meetings during the reporting period. There were certain matters that were approved by written resolutions. No physical Board meeting was held by the Company during the second quarter of 2016 as there was no specific matter that necessitated discussion in a Board meeting.

Code Provision E.1.2 provides that the chairman of the board should invite the chairmen of the audit committee, remuneration committee and nomination committee to attend the annual general meeting. The reason for the deviation is that the annual general meeting of the Company was held in Beijing and no holders of H-shares of the Company and/or their representatives attended the meeting in person. Therefore, the Company did not invite the chairmen of these committees to attend the annual general meeting.

Saved as the above deviation, the Company confirmed that it has complied with all the other code provisions throughout the reporting period for 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 Directors and Supervisors of the Company.

The Directors and Supervisors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the code throughout the reporting period for 2016.

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.

Composition of the Board of Directors

The Company has uploaded the most updated list of the Board members with their role and position to the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Company, and identified the role of the independent non-executive Directors in any corporate communications that disclose the names of the Director. The biographical information of the Directors, together with their titles and terms of office in other public companies or organizations are set out in this Annual Report, under the section headed "Directors, Supervisors & Senior Management". The Board members have a variety of appropriate experience, competence and skills relevant to the business of the Company. Amongst the Board members, there are experts in the transportation and logistics industries, as well as experts and senior academics in accounting, finance and law. The Board members' knowledge and experience complement each other, and yet they retain their respective independence and diversity of points of view, which ensures that the decision making process of the Board is scientific.

As at 31 December 2016, the Board of the Company comprised 11 Directors, including the Chairman, five executive Directors, a non-executive Director and four independent non-executive Directors. As to the further information about the specific roles of the Directors, please refer to the section headed "Directors, Supervisors & Senior Management" of this Annual Report.

The Nomination Committee of the Board has assessed the independence of all the independent non-executive Directors by taking into consideration (i) their annual Letter of the Independence submitted to the Company in accordance with the Listing Rules, (ii) that they were not involved in the routine management of the Company, and (iii) that there were no circumstances which would constitute intervention into their practice of providing independent judgments, and regards all independent non-executive Directors as independent. Pursuant to the CG Code, the Company has also explained the independence of each Independent Non-executive Director who was eligible for re-election in the papers of the general meeting.

The number of independent non-executive Directors during the year of 2016 has met the requirements of the Listing Rules of at least one-third of the number of the Board members, which could help the Board make independent judgements more effectively.

Training and Professional Development of Directors

All Directors of the Company actively participated in continuing professional development to update their knowledge and skills in order to ensure that each of them can contribute to the Board with up-to-date knowledge and meet its needs.

CORPORATE GOVERNANCE REPORT

The Company also took various measures to help and support the Directors in continuous professional development. Each new Director has been provided a set of papers in relation to the duties and responsibilities as a Director. The Company has prepared and updated from time to time a Performance Manual for Directors which covers the brief introduction of the Company, the profile of the Board, the statutory obligations of the Directors under the laws of the PRC and listing regulations, the internal governance documents and guidelines of the Company. The management of the Company provided a Monthly Report on Finance, Operations and Information Disclosure of the Company and Updates on Regulations of Securities Regulatory Authorities to the Directors on a monthly basis so that the Directors can keep up with the latest changes in the operations of the Company and regulatory requirements. In addition, the Company supported the Directors to participate in courses and seminars organized by Hong Kong Stock Exchange and other professional organizations in relation to the Securities and Futures Ordinance, the Listing Rules and corporate governance practices in order to update and improve their relevant knowledge and skills. The Company Secretary also provided reading materials on latest amendments to applicable laws and rules and/or held seminars to/for the directors to assist them to perform their duties.

After specific enquiry by the Company and according to the records kept by the Company, the participation of all current Directors in continuous professional development throughout the reporting period for 2016 is set out below:

Current Directors	**Reading Performance Manual**	**Reviewing Monthly Report on Finance, Operations and Information Disclosure of The Company**	**Reviewing Updates on Regulations of Securities Regulatory Authorities**	**Interpretation of compliance requirements by Company Secretary at Board meetings**	**Training seminars organized by the Stock Exchange and other professional organizations**
Mr. Zhao Huxiang	✓	✓	✓	✓	
Mr. Song Dexing	✓	✓	✓	✓	
Mr. Li Guanpeng	✓	✓	✓	✓	
Mr. Wang Lin	✓	✓	✓	✓	
Mr. Yu Jianmin	✓	✓	✓	✓	
Mr. Wu Xueming	✓	✓	✓	✓	
Mr. Jerry Hsu	✓	✓	✓	✓	
Mr. Guo Minjie	✓	✓	✓	✓	✓
Mr. Lu Zhengfei	✓	✓	✓	✓	
Mr. Han Xiaojing	✓	✓	✓	✓	✓
Mr. Liu Junhai	✓	✓	✓	✓	✓

Board Meetings

The Directors meet regularly and hold at least four regular Board meetings a year. The dates of meetings are fixed at the beginning of the year. Between regular meetings, the management of the Company will prepare regular monthly update reports to the Directors and other information about the performance of the Group and its operational activities and the development. If necessary, interim Board meetings will be held in conformity with the provisions of the Rules of Procedure of the Board. In addition, the Director may, where he or she considers necessary, at any time obtain information of the Group and independent professional advice, and recommend appropriate items be added to the Board meeting agenda.

In relation to regular meetings of the Board, the Directors generally receive written notice of the meeting fourteen days in advance, and the Board papers not less than three days in advance. As regard the interim meetings of the Board, depending on the circumstances, the Company would as soon as possible provide the Board with reasonable and practicable notice and papers of the meeting. In accordance with the Company Law, the Articles of Association of the Company and the Listing Rules, if a Director is connected with or is materially interested in any contract, transaction, arrangement or any other types of proposal to be considered by the Board, that Director will abstain from voting on the relevant resolutions. The Company has arranged appropriate insurance against the Director's possible involvement in the legal action.

The Company convened three physical Board meetings in 2016, respectively on 22 March, 23 August and 20 December. The Company has prepared and properly kept detailed minutes for the matters discussed in Board meetings. All Directors have the right to inspect the records of the Board meetings and other relevant information.

The attendance of Board meetings and general meetings by the Director during the term of their office in 2016 is set out below:

	Number of meetings attended/ Number of meetings during term of office	
	Board Meetings	**General Meetings**
Current Directors		
Mr. Zhao Huxiang	3/3	1/5[1]
Mr. Song Dexing	1/1[2]	0/0
Mr. Li Guanpeng	3/3	0/5
Mr. Wang Lin	3/3	0/5
Mr. Yu Jianmin	3/3	0/5
Mr. Wu Xueming	3/3	0/5
Mr. Jerry Hsu	3/3	0/5
Mr. Guo Minjie	3/3	0/5
Mr. Lu Zhengfei	3/3	0/5
Mr. Han Xiaojing	3/3	0/5
Mr. Liu Junhai	3/3	0/5
Director Ceased to Act		
Mr. Zhang Jianwei	2/2[3]	4/4[4]

CORPORATE GOVERNANCE REPORT

Notes:

1. Mr. Zhao Huxiang attended and conducted the extraordinary general meeting held on 15 December 2016;

2. Mr. Song Dexing was appointed as Executive Director of the Company on 15 December 2016;

3. Mr. Zhang Jianwei ceased to act as Vice Chairman and Executive Director of the Company on 26 September 2016;

4. Pursuant to the Articles of Association of the Company, as Mr. Zhao Huxiang, the Chairman of the Board of the Company, could not attend the genneral meeting for other work commitment, Mr. Zhang Jianwei, the Vice-chairman of the Board of the Company, attended and conducted the annual general meeting/class meeting for holders of H shares in the capital of the Company/class meeting for holders of domestic shares in the capital of the Company/extraordanary general meeting all held on 18 May 2016.

Corporate Governance Functions

On 11 June 2015, the Board announced that it dissolved its Corporate Governance Committee and would directly manage functions formerly delegated to that committee. During 2016, the Board carried out the following corporate governance functions include: a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; b) to review and monitor the training and continuous professional development of Directors and senior management; c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, etc..

Delegation of Power of the Board

The Board is the highest decision-making administrative authority. The Board acts in the best interests of the Company and its shareholders. The main duties of the Board include convening general meetings and executing the resolutions passed at general meetings, formulating the annual financial budget plans of the Company, the issuance plan of corporate bonds, the Company's profit distribution proposals and proposals of amending the Articles of Association of the Company and so on.

The Board has authorized the management to fulfil a number of specific management and operation functions, and conducts periodic reviews to ensure that the arrangement remains in line with the needs of the Group. The main duties of the management include taking charge of the Company's operation and management and organizing the implementation of the resolutions of the Board, organizing the implementation of the Company's annual operating plans and investment proposals, drafting the Company's basic management system, formulating basic rules and regulations for the Company, and exercising other powers conferred by the Articles of Association and the Board. Within the scope of authority and power given by the Board, the management is responsible for day-to-day operations, and make decisions in a timely manner. In relation to matters which are beyond the approved scope and authority, the management will report to the Executive Committee and the Board in a timely manner in accordance with the relevant procedure.

The scope of authority of the Board and management is set out in the Articles of Association and Rule of Procedures of the Board of the Company.

CHAIRMAN AND PRESIDENT

During the reporting period, Mr. Zhao Huxiang was the Chairman of the Board of the Company, and Mr. Li Guanpeng was the President of the Company. There is a clear division of power and authority between the Chairman and President. The Chairman is responsible for the management of the Board's operation, and ensures that the Company formulates sound corporate governance practices and procedures, 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.

So far as is known to the Company, there is no financial, business, family or other material relationships among the Board members and senior management of the Company. There is no such relationship between the Chairman of the Board and President of the Company.

NON-EXECUTIVE DIRECTORS (INCLUDING INDEPENDENT NON-EXECUTIVE DIRECTORS)

In accordance with Corporate Governance Code and Article 94 of the Articles of Association of the Company, the Directors are elected at general meetings of the Company. All Directors including the non-executive Directors are appointed for a term of office of three years since their date of appointment or re-appointment and are eligible for re-election upon the expiry of such term. Please refer to the section headed "Directors, Supervisors & Senior Management" of this Annual Report for further details.

The Company has a balanced composition of executive and non-executive Directors (including one non-executive Director and four independent non-executive Directors). The non-executive Directors (including the independent non-executive Directors) have appropriate professional qualification and experience as well as the financial and the legal expertise, who can make judgment in an objective and professional way. The non-executive Directors were invited to serve as the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company, who are of sufficient calibre and number for their views to carry weight, which helps the management determines the Company's development strategies, and ensure that the Board will prepare the financial reports and the other mandatory reports to high standards, and maintain an appropriate system to protect the interests of shareholders and the Company.

THE COMMITTEES OF THE BOARD

As at 31 December 2016, The Board has four committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The main duties and rules of procedure of the Audit Committee, the Remuneration Committee and the Nomination Committee are published on the websites of the Hong Kong Stock Exchange and the Company, detailing their roles and the authorities delegated from the Board. The committees of the Board report their decisions and suggestions to the Board on the Board meetings.

Executive Committee

On 15 April 2003, the 3rd meeting of the Board approved the establishment of the Executive Committee. The Executive Committee is a standing organization under the Board which, with the authorization by plenary meeting of the Board, is able to exercise part of power and authority of the Board during the adjournment of Board meetings. The Executive Committee should report its exercise of power to the Board on the Board's meetings regularly. The principal terms of reference of the Executive Committee include:

a) subject to laws, the Listing Rules and the Articles of Association of the Company, to decide on transactions relating to the core businesses of the Company, including but not limited to acquisition, merger, assets disposal and other external investments, with the amount involved in each transaction being no more than 5% of the Company's latest audited total assets, and authorize any executive Director to execute the documents relating to such transaction on behalf of the Board;

b) to decide on the establishment, merger and dissolution of the subsidiaries and other branch organizations of the Company;

c) subject to laws, the Listing Rules and the Articles of Association of the Company, to issue general documents relating to the businesses of the Company which shall be signed by the Board or Directors of the Company, including but not limited to letters of appointment or dismissal of relevant intermediaries, documents or letters to be submitted to the relevant government departments and regulatory authorities, and authorize any executive Director to execute such documents;

d) within the limit of no more than 30% asset to interest-bearing liability ratio, to carry out external debt financing;

e) subject to laws, the Listing Rules and the Articles of Association of the Company, to authorize the Executive Committee of the Board to decide on the provision of guarantees by the Company to its subsidiaries, including but not limited to: (1) approving the Company to provide guarantees to its subsidiaries, including but not limited to financing guarantees, performance guarantees and payment guarantees; (2) subject to the approval of the above-mentioned guarantees by the Executive Committee of the Board, authorizing any executive Director to execute the legal documents relating to the guarantee and deal with all other relevant matters. The above-mentioned authorizations shall not apply in the following circumstances: (1) the aggregate amount of guarantees in one year exceeds 30% of the total assets of the Company; (2) the subsidiaries are connected persons of the Company; (3) any guarantee is provided after the total amount of external guarantees has exceeded 50% of the latest audited net assets of the Company; (4) the asset to liability ratios of the subsidiaries exceed 70%; (5) the amount of a single guarantee exceeds 10% of the latest audited net assets of the Company; and

f) subject to applicable laws, the Articles of Association of the Company and the Listing Rules, other authorizations conferred by the Board.

As at 31 December 2016, the Executive Committee comprises Mr. Zhao Huxiang, being the Chairman, Mr. Song Dexing, Mr. Li Guanpeng and Mr. Wang Lin, being Executive Directors, with Mr. Zhao Huxiang as the Chairman of the Executive Committee.

Audit Committee

The principal terms of reference of the Company's Audit Committee include reviewing the Company financial information, monitoring and reviewing the Company's financial reporting system, the risk management and internal control procedures, monitoring and ensuring the effectiveness of the internal audit, making recommendations to the Board on the appointment, re-election and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; reviewing and monitoring the independence of the external auditors and effectiveness of the audit procedures according to the standard applied. The Audit Committee will discuss with the auditors about the nature and scope of the auditing and reporting obligations before the audit commences. The Audit Committee implements policy on the engagement of an external auditor to supply non-audit service and practices it. The Audit Committee should report to the Board, identifying any matter in respect of which it considers that action or improvement is needed, and making the recommendations respectively. The Audit Committee ensures that proper arrangement is in place for fair and independent investigation of internal reporting matters by the Company and for appropriate follow-up actions. The Audit Committee acts as the main delegate for overseeing the relation between the Company and the external auditors. The Company has provided sufficient resources for the Audit Committee to perform its duties.

Pursuant to Article 3 of the Rules of Procedure of Audit Committee of the Company, the Audit Committee of the Company is composed of all the Independent Non-executive Directors of the Company. As at 31 December 2016, the Audit Committee comprises Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing and Mr. Liu Junhai, being Independent Non-executive Directors, with Mr. Guo Minjie as the Chairman of the Audit Committee. The members of Audit Committee are professionals in the field of accounting, finance, law and transportation. Most of them possess appropriate professional qualifications and experience in finance. The Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee held four meetings in 2016, on 17 March, 18 July, 17 August and 20 December respectively, and mainly reviewed the Company's operating performance, financial statements, annual and interim financial reports, and debriefed the report of the internal and external audit of the Company and the report of the audit work of the annual report. The Audit Committee also discussed the candidates of external auditors for the year.

CORPORATE GOVERNANCE REPORT

The number of meetings attended by members of Audit Committee during the term of their office is set out below:

	Number of meetings attended/Number of meetings during term of office
Current Members	
Mr. Guo Minjie	4/4
Mr. Lu Zhengfei	4/4
Mr. Han Xiaojing	4/4
Mr. Liu Junhai	4/4
Members Ceased to Act	
None	None

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

Remuneration Committee

The principal terms of reference of the Company's Remuneration Committee include studying and formulating the remuneration policy and structure for the Directors and senior management of the Company, formulating remuneration standards, reviewing and approving the remuneration proposal in respect of the Directors and senior management of the Company, approving the service contract of the Directors and conducting performance assessment of those Directors and senior management. The Company has adopted the model described in the Code Provision B.1.2 (c)(i) of CG Code, i.e. the Remuneration Committee is delegated by the Board the authority to determine the remuneration package of individual Executive Director and senior management. The Company has provided sufficient resources for the Remuneration Committee to perform its duties.

As at 31 December 2016, Remuneration Committee comprises Mr. Lu Zhengfei, Mr. Guo Minjie, Mr. Han Xiaojing and Mr. Liu Junhai, being Independent Non-executive Directors, and Mr. Wang Lin, being an Executive Director, with Mr. Lu Zhengfei as the Chairman of the Remuneration Committee.

The Remuneration Committee held a meeting on 17 March 2016, and mainly reviewed the report of the implementation of performance appraisal, the payment of remuneration of senior management of the Company in 2015, and the optimization scheme of salary system of the Company. The Remuneration Committee confirmed the norm, method, items and assessment standards of the performance assessment, and agreed to submit the Report of Remuneration Committee to the Board for approval.

The number of meeting attended by members of Remuneration Committee during the term of their office is set out below:

	Number of meetings attended/Number of meetings during term of office
Current Members	
Mr. Guo Minjie	1/1
Mr. Lu Zhengfei	1/1
Mr. Han Xiaojing	1/1
Mr. Liu Junhai	1/1
Mr. Wang Lin	1/1
Members Ceased to Act	
None	None

Nomination Committee

The principal terms of reference of the Nomination Committee include selecting and recommending individuals to become members of the Board, making recommendations to the Board on the appointment or reappointment of Directors and succession of Directors, and assessing the independence of Independent Nonexecutive Directors, etc. The Company has provided sufficient resources for the Nomination Committee to perform its duties.

As at 31 December 2016, the Nomination Committee comprises Mr. Zhao Huxiang, being the Chairman, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing and Mr. Liu Junhai, being Independent Non-executive Directors, and Mr. Li Guanpeng, being the Executive Director, with Mr. Zhao Huxiang as the Chairman of the Nomination Committee.

The Nomination Committee held two meetings respectively on 22 March 2016 and 28 October 2016, mainly to review and adjust, in 2015, the structure, size and composition of the Board, the diversity policy of the Directors of the Company, and whether the qualification, number and independence of the Independent Non-executive Directors are consistent with the governance requirements of the Listing Rules, as well as to discuss the succession plan of the Directors of the Company in 2016 and nominated Executive Director candidate.

To meet the latest regulatory requirements, Nomination Committee prepared The Diversity Policy of the Composition of the Board of Directors of Sinotrans Limited, setting out the criteria of supervision and assessment of the diversity of the composition of the Board of the Company.

CORPORATE GOVERNANCE REPORT

In assessing the diversity of the Board composition, the Nomination Committee would take into account various aspects, including but not limited to gender, age, cultural background, educational background, professional experience, skills, knowledge and/or length of service. In forming the perspective on diversity, the Company will also consider its own business model and specific needs from time to time. All Board members' appointments will be based on merits and each candidate is considered against objective criteria.

The number of meetings attended by members of Nomination Committee during the term of their office is set out below:

	Number of meetings attended/Number of meetings during term of office
Current Members	
Mr. Zhao Huxiang	2/2
Mr. Guo Minjie	2/2
Mr. Lu Zhengfei	2/2
Mr. Han Xiaojing	2/2
Mr. Liu Junhai	2/2
Mr. Li Guanpeng	2/2
Members Ceased to Act	
None	None

SUPERVISORY COMMITTEE

The Supervisory Committee of the Company comprises three members, including one Independent Supervisor, one Staff-representative Supervisor and one Shareholder-representative Supervisor.

The Supervisory Committee is responsible for reviewing the financial affairs, supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. The Supervisors examined the Company's financial situation, legal compliance of its operations and the performance of duties by its senior management through convening meetings of the Supervisory Committee, attending the meetings of the Board and its committees, and undertaking investigation and checking on the site of subsidiaries. Each Supervisor undertook various duties in a proactive manner with diligence, prudence and integrity.

The Supervisory Committee held two meetings in 2016, respectively on 17 March and 17 August, mainly to review and approve the 2015 Report of the Supervisory Committee, the 2015 annual audited financial statements, the proposal of 2015 profit distribution, the 2016 interim financial statements and the interim dividend of 2016.

AUDITOR'S REMUNERATION

At the annual general meeting of the Company held on 18 May 2016, a resolution was passed to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the PRC and the international auditors of the Company for the year 2016 respectively, and to authorize the Board to fix their remuneration.

For the year ended 31 December 2016, audit and audit-related and other service fees amounted to RMB5,500,000 and RMB3,050,000 respectively. As to non-audit services, the services provided by the auditor mainly include review of interim financial information, auditor's letter on continuing connected transactions under the Listing Rules and performance of agreed-upon procedures regarding preliminary announcements of annual results and so on.

COMPANY SECRETARY

The Company Secretary of the Company has been changed in effect since 29 December 2016. For more information, please refer to the change of company secretary announcement of the Company, published on the websites of the Hong Kong Stock Exchange and the Company on 29 December 2016.

As at 31 December 2016, Mr. Li Shichu and Mrs. Hui Wai Man, Shirley are the Joint Company Secretaries of the Company. Please refer to the section headed "Directors, Supervisors & Senior Management" of this Annual Report for further details.

SHAREHOLDERS' INTERESTS

The Company always attaches great importance to the protection of shareholders' interests with an ultimate goal to maximize shareholders' value. The Articles of Association of the Company provides the procedures for shareholders to submit motions at the annual general meeting and to convene extraordinary general meetings or class meetings. Article 60 of the Articles of Association of the Company provides that, where the Company convenes an annual general meeting, shareholders holding 5 percent or more of the total number of the Company's voting shares shall be entitled to submit new motions in writing to the Company. The Company shall put on the agenda of the meeting all items in the motions, that fall within the scope of the shareholders' general meeting. Article 79 of the Articles of Association of the Company provides that, two or more shareholders holding in aggregate 10 percent or more of the shares with voting rights at a meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting to the Board one or more counterpart written request(s) to convene such a meeting. The written request must state the matters to be considered at that meeting. The Board shall convene the extraordinary general meeting or class meeting as soon as possible after receiving such written request(s). The shareholdings referred to above shall be calculated as at the date of delivery of the written request(s) submitted by the shareholders. If the Board fails to issue a notice to convene such a meeting within 30 days after receiving the written request(s) from the shareholders, the shareholders requesting the meeting may convene the meeting by themselves within 4 months from the date on which the Board received the written request(s). The procedure for convening such meeting shall, so far as is possible, be the same as the procedure of the Board to convene an extraordinary general meeting or class meeting. The Company shall be responsible for the reasonable fees incurred by the shareholders in convening an extraordinary general meeting or class meeting due to the failure of the Board to convene the meeting. The Company shall deduct such fees from the amount owed by the Company to the Directors who have neglected their duties.

Pursuant to Article 97 of the PRC Company Law, the shareholders of the Company have the right to inspect the Articles of Association of the Company, the share register, corporate bond certificates, minutes of general meetings, resolutions of Board meetings, resolutions of Supervisory Committee meetings as well as financial and accounting reports, and also have the right to make recommendations or enquiries in respect of the Company's operations. Any shareholder who wishes to make any recommendations or enquires to the Board or put forward his/her/its proposals at general meetings, please submit a written notice of such recommendations or enquires or proposals with his/her/its contact information to 10/F, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing, China, email to ir@sinotrans.com or fax to (86)10-5229 6600/6655. For further details on shareholders' enquiry procedures or contact information of the Company, please refer to the website of the Company at http://www.sinotrans.com/col/col3980/index.html.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

After the annual general meeting was convened on 18 May 2016, the amendment to the Articles of Association of the Company was approved. The modification is as follows:

By deleting article one of the Articles of Association of the Company, and replacing it with the following:

"Sinotrans Limited (the "Company") is a joint stock limited company established in accordance with the PRC Company Law (the "Company Law"), the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies by Shares ("Special Regulations") and other applicable laws and administrative regulations of the State. The Company was approved by the State Economic and Trade Commission on 20 November 2002 to be established by way of promotion and was registered with the State Administration for Industry and Commerce of the PRC and a business licence was obtained, the number being 100000000037375. The reference number of the approval is Guo Jing Mao Qi Gai [2002] No. 863. The promoter of the Company is SINOTRANS & CSC Holdings Co., Ltd."

GENERAL MEETINGS

The Company held five general meetings in 2016, including one annual general meeting, one H Shares class meeting, one Domestic Shares class meeting, and two extraordinary general meetings.

The annual general meeting held on 18 May 2016 was convened to review and approve the report of the Board of the Company for the year ended 31 December 2015, the report of the Supervisory Committee of the Company for the year ended 31 December 2015, the audited financial statements of the Company and the auditors' report for the year ended 31 December 2015, the profit distribution proposal and final dividends of the Company for the year ended 31 December 2015; to authorize the Board to decide on matters relating to the declaration, payment and recommendation of interim dividends for the year of 2016; to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the PRC and the international auditors of the Company for the year of 2016 respectively; and to authorize the Board to fix their remuneration; to review and approve the re-election of Mr. Lu Zhengfei as an independent non-executive Director of the Company and to authorize the Board to determine his remuneration; to authorize the Board to determine the remuneration of Directors of the Company; to review and approve a general mandate to issue shares and to repurchase H shares in the capital of the Company; to review and approve the updated mandate of the proposed issue of debt financing instruments and to review and approve the amendment to the articles of association of the Company. H Shares and Domestic Shares class meetings of the Company held on the same day were convened to review and approve a general mandate to repurchase H Shares in the capital of the Company. Extraordinary general meeting of the Company held on the same day was convened to review and approve the deposit services (and related annual caps) contemplated under the CMB Financial Services Agreement entered into between the Company and China Merchant Bank on 31 March 2016 for the two years ended 31 December 2017.

Extraordinary general meeting of the Company held on 15 December 2016 was convened to review and approve the election of Mr. Song Dexing as an executive director of the Company and to authorize the Board to determine his remuneration.

The Vice-chairman of the Board, the Company Secretary and Computershare Hong Kong Investor Services Limited attended the annual general meeting held on 18 May 2016. The Chairman of this meeting (through the Company Secretary) explained the detailed voting procedure at the annual general meeting. The resolutions proposed in such meeting for shareholders' approval have all been duly passed. For more information, please refer to the voting results announcement of Company published on the websites of the Hong Kong Stock Exchange and the Company on 18 May 2016.

The Chairman of the Board, the Company Secretary and external auditor attended the extraordinary general meeting of the Company held on 15 December 2016. The Chairman of this meeting (through the Company Secretary) explained the detailed voting procedure at the extraordinary general meeting. The resolution proposed in such meeting for shareholders' approval have been duly passed. For more information, please refer to the voting results announcement of Company published on the websites of the Hong Kong Stock Exchange and the Company on 15 December 2016.

CORPORATE GOVERNANCE REPORT

General meetings are extremely important to the Company. In any notice of general meeting to shareholders, the Company clearly sets forth the right of the shareholders to attend meetings and their rights, the agenda and voting procedures of the general meeting. All shareholders of the Company are encouraged to attend general meetings. The Company 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 2016 annual results	21 March 2017
Announcement of 2017 interim results	22 August 2017

The Company will publish announcements on 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.

As for the dates of closure of register to determine entitlements for 2016 final dividend, payment of 2016 final dividend and Annual General Meeting, please refer to the notice of annual general meeting published on the websites of Hong Kong Stock Exchange and the Company for further details.

INVESTOR RELATIONS

The Company places strong emphasis on communications with investors; 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 Team to deal with investor relations. Through different channels, such as annul/interim results analyst briefing, one-to-one meeting, group meeting, conference call, road show, reverse road show, and investor relations sector of the website of the Company and so on, the Company maintains close communications with investors and creates opportunities for investors to understand the Company by site visit. The investors may have a better and more timely understanding of the Company's management philosophy, market environment, operational performance and development strategies. As a result, the transparency of the Company will be improved and investors will have more in-depth understanding 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.

Shareholders may send their enquiries towards the Board in written form to the Company. Generally speaking, the Company does not normally deal with verbal or anonymous enquiries. Shareholders may send their enquiries to the following:

Address:	10/F, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing, PRC
Postal Code:	100029
Telephone:	0086-10-5229 6667/5122
Fax:	0086-10-5229 6600/6655--6667/5122
Email:	ir@sinotrans.com

FINANCIAL REPORT, RISK MANAGEMENT AND INTERNAL CONTROL

The management established a comprehensive risk management and internal control system in order to oversee the Company's overall financial and operational conditions and compliance controls and provide reasonable assurance against material misstatement or loss due to failure in risk management and internal control. Through the Audit Committee, the Board oversees the system on a going basis, ensuring that a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems has been conducted at least annually. During the year of 2016, the Audit Committee has reviewed and ensured the effectiveness of the Company's and its subsidiaries' risk management and internal control system. The management of the Company have confirmed the effectiveness and adequacy of the overall risk management and internal control system and internal audit function.

The Company has a well-designed organizational structure which clearly specifies the duties for each department. The Board has authorized the management to establish 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 Board ensures the adequacy of resources in accounting, internal audit and financial reporting, and staff having rich qualifications and experience. The Board also ensures that there is enough training programs budget for staff to get related training courses.

- The Company allocates adequate resources to accounting and financial reporting functions, the relevant staff has rich qualifications and experience. The Company has established a comprehensive accounting management system to facilitate the management with financial information and indicators for accurate and full assessment of the Company's financial position and operating performance, as well as any financial information for disclosure. Management provides financial information and the production and operations status to the Directors every month, to make the Directors aware of the latest situation of the Company. Directors acknowledge their responsibility for preparing the accounts. In particular, the Board and the Audit Committee monitor the preparation of the accounts for each financial period, ensuring accounts of the Company truly and fairly reflect the business situation, financial performance and cash flow position of the Company during the period. At the same time, external auditors also make a declaration to their reporting responsibilities and obligations in the auditor's report of the financial report.

- The Company carries out internal audit and external audit and certification on the suitability, adequacy and effectiveness of its integrated management system based on the ISO9001:2008, ISO14001:2004 and OHSAS18001:2007 standards. The audit procedures monitor major items such as finance, operation and compliance based on respective procedural documents of the integrated management system, relevant law and regulation, and relevant contracts, covering all aspects of the comprehensive management system. The Company has formulated a control procedure for the identification and evaluation of environmental factors and hazards, to conduct suitability assessment and tracking of relevant laws and regulations on safety and environment. To ensure that necessary attention is given to significant environmental factors and hazards, and that they are effectively controlled, the Company has also regularly identified and updated a list of environmental factors and hazards according to the relevant procedure documents.

- The headquarter is in charge of the establishment and daily operation of the risk management and internal control system of the Company, while the subsidiaries implement. The headquarter would inspect and monitor the operating condition of the internal control system of the subsidiaries, and form a comprehensive management report.

CORPORATE GOVERNANCE REPORT

- The Company carries out the risk management work under guidelines of overall risk management made by State-owned Assets Supervision and Administration Commission of the State Council of PRC. The headquarter of the Company and its secondary subsidiaries have established their risk management institutions. The Company has recognized and set up its risk events database, which will be updated and revised every year. Each department of the headquarter of the Company would choose certain material risk events in its field every year and assess and grade the possibility of occurrence and influence of risk events to determine the scope of material risk of the year together with the management of the Company, the functional department and the operating personnel and management of the subsidiary where the risk event occur. Each functional department prepares counteractions to deal with material risks in its field and report the execution situation regularly. Every year, the results of the counteractions to deal with material risks should be summarized and evaluated. The main subsidiaries of the Company should also carry out their risk management work pursuant to the above procedure.

- The Company carries out the internal control management work under regulations of internal control made by the Ministry of Finance of the PRC and other four ministries and commissions. All departments of the Company and 284 operational entities of 16 secondary units of the Company have accomplished their systematic construction tasks and established institutions and departments responsible for integrated internal control system. In order to safeguard the efficiency of the existing internal control system, the Company has carried out self-assessment work of the internal control system against all of its regional companies and main subsidiaries during the year of 2016, in which no material management defect regarding the establishment and implementation of the current internal control system has been detected. Self-assessment, improvement actions and optimization of the internal control system would be annual routine tasks of the Company.

- The Company has an internal audit function. 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 risk management and internal control system pursuant to the instruction of the management of Company, in a professional manner that is independent, objective and systematic. The scope of an internal audit covers the Company's financial conditions, operations, compliance and risk management. In terms of audit items, audit should be focused on the operating entities and high risk areas. In terms of the substance of audit, the primary task is the audit of internal controls with in-depth investigations of business processes and management sections. Based on internal control and operational management process with risk-oriented audit, special emphasis should be given to core business chain of operation together with key financial management and audit sections. Audit results will be reported to the Audit Committee and the management of the Company.

- With respect to the monitoring and disclosure of inside information, the Company has formulated the Formalities Concerning Registration of Insiders of Inside Information of Sinotrans Limited and Guidelines on Disclosure of Inside Information of Sinotrans Limited ("Guidelines") in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information. The Guidelines applies to the Company, its subsidiaries and their respective directors, supervisors, senior management and specific employees when they identify, control or disclose inside information.

DIRECTORS, SUPERVISORS & SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD

Zhao Huxiang, age 61, is the Chairman of the Executive Committee and the Nomination Committee of the Company. Mr. Zhao graduated with an 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, Managing Director of China Merchants Holdings (International) Company Limited, and President Assistant, board Director and Vice President of China Merchants Group Limited. In December 2005, Mr. Zhao became the Director and President of China National Foreign Trade Transportation (Group) Corporation. In December 2008, Mr. Zhao became the Vice Chairman and President of SINOTRANS & CSC. From January 2011, Mr. Zhao was appointed as the Chairman of SINOTRANS & CSC. Mr. Zhao is also the Chairman of DHL-Sinotrans. From August 2007 to November 2013, Mr. Zhao acted as the Non-executive Director and the Chairman of Sinotrans Shipping Limited. Mr. Zhao was elected as the Chairman of China International Freight Forwarders Association in February 2007, and was appointed as the Chairman of International Federation of Freight Forwarders Association (FIATA) in September 2015. In March 2006, Mr. Zhao was appointed as a Director and the Chairman of the Board of the Company. In June 2016, Mr. Zhao was appointed as the Vice Chairman of the board of directors of China Merchants Group Limited.

EXECUTIVE DIRECTOR

Song Dexing, aged 53, is the member of the Executive Committee of the Company. Mr. Song is a Senior Engineer graduating from port engineering major of Wuhan University of Technology (formerly known as Wuhan Institute of Water Transportation Engineering) and obtaining the Ph.D. degree in Management from Huazhong University of Science and Technology. Mr. Song successively held the posts of Engineer of Water Transport Planning and Design Institute of Ministry of Transport of the PRC, Deputy Head of the lecturer delegation in Sichuan sent by Ministry of Transport, Deputy Division Director and Division Director of Container Division and Domestic Division of Water Transportation Department of Ministry of Transport, Deputy Mayor of Luoyang City (temporary post), Associate Director of the Research Institute of Water Transportation of Ministry of Transport, Deputy Director and Director of the Yangtse Gorges Navigation Administration Bureau, Deputy Director and Director of Water Transportation Department of Ministry of Transport and Director of Water Transportation Bureau of Ministry of Transport, as well as held a concurrent post of Director of Taiwan Affairs Office of Ministry of Transport. In September 2014, Mr. Song was appointed as the Deputy Chairman of SINOTRANS & CSC Holdings Co., Ltd.. In June 2016, Mr. Song was appointed as the President of SINOTRANS & CSC Holdings Co., Ltd. and the Head of Integrated Logistics Department of China Merchants Group Limited. Mr. Song was appointed as a Director of the Company in December 2016.

DIRECTORS, SUPERVISORS & SENIOR MANAGEMENT

Li Guanpeng, age 50, is the President of the Company, and also the member of the Executive Committee and the Nomination Committee of the Company. Mr. Li joined China National Foreign Trade Transportation (Group) Corporation in 1989 and worked in Sinotrans Guangdong Company Limited Huangpu Branch. Mr. Li served as the General Manager of Zhuhai Shipping Agency Co., Limited and Guangdong Shipping Agency Co., Limited successively in 1994 and 1998. In September 1999, Mr. Li took the position of the Deputy General Manager of Sinotrans Guangdong Company Limited. From January 2009 to January 2010, Mr. Li was temporarily transferred to the Ministry of Transport and served as an assistant to the director. In March 2010, Mr. Li was appointed as the General Manager of Sinotrans Guangdong Company Limited. Mr. Li was appointed as the Chairman of the board of directors of Sinotrans Air Transportation Development Co., Ltd in September 2016. Mr. Li graduated from Sun Yat-sen University in 1989 and obtained his bachelor degree in English language and literature. From August 2013 to January 2014, Mr. Li acted as Vice President of the Company. In February 2014, Mr. Li was appointed as the President of the Company. Mr. Li was appointed as a Director of the Company in March 2014.

Wang Lin, age 57, is the Vice President of the Company, and also the member of the Executive Committee and the Remuneration Committee of the Company. Mr. Wang started his career in the China National Foreign Trade Transportation (Group) Corporation in 1984 by serving in the Sinotrans Group Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Group Zhejiang Company Limited. 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 Chairman of the board of directors and General Manager of Sinotrans Jiangsu Company. Mr. Wang has acted as the Vice President of the Company and the General Manager of Sinotrans Eastern Company Limited since 2002 and from April 2003, he has also acted as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed as the Vice President of the Company in November 2002. Mr. Wang was appointed as a Director of the Company in March 2014.

Yu Jianmin, age 51, is the Vice President of the Company. Mr. Yu began working in the Liner Department of China National Foreign Trade Transportation (Group) Corporation in 1990 and was seconded to serve as the Chief Representative at China National Foreign Trade Transportation (Group) Corporation's Italian representative office in 1993. In 1998, he returned to China to serve as Vice General Manager of China National Foreign Trade Transportation (Group) Corporation's Investment Management Department. Since 1999, Mr. Yu served as the General Manager of China National Foreign Trade Transportation (Group) Corporation'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 become Assistant President of the Company. Mr. Yu was appointed as the Vice President of the Company in October 2008. Mr. Yu was appointed as a Director of the Company in March 2014.

Wu Xueming, age 53, is the Vice President of the Company. Mr. Wu has been employed by China National Foreign Trade Transportation (Group) Corporation 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. From April 2007 to July 2010, Mr. Wu became the Assistant President of the Company. In August 2010, Mr. Wu was appointed as the Vice President of the Company. Mr. Wu was appointed as a Director of the Company in June 2015.

NON-EXECUTIVE DIRECTOR

Jerry Hsu*, age 66, is the Advisor to Global Management Board of DHL Express. Mr. Hsu is responsible to provide management advice to the Global Management Board on strategic issues of DHL Express worldwide network. Mr. Hsu's previous role was CEO of DHL Express Asia Pacific and a member of the DHL Express Global Management Board. He was responsible for China, Hong Kong, Taiwan, Japan, Korea, South East Asia, India and South Asia, Oceania and other markets and regions, a position he held until December 2015. Before that, Mr. Hsu 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 as the non-executive Director of the Company in June 2003.

* Mr. Jerry Hsu is the representative 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 (the "Strategic Investors").

* 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.

* While, for the purposes of the Listing Rules, the Strategic Investor's nominee director 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.

DIRECTORS, SUPERVISORS & SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Guo Minjie, age 70, is the Chairman of the Audit Committee and the member of the Remuneration Committee and the Nomination Committee of the Company, and a senior engineer. Mr. Guo currently serves as President of Logistics Technology and Equipment Committee of China Communications and Transportation Association, Executive Vice President of Transport and Logistics Research Sub-association and Consultant of Beijing Institute of China Communications and Transportation Association. Mr. Guo had experiences of being the Director of Urumqi railway sub-Bureau, Director of Urumqi railway Bureau and Director of Nanchang railway Bureau. From July 2003 to February 2006, Mr. Guo served as Chairman and General Manager of China Railway Container Transport Co., Ltd. and Chairman of China Railway Tielong Container Logistics Co., Ltd.. From March 2006 to November 2006, Mr. Guo worked as a Consultant of China Railway Container Transport Co., Ltd. Mr. Guo was elected as the representative of the 9th and 10th National People's Congress. Mr. Guo graduated from Xi'an Jiaotong University in 1970. Mr. Guo was appointed independent non-executive Director of the Company in August 2012.

Lu Zhengfei, age 53, is the Chairman of the Remuneration Committee and the member of the Audit Committee and the Nomination Committee of the Company. Mr. Lu holds a doctorate degree in Economics. Mr. Lu is the professor of Accounting in Guanghua School of Management of Peking University and the Dean of Financial Analysis and Investments Research Center 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, Executive Director of China Accounting Association and Associate Director of Financial Management Academic Committee. Mr. Lu is also serving as an independent director for four other companies —Bank of China Limited (which is listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange), Sino Biopharmaceutical Limited, Sinoma (both of which are listed on the Hong Kong Stock Exchange), Lian Life Insurance Co., Ltd. Mr. Lu is also serving as an independent director of Zhejiang Tailong Commercial Bank Company Limited. Mr. Lu is also serving as an independent supervisor of PICC which is listed on the Hong Kong Stock Exchange. Mr. Lu graduated from accounting department and obtained his Master degree in Economics in the Renmin University in 1988, and then obtained his Ph.D. in Economics from business school of Nanjing University in 1996. Between 1997 and 1999, Mr. Lu undertook postdoctoral studies in Economy (Accounting) Postdoctoral Station in the Renmin University. Mr. Lu was appointed as an independent non-executive Director of the Company in September 2004.

Han Xiaojing, age 61, is the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Han holds a master degree in law and is a practicing lawyer in PRC. Mr. Han is one of the founding partners of the Commerce & Finance Law Office of Beijing. Mr. Han obtained a bachelor degree in law from Zhongnan University of Economics and Law (formerly named Hubei Institute of Finance and Economics) in 1982. Mr. Han obtained a master degree in law from the China University of Political Science and Law in 1985. From 1985 to 1986, Mr. Han served as an instructor in the China University of Political Science and Law. From 1986 to 1992, Mr. Han served as a lawyer for the China Legal Services Centre. Mr. Han has been a partner of the Commerce & Finance Law Office since 1992, mainly engages in providing legal services in banking, project financing, securities, companies, foreign investments and real estate business. Mr. Han is also serving as an independent non-executive director in Sino-Ocean Group Holding Limited, Far East Horizon Limited (both of which are listed on the Hong Kong Stock Exchange), PingAn Bank Co. Limited and Beijing Sanju Environmental Protection & New Materials Co., Ltd. (both of which are listed on the Shen Zhen Stock Exchange). Mr. Han was appointed as an independent non-executive Director of the Company in October 2014.

Liu Junhai, age 47, is the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Liu holds a doctorate degree in civil and commercial law. Mr. Liu is a professor and an academic supervisor for LL.D. candidates in the Law School of Renmin University of China, and also a post-doctoral supervisor of its postdoctoral program. Mr. Liu is the Director of the Business Law Center, Renmin University of China. Mr. Liu also holds several academic and social positions such as Supervisor of Post-Doctoral program of Shenzhen Stock Exchange, Vice Chairman & Secretary General of China Consumers' Protection Law Society, Adjunct Professor in China University of Political Science & Law and other universities in China. From March 2014 to December 2014, Mr. Liu served as an independent non-executive director of China Solar Energy Holdings Limited. Mr. Liu was appointed as an independent director of Sound Environmental Resources Co., Ltd in October 2015. Mr. Liu was appointed as a director of LandOcean Energy Services Co., Ltd in December 2015. Mr. Liu was appointed as an independent director of China Investment Securities Company Limited in March 2016. Mr. Liu obtained his Bachelor degree in Law from Hebei University in 1989, and obtained his Master degree in economic law from China University of Political Science and Law in 1992 and his doctorate degree in civil and commercial law from Graduate School of Chinese Academy of Social Sciences in 1995. Mr. Liu was appointed as an independent non-executive Director of the Company in December 2012.

SUPERVISOR

Wu Dongming, age 53, is the Chairman of the Supervisory Committee of the Company. Mr. Wu began his career in the China National Foreign Trade Transportation (Group) Corporation in 1986. From 1988 to 1990, he served in TNT Skypak-Sinotrans Company as the National Operations Manager and the Assistant to the General Manager. In 1990, Mr. Wu served as Department Manager in Sinoair and later became General Manager of Associated International Freight Forwarding Co. Ltd in 1995. In 1997, Mr. Wu was appointed 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 until March 2012. Mr. Wu was appointed as a non-executive Director of the Company in June 2012 and resigned in February 2014. Mr. Wu was appointed as the Supervisor of the Company in March 2014. Mr. Wu is also the Managing Director of DHL-Sinotrans International Air Express Co., LTD and the CEO of DHL Express China.

DIRECTORS, SUPERVISORS & SENIOR MANAGEMENT

Zhou Fangsheng, age 67, is the independent Supervisor of the Company. Mr. Zhou obtained rich enterprise practice during his long-term service in enterprises. From 1991 to 1997, Mr. Zhou served as Deputy Division Director and Division Director in the State-owned Assets Administration Bureau, and Deputy Director in the Stated-owned Assets Administration Research Institute. From 1997 to 2001, Mr. Zhou worked as Deputy Director in difficulty relief working office for stated-owned enterprises of the State Economic and Trade Commission. From 2001 to 2003, Mr. Zhou served as Director in Stated-owned Assets Administration Research Section of Research Institute for Fiscal Science of Ministry of Finance. From 2003 to 2009, Mr. Zhou worked as Vice Counsel in the Enterprise Reform Bureau of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zhou is now retired. Since January 2013, Mr. Zhou is also an independent non-executive director of Hengan International Group Company Limited (a company listed in Hong Kong with stock code 01044). Mr. Zhou graduated from Hunan University majoring in engineering management in 1985 and completed post graduate course from the Renmin University of China in Enterprise Management of Industrial Economics Department in 1996. Mr. Zhou was appointed as the independent Supervisor of the Company in December 2011.

Ren Dongxiao, age 51, is the staff representative Supervisor of the Company. Ms. Ren joined China National Foreign Trade Transportation (Group) Corporation in 1997, serving as the Deputy General Manager of Sinotrans International Trading Company. Ms. Ren was appointed as the Key Account Manager of Marketing Department of the Company in July 2008. Since September 2010, Ms. Ren has worked as the Vice-chairman of Labor Union of the Company. From July 2009 till now, Ms. Ren acted as Assistant General Manager of President's Office, Assistant General Manager and Deputy General Manager of Party & Mass Affairs Department of the Company. Ms. Ren studied Japanese language and graduated from Dalian University of Foreign Languages in 1988. Ms. Ren was appointed as the Supervisor of the Company in January 2014.

SENIOR MANAGEMENT

Song Rong, age 44, is the Vice President of the Company. Mr. Song jointed China National Foreign Trade Transportation (Group) Corporation in 1995, serving in liner shipping department. In 2000, Mr. Song was appointed as the Manager of Siontrans Canada Company. In August 2006, Mr. Song served as Deputy General Manager of Sinotrans Container Lines Co., Ltd. In January 2008, Mr. Song served as General Manager of operation department of the Company. Since June 2012, Mr. Song has acted as the General Manager of Sinotrans Shandong Co., Ltd.. Mr Song graduated from University of International Business and Economics with a bachelor degree in economics, and obtained MBA from Olin Business School of Washington University. Mr. Song was appointed as the Vice President of the Company in December 2015.

DIRECTORS, SUPERVISORS & SENIOR MANAGEMENT

Wang Jiuyun, age 50, is the Chief Financial Officer, and also the General Manager of the Accounting & Financial Department of the Company. Mr. Wang has been employed by China National Foreign Trade Transportation (Group) Corporation since 1986 with experience in the Accounting & Financial Department of China National Foreign Trade Transportation (Group) Corporation, the Manager of Accounting & Financial Department of Sinotrans TNT Skypak--Sinotrans Int'l Express Co., the Financing and Accounting Department of National Foreign Trade Transportation (Group) Corporation, Financial Manager of New Asia (Poland) Limited, Financial Manager of International United Shipping Agency (Hongkong) Co., Ltd., and Manager of Overseas Section of Financing and Accounting Department of China National Foreign Trade Transportation (Group) Corporation. In January 2002, Mr. Wang was appointed as Chief Financial Officer of North China Region of Sinotrans Air Transportation Development Co., LTD.. In May 2004, Mr. Wang was appointed as the Manager of the Financing and Accounting Department of Sinotrans Air Transportation Development Co., LTD.. In August 2006, Mr. Wang was appointed as the Deputy General Manager of Sinotrans Air Transportation Development Co., LTD.. During the period from November 2010 to April 2013, Mr. Wang held a concurrent post as the Chief Financial Officer of Sinotrans Air Transportation Development Co., LTD.. In April 2013, Mr. Wang was appointed as the General Manager of the Accounting & Financial Department of Sinotrans Limited. In December 2016, Mr.Wang was appointed as the Chief Financial Officer of the Company.

Li Shichu, age 46, is the Joint Company Secretary of the Company, and also the General Manager of the Developing & Planning Department of the Company. Mr. Li obtained his bachelor degree in economics from University of International Business and Economics, and graduated with an EMBA degree from Cheung Kong Graduate School of Business. Mr. Li joined China National Foreign Trade Transportation (Group) Corporation in 1993. From 1993 to 2000, Mr. Li was under the employment of China Marine Shipping Agency Co., Ltd and President Office of China National Foreign Trade Transportation (Group) Corporation. From 2000 to 2002, Mr. Li acted as the Deputy Director of President Office of China National Foreign Trade Transportation (Group) Corporation. From April 2002 to December 2002, Mr. Li acted as the Head of Integrated Group of Listing Office of China National Foreign Trade Transportation (Group) Corporation. From 2002 to 2008, Mr. Li acted as the General Manager of Securities & Legal Affairs Department of the Company. From 2008 to 2012, Mr. Li acted as the General Manager of Sinotrans Anhui Company. Since 2012, Mr. Li has been the General Manager of the Developing & Planning Department of the Company. In December 2016, Mr. Li was appointed as the Joint Company Secretary of the Company.

Gao Xiang, age 44, is the Chief Information Technology Officer of the Company. From the year of 1995 to the year of 2016, Mr. Gao was employed by TravelSky Technology Limited with experience as Engineer, Executive Manager of marketing division, General Manager of aviation business division and General Manager of research and development center. Mr. Gao graduated from Nankai University in 1995. In September 2016, Mr. Gao was appointed as the Chief Information Technology Officer of the Company.

Ms. Hui Wai Man, **Shirley**, age 49, is the Joint Company Secretary of the Company. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. Ms. Hui is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and a member of the Society of Chinese Accountants and Auditors and the Hong Kong Securities Institute. In December 2016, Ms. Hui was appointed as the Joint Company Secretary of the Company.

REPORT OF THE BOARD OF DIRECTORS

The Board of directors (the "Board") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

The discussion and analysis in accordance with the Schedule 5 of Companies Ordinance, including the discussion of fair review of the Company's business, a description of the principal risks and uncertainties facing the Company and the indication of likely future development in the Company's business have been set out in the Management Discussion and Analysis section of this annual report, which is a part of this report.

BUSINESS OPERATIONS

The principal businesses of the Group include freight forwarding, logistics, storage and terminal services, and other services (mainly engaged in trucking, shipping and express services). There was no material change to the nature of the principal businesses of the Group during the year.

An analysis of the Group's operating results for the year by business segment is set out in Note 5 to the financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Particulars of the subsidiaries, joint ventures and associated companies of the Company are set out in Notes 44, 45, 19 and 20 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the financial statements on pages 93 to 188. The summary of results and assets and liabilities of the Group for the preceding five years are set out on page 4.

FINAL DIVIDEND AND BOOK CLOSURE PERIODS

The Board has recommended the payment of a final dividend of RMB0.075 per share, subject to passing of the resolution to declare and pay the final dividend for 2016 by shareholders at the Annual General Meeting to be held on 12 May 2017 (the "AGM"). The recommended final dividend will be paid on or before 26 July 2017 to the shareholders as registered at the close of business on 23 May 2017. Please refer to the "Notice of Annual General Meeting" for further AGM details.

For determining the list of shareholders eligible to attend and vote at the AGM, the register of members of the Company will be closed from 12 April 2017 to 12 May 2017, both days inclusive. In order to be eligible to attend and vote at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 11 April 2017, for registration.

REPORT OF THE BOARD OF DIRECTORS

The record date for the recommended final dividend is at the close of business on 23 May 2017. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 18 May 2017 to 23 May 2017, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 May 2017, for registration.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of domestic shares of the Company will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares of the Company 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 (14 March 2017 to 20 March 2017) preceding the date of recommendation of the final dividend by the Board. The average exchange rate of RMB to HK$ for the said week was HK$1=RMB0.88853. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.08441.

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 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 receive their dividend net of the enterprise income tax.

The Company will withhold and pay on behalf of the individual holders of H Share the income tax in accordance with the tax regulations of the PRC. Pursuant to the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange of Hong Kong Limited (the "HKEX") to the issuers on 4 July 2011, for non-foreign investment companies of the Mainland which are listed in Hong Kong distributing dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10%. They do not have to make any applications for entitlement to the above-mentioned tax rate. However, for shareholders who are residents of other countries and whose home countries have reached an agreement with China on an applicable withholding tax rate higher or lower than 10%, they have to follow the bilateral tax agreement in paying tax in connection with dividends paid by Mainland companies listed in Hong Kong. When making payments of dividend, the Company acting like a withholding agent in general will withhold 10% of the dividend on behalf of the individual H shareholders as individual income tax. If the relevant tax regulations and tax agreements have otherwise provisions, the Company will withhold individual income tax of such dividend in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

REPORT OF THE BOARD OF DIRECTORS

Final Dividend for the Investors of Southbound Trading

The China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong issued a joint announcement on 25 November 2016, officially launched the Program of the Shenzhen-Hong Kong Stock Connect ("Shenzhen-Hong Kong Stock Connect"). According to the Notice on the Shenzhen-Hong Kong Stock Connect List (關於發佈深港通股票名單的通知) released by the Shenzhen Stock Exchange("SZSE"), the Company was on the Southbound Trading list. The investors of the SZSE (including enterprises and individuals) have since been able to invest in the H shares of the Company listed on the Hong Kong Exchanges and Clearing Limited ("SEHK").

The Company is promoting the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system. The cash dividends for investors of H shares of Southbound Trading will be paid in RMB.

Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (關於深港通股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2016] No.127), for dividends received by domestic investors from investing in H shares listed on the SEHK through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the SEHK through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date and the date of distribution of final dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company.

BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year of 2016, sales to the top five customers and purchases from the top five suppliers of the Group accounted for less than 30% of the Group's revenue and purchases respectively.

For the year ended 31 December 2016, none of the directors, supervisors, their closely allied 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 top five customers or the top five suppliers of the Group.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2016 are disclosed in Note 43 to the financial statements.

Details of some of the said related party transactions, which also constitute continuing 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*	**2016** *RMB'000*
Transactions with Sinotrans & CSC Group	*1*	
Provision of transportation and logistics services		1,121,074
Service fees for transportation and logistics services		(1,527,647)
Rental expenses		(43,301)
Receiving services from Sinotrans & CSC Finance Co., Ltd. ("Finance Company") which is a subsidiary of Sinotrans & CSC		
Receiving deposit services – maximum daily balance	*2*	863,004
– Including receiving deposit services by the Company's subsidiary, Sinotrans Air Transportation Development Co., Ltd. ("Sinoair")		96,663
Transactions with Connected Non-Wholly-Owned Subsidiaries	*3*	
Provision of transportation and logistics services		120,939
Service fees for transportation and logistics services		(35,814)

REPORT OF THE BOARD OF DIRECTORS

Note 1: Transactions with Sinotrans & CSC Group are considered as connected transactions as Sinotrans & CSC is the controlling shareholder of the Company, and its subsidiaries are connected parties of the Company. Further details of such transactions are set out in the section entitled "Material Contracts with Sinotrans & CSC Group".

Note 2: On 16 April 2015, the Company signed a New Financial Services Agreement with the Finance Company to replace the Original Agreement and expanded the annual caps of maximum daily outstanding balance of deposits (including accrued interests) placed by the Group with the Finance Company from RMB500 million to RMB900 million, including RMB100 million of the annual cap of the maximum daily outstanding balance of deposits (including accrued interests) placed by the Company's subsidiaries, Sinoair with the Finance Company that remains unchanged.

Note 3: Transactions with Connected Non-Wholly-Owned subsidiaries of the Company are considered as connected transactions as more than 10% equity interests of these Non-Wholly-Owned subsidiaries are held by the subsidiaries of Sinotrans & CSC.

During the year, the Company has complied with the disclosure requirements of chapter 14A of the Listing Rules in respect of those transactions. 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 2015, 2016 and 2017 (to the extent any of the percentage ratios (other than the profits ratio) of the annual caps in respect of such connected transactions on an annual basis exceeds 5%) have been approved by the independent shareholders of the Company passed in the Extraordinary General Meeting held on 24 December 2014.

The independent non-executive directors of the Company 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 business;

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

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

(iii) if there are no appropriate comparables for the independent non-executive Directors to confirm items b(i) or b(ii) above, then 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 was engaged to conduct a limited assurance engagement on the Group's continuing connected transactions in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor has issued an unmodified letter containing their findings and conclusions in respect of the connected transactions by the Group above in accordance with the Listing Rule 14A.56.

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 2016 are set out in Note 11 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 187 of this Annual Report and Note 36 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2016 amounted to approximately RMB1,098.56 million.

SHARE CAPITAL STRUCTURE

Share capital structure of the Company as at 31 December 2016 was as follows:

Nature of shares	Number of shares	As a % of total issued share capital
Domestic shares	2,461,596,200	53.44%
H shares	2,144,887,000	46.56%

ISSUE OF SHARES AND DEBENTURES

For the twelve months ended 31 December 2016, the Company did not issue any shares.

Details about the debentures issued by the Company during the year are set out in Note 29 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS

EQUITY-LINKED AGREEMENT

During the year ended 31 December 2016, as far as the directors of the Company were aware, the Company was not involved in any equity-linked agreement.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as the directors of the Company were aware, the interests or short positions of the following persons (other than directors, president(s) or supervisors) in the shares and underlying 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	Percentage of the Company's total issued share capital	Percentage of the Company's issued H share capital
Sinotrans & CSC Holdings Co., Ltd. *(Note 1)*	2,461,596,200 (L)	Domestic Shares	53.44%	–
	107,183,000 (L)	H shares	2.33%	4.997%
GIC Private Limited	150,110,000 (L)	H shares	3.26%	6.99%
Citigroup Inc.	128,617,480 (L)	H shares	2.79%	6.00%
	0 (S)	–	–	–
	125,497,542 (P)	H shares	2.72%	5.85%
Blackrock Inc.	110,260,366 (L)	H shares	2.39%	5.14%
FIL Limited	107,449,000 (L)	H shares	2.33%	5.01%

* *Notes:* (L) Long Position, (S) Short Positions, (P) Lending Pool

Note 1: The Company's Chairman Mr. Zhao Huxiang and Executive Director Mr. Song Dexing are also the directors or employees of Sinotrans & CSC which is the controlling shareholder of the Company. Sinotrans & CSC directly held the 2,461,596,200 Domestic shares and indirectly held the 107,183,000 H Shares through its wholly owned subsidiaries, among which, Sinotrans (Hong Kong) Holdings Ltd. took the stake of 106,683,000 H Shares, Sinotrans Shipping Inc. took the stake of 500,000 H Shares as at 31 December 2016.

Save as disclosed above, based on the register maintained by the Company as required under Section 336 of the SFO, as at 31 December 2016, so far as was known to the directors of the Company, there were no other person (other than a director, president or supervisor) who had any interest or short position in the shares and underlying shares of the Company.

PURCHASE, SALE OR 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 2016.

DIRECTORS AND SUPERVISORS

As at 31 December 2016, the directors and supervisors of the Company were as follows:

Name	Date of appointment
Directors:	
Zhao Huxiang *(Chairman)*	3 March 2006
Song Dexing *(Executive Director)*	15 December 2016
Li Guanpeng *(Executive Director)*	31 March 2014
Wang Lin *(Executive Director)*	31 March 2014
Yu Jianmin *(Executive Director)*	31 March 2014
Wu Xueming *(Executive Director)*	11 June 2015
Jerry Hsu *(Non-Executive Director)*	18 June 2003
Guo Minjie*	31 August 2012
Lu Zhengfei*	27 September 2004
Han Xiaojing*	24 October 2014
Liu Junhai*	28 December 2012
Supervisors:	
Wu Dongming	31 March 2014
Ren Dongxiao	14 January 2014
Independent Supervisor:	
Zhou Fangsheng	30 December 2011

* These directors are Independent Non-executive Directors.

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 in directors, supervisors and senior management of the Company were as follows:

Mr. Li Shichen ceased to act as Vice President of the Company with effect from 11 April 2016 due to the change of his position.

Mr. Lu Zhengfei, was re-elected as director of the Company on 18 May 2016 for a term of three years until the date in 2019 on which the annual general meeting of the Company will be held.

Mr. Gao Xiang was appointed as the Chief IT Officer of the Company on 14 September 2016.

Mr. Zhang Jianwei ceased to act as the Vice-Chairman, Executive Director and member of the Executive Committee of the board of the Company with effect from 26 September 2016 due to the change of his position.

Mr. Song Dexing was appointed as Executive Director of the Company on 15 December 2016 for a term of three years until the date in 2019 on which the annual general meeting of the Company will be held. On 15 December 2016, Mr. Song Dexing was also appointed as a member of the Company's Executive Committee of the Board.

Mr. Wang Jiuyun was appointed as the Chief Financial Officer of the Company on 20 December 2016.

Mr. Gao Wei ceased to act as the Company Secretary of the Company with effect from 29 December 2016 due to the change of his position in the Company.

Mr. Li Shichu was appointed as the Joint Company Secretary of the Company on 29 December 2016.

Ms. Hui Wai Man, Shirley was appointed as Joint Company Secretary of the Company on 29 December 2016.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of directors, supervisors and senior management of the Company are set out on pages 41 to 47.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

Pursuant to the Company's announcement dated on 1 November 2016, Mr. Song Dexing will not enter into any service contract with the Company. Saved as Mr. Song Dexing, each of the executive directors of the Company has entered into a service contract with the Company.

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 supervisors of the Company are set out in Note 6 to the financial statements.

Remuneration of the directors is determined based on the director's duties, experiences and the Group's performance.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2016, none of the directors, president, supervisors or their associates had any interests in any shares, underlying shares or debentures 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 SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are considered 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 notifiable 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the twelve months ended 31 December 2016, none of the directors or supervisors or any entities connected with such directors and supervisors had any material interests directly or indirectly in any new or existing transactions, arrangements or contracts of the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

During the year, no remuneration was paid by the Group to the directors or the five individuals with the highest emolument as an inducement to join or upon joining the Group or as compensation for loss of office.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESSES

Mr. Zhao Huxiang and Mr. Song Dexing are directors or employees of Sinotrans & CSC which is the controlling shareholder of the Company. Certain subsidiaries of Sinotrans & CSC are engaged in the Group's "core businesses" in certain "core strategic regions" of the Group in the PRC which have only nominal operations which are the same as or similar to the "core businesses" of the Group. Details of the competition between Sinotrans & CSC Group and the Group and the non-competition agreement entered into between Sinotrans & CSC Group and the Company on 14 January 2003 are referred to in the section entitled "Relationship with Sinotrans & CSC Group" in the prospectus of the Company dated 29 January 2003.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR BONDS

At no time during the twelve months ended 31 December 2016 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangements or existing arrangements which would enable the Company's directors or supervisors to acquire benefits by means of the acquisition of shares in or bonds of the Company or any other body corporate.

The articles of association of the Company does not contain any permitted indemnity provision as specified in section 469 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

MATERIAL CONTRACTS WITH SINOTRANS & CSC GROUP

Sinotrans & CSC Holdings Co., Ltd. is the controlling shareholder of the Company.

Master Business Services Agreement and Property Lease Agreement

Since its listing, pursuant to the relevant requirements of the Listing Rules, the Company has entered into written agreements with the controlling shareholder in respect of certain continuing connected transactions for a term of no more than three years, with an annual cap determined for each connected transaction. On 6 November 2014, the Company renewed the Master Business Services Agreement and Property Lease Agreement with Sinotrans & CSC in order to regulate the provision and receipt of transportation and logistics services by the Group to Sinotrans & CSC Group and vice versa, as well as the Group's leasing of various properties from Sinotrans & CSC Group. Both the Master Business Services Agreement and Property Lease Agreement are for a term of three years commencing on 1 January 2015 and ending on 31 December 2017. Please refer to the announcement of the Company dated 6 November, 2014 for details of such transaction.

Entrusted Management Agreement

On 10 February 2014, the Company and Sinotrans & CSC entered into the Entrusted Management Agreement, pursuant to which the Company agreed to provide the Entrusted Management Services to Sinotrans & CSC in two phases as at 31 December 2016, in return for fixed management fees. On 23 January 2017, the Company and Sinotrans & CSC entered into a new Entrusted Management Agreement to continue the provision of the entrusted service to Sinotrans & CSC, in return for a fixed management fee for a term of two years from 1 January 2017 to 31 December 2018. Please refer to the announcement of the Company released on 10 February 2014 and 23 January 2017 for the details of such agreement.

Financial Services Agreement

On 14 November 2012, the Company and the Finance Company, a non-wholly-owned subsidiary of Sinotrans & CSC, entered into the New Financial Services Agreement (the "Original Agreement"). The Finance Company agreed to provide a series of financial services to the Group within the caps agreed under the Original Agreement for each of the three years ended on 31 December 2013, 2014 and 2015 respectively. The company and the Finance Company entered into the Supplementary Agreement dated 25 March 2014 to supplement certain provisions in the Original Agreement. The Company and the Finance Company entered into a new Financial Services Agreement on 16 April 2015 (to replace the Original Agreement), which shall be valid from 16 April 2015 to 31 December 2017. For the details of such agreement, please refer to the announcements of the Company dated 14 November 2014, 25 March 2014 and 16 April 2015.

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.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

The Group has set up a department in charge of documenting and updating the laws and regulations that have a significant impact on the Company, and continuously monitoring their compliance to ensure that the Group abides by such laws and regulations from time to time. Besides those general laws and regulations such as the Company Law of the PRC, the Listing Rules of Hong Kong Stock Exchange, the Group has also complied in all material respects with all the laws and regulations that have a significant impact on the business of the Group, including the Road Traffic Safety Law of the PRC, the Maritime Law of the PRC, etc..

MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2016 are set out in Note 38 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2016 are set out in Note 3 and Note 7 to the financial statements.

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the directors confirm 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company has reviewed and adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the period from 1 January 2016 to 31 December 2016 as our code on corporate governance, details of which are set out in Report on Corporate Governance on pages 24 to 40 in the 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. After making specific enquiries, it was confirmed that all directors and supervisors of the Company have complied with the Model Code and its code of conduct regarding directors' securities transactions during the reporting period.

As at 31 December 2016, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing and Mr. Liu Junhai 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 is satisfied that the above independent non-executive directors are independent.

SIGNIFICANT POST BALANCE SHEET EVENTS

There is no significant post balance sheet event.

DONATIONS

During the reporting year, the Group made charitable and other donations amounted to about RMB0.2061million.

AUDIT COMMITTEE

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 control system, and offering advice and recommendations to the Board. As of 31 December 2016, the Audit Committee comprised four independent non-executive directors, namely Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing and Mr. Liu Junhai with Mr. Guo Minjie as the Chairman of the Audit Committee.

The Group's annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

AUDITORS

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP were the international and the PRC auditors of the Company respectively for the year ended 31 December 2016.

By Order of the Board
Zhao Huxiang
Chairman

Beijing, the PRC
21 March 2017

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year ended 31 December 2016, 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 (the ''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 2016, the major duties of the Committee are to convene Supervisory Committee meeting; to attend Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting; 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 2016 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 a diligent manner in diligence and with dedication, and have accomplished the mission entrusted by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development in the context of global economy downturn and adjustment of China' economic growth. The Committee is satisfied with the performance and economic efficiency achieved by the Company for 2016 and is fully confident about the Company's future prospects and development.

The Committee has carefully reviewed the financial statements prepared in accordance with International Financial Reporting Standards 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 realize a stable, healthy and sustainable development of the Company.

Wu Dongming
Chairman of the Supervisory Committee

Beijing, the PRC
16 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW OF THIS REPORT

Sinotrans Limited ("Sinotrans" or "Company") is a leading integrated logistics services provider in the PRC whose principal businesses include freight forwarding, logistics, storage and terminal services, and other services mainly engaged in trucking, shipping and express services. As an integrated logistics service provider, Sinotrans understands the vital importance of environment, society & governance to the Group's future, and also realizes the far-reaching influence the Group's business model has over the environment and society. At the same time of pursuing maximization of business profit, corporate value and shareholder interests, Sinotrans also lays high emphasis on the Group's sustainable development, pays attention to the environmental and social effect from the Group's business operations, and incorporates sustainable development strategies into corporate culture and business plans.

This report is prepared with reference to Environmental, Social and Governance Reporting Guide (hereinafter referred to as "Guide") issued by the HKEX. This report spans from 1st January 2016 to 31st December 2016. The content contained herein involves the environmental, social and governance performance of Group in their main business locations (i.e. Mainland China). After the Group has further enhanced and refined the work within the range of environment, society & governance, and data collection has become more mature, the report's coverage will be extended to the business outside China, and continuous optimization and improvement will be made on indicators disclosed.

REPORTING PRINCIPLE & STAKEHOLDER ENGAGEMENT

The main principles applied in the preparation of this report focuses primarily on materiality, quantitative key indicators, balance and consistency. Although this report is prepared with sole reference to the Guide issued by HKEX, the writing of this report has also considered internationally recognized sustainable development reporting principles.

Another key aspect in the course of report writing is to invite stakeholder[2] engagement. Sinotrans' business operations produce an effect on different stakeholders, while these stakeholders also have different expectations for the Group. Collecting opinions from stakeholders and responding to topics of their concern is one of main purposes of writing this report.

For preparation of this report, the Group carried out a "Stakeholder Engagement" activity by organizing questionnaire surveys to identify topics of most importance to stakeholders. A total of approximately 200 questionnaires were distributed to about 80 internal stakeholders, including managers and general employees of the Company; and to about 120 external stakeholders, including about 50 shareholders and investors, about 50 clients and about 20 industry of Sinotrans Limited association representatives.

According to the results of the questionnaire surveys, the topics of the stakeholder's concern mainly include the emissions, use of resources, health and safety, product responsibility, anti-corruption and etc. The writing of this report has given full consideration to the concern of stakeholders and will elaborate on those concerns in the following sections. In the future, the Group will further strengthen the relationship with stakeholders through proactive contact and frank communication.

Notes:

1: This report's coverage is consistent with enterprises within the range of the Group's consolidated financial statements.

2: "Stakeholder", i.e. "Shareholder" or "Rights Owner", refers to any group or individual who has a significant effect on or will be subject to an impact from the business of Sinotrans.

PROMOTING ENVIRONMENTAL PROTECTION OPERATIONS

Sinotrans' business is faced with environmental challenges every day, such as energy consumption and carbon emission. The main emissions of the Group are the carbon dioxide and sulfur dioxide, which mainly discharge from the vehicles and ships in transportation. The Group, at the same time of pursuing economic benefits, will treat environmental protection as an important part of business operations. In 2016, Sinotrans intensified its efforts in energy conservation and emission reduction via improving relevant organizational execution system, monitoring system and assessment system. With such efforts, the Group achieved higher energy utilization efficiency, reported much higher proportion of clean energy to total energy consumption and less emission of carbon dioxide. Owing to the business growth, the sulfur dioxide emission and oxynitride emission of the Group has certain growth in 2016 compared with 2015.

Emissions

Sinotrans pays attention to the management of waste produced in the course of operations. As a logistic service provider, the Group has no business involving industrial production and has not produced large quantity of hazardous or non-hazardous waste. Neither has it dumped large quantity of hazardous or non-hazardous waste into water or into earth. For this reason, the Group has no specific statistics about hazardous or non-hazardous waste; nor have the Group developed any relevant regulations. However, the Group has set out *Management Guidelines for Outdoor Storage of Hazardous Chemicals (《危險化學品露天儲存管理指南》)* in accordance with state laws and regulations and relevant requirements as set in the Group's *Management Regulations on Safe Production (《安全生產管理規定》)*. The guidelines clarify that hazardous chemical waste shall not be cast aside without any treatment and shall be under disposal of companies specialized in waste treatment, and that there must be no combustible waste stored in the areas where hazardous chemicals are kept for subsequent treatment. As for non-hazardous waste (e.g. waste paper, waste plastics, etc.), the Group tries to avoid production of waste from the source, e.g. adopts environment-friendly printers and scanners, advocates office automation to cut down paper utilization, and encourages double-sided printing to reduce paper waste. The Group has been engaging in a variety of recycling work and performing unified treatment for waste produced in offices, e.g. taking back waste paper for recycling by specialized agencies, taking back waste cartridges, etc. The Group knows, only through mastery of quantitative data to conduct a detailed analysis on the environmental impact of business operations could the environmental performance be improved continuously.

Recycling of Waste Paper at the Group's Headquarters

Sinotrans strictly complies with laws and regulations related to air pollution, such *as Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Atmospheric Pollution Prevention and Control Law of the People's Republic of China(《中華人民共和國大氣污染防治法》)*. The Group has formulated *Sinotrans Limited Measures for the Administration of Energy Conservation & Emission Reduction(《中國外運股份有限公司節能減排管理辦法》)*, wherein, according to the energy consumption and emission of main pollutants, the Group divides companies under it into three classes: Focused, Attention and General, and makes adjustments on an annual basis as per the energy consumption and emission volume, so as to realize targeted supervision; allocates the responsibility of energy conservation & emission reduction to each relevant branch, management department and working team, and tries to reduce the environmental impact of exhaust gas emission wherever possible.

In terms of sewage treatment, the Group conducts examination on companies that store hazardous chemicals, and requires companies to set up sewage pools and possess sewage treatment capabilities; in terms of transport vessels, the Group has formulated relevant requirements, e.g. vessels at anchor or dock are not allowed to discharge sewage overboard; sewage discharge of vessels outside special areas shall comply with the provisions of Article 15 of *73/78 Pollution Prevention Convention (《73/78防污公約》)*, Annex I issued by International Maritime Organization (IMO).

In 2016, Sinotrans took a serious attitude towards the management of energy conservation & emission reduction. First, the Group continuously reinforced the infrastructure of energy conservation & emission reduction, promoted the use of various energy-efficient, environmentally-friendly products and launched rooftop PV project, so as to increase the efficiency of energy utilization; explored operation model innovation, optimized management processes, and improved operation and management models such as networked transport, unified distribution and multimodal transport, so as to enhance the management of energy conservation in operations; conducted on-time statistics, proper monitoring and timely tracking, and improved the energy consumption & pollutant emission monitoring system. Second, the Group continued to promote the new energy application and explore the drop-pull transport as a new model. Third, the Group actively organized to carry out various activities for energy conservation & emission reduction, subject studies of carbon baseline as well as the pilot work of carbon footprint, and attended carbon footprint seminars, carbon transaction training and green freight operation seminars held by the government or industry authorities, etc.

Road transport is the key area for the Group to fulfill its commitment in energy conservation and emission reduction. Following the trend of green logistics, member companies of the Group purchased LNG vehicles, vehicles meeting China's Stage IV and Stage V emission standards and electric vehicles, and sticks to the drop-pull transport business model. Such actions contribute a lot to the realization of energy conservation and emission reduction in road transport area.

A complete management system conduces to energy conservation and emission reduction, and also to high energy utilization efficiency. But more importantly, employee support and engagement plays the key role in realizing these goals set by relevant policies. The Group is dedicated to a corporate culture that values resources. To cultivate environmental protection awareness among employees and to encourage them to get involved in fulfilling the commitment related to environmental protection, energy conservation and emission reduction, the Group promotes well-known campaigns among employees, which includes "Earth Hour", Energy Conservation Week and Low Carbon Day.

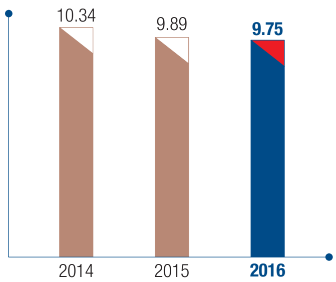
Use of Resources

In 2016, the total energy consumption of Sinotrans was 97,500 tons of standard coal, down by 1.46% compared with last year; the comprehensive energy consumption per RMB10,000 business revenue was 0.02 ton of standard coal/RMB10,000, down by 8.71% compared with last year; the comprehensive energy consumption per RMB10,000 added value was 0.22 ton of standard coal/RMB10,000, down by 1.21% compared with last year.

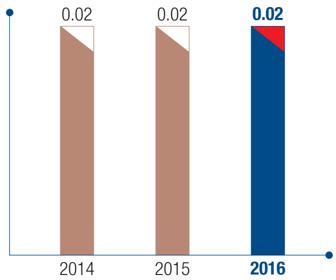
The overall energy consumption of Sinotrans showed a downward trend, with gasoline, diesel and natural gas consumption dropping to different extents compared with that in 2015, wherein, the gasoline consumption was 5,686.19 tons, down by 3.06% compared with last year; diesel consumption was 44,003.40 tons, down by 3.53% compared with last year; natural gas consumption was 6,231,947.08 SCM, down by 17.27% compared with last year. However, there was increase in the consumption of electricity. Total power consumption in 2016 reached 113,581,400kWh, up by 9.28% as compared with the same period of last year. The increase was mainly attributable to Group's business expansion, tapping into new market and optimized business operational model. Another key factor was that some of equipment originally powered by gasoline and diesel was refitted to be powered by electric power, which was much cleaner and environment friendly. Owing to the business growth, the coal consumption of the Group has ceratin growth in 2016 compared with 2015.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

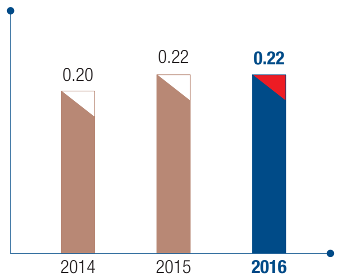
Energy Consumption



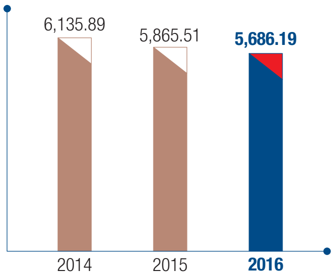
Total Energy Consumption
(10,000 Tons of Standard Coal)



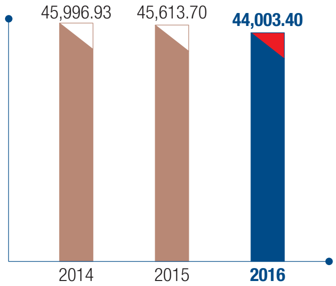
Comprehensive Energy
Consumption per RMB10,000
Business Revenue
(Ton Standard Coal/RMB10,000)



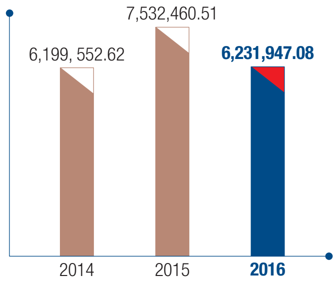
Comprehensive Energy
Consumption per RMB10,000
Added Value
(Ton Standard Coal/RMB10,000)



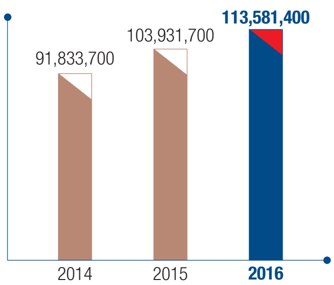
Gasoline (Ton)



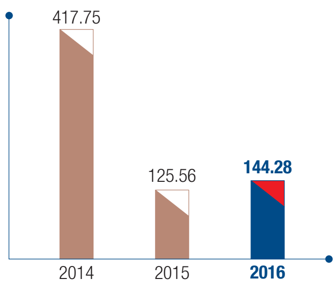
Diesel (Ton)



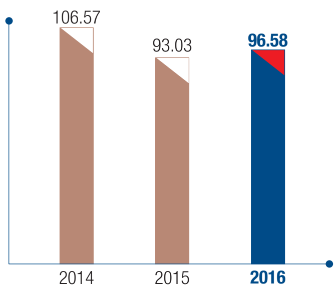
Natural Gas (SCM)



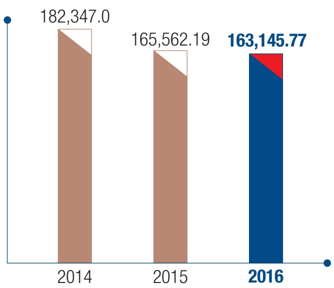
Total Electricity Consumption
(Kilowatt hour)



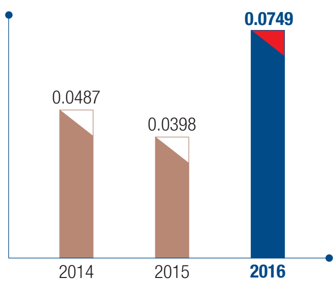
Sulfur Dioxide
(Ton)



Oxynitride Emission
(Ton)



Carbon Dioxide
(Ton)



Coal Consumption
(10,000 Tons of Standard Coal)

Sinotrans is devoted to increasing the efficiency of energy utilization. As a logistic service provider, the Group consumes most of energy in its operation, mainly in the field of road transport. Thus, with regard to the use of energy, the Group strictly observe the requirements of *Measures for the Administration of Inspection and Supervision on the Fuel Consumption of Road Transport Vehicles(《道路運輸車輛燃料消耗量監測和監督管理辦法》), Table of Road Transport Vehicle Models with Standard Consumption of Fuels(《道路運輸車輛燃料消耗量達標車型表》), Green Freight Vehicle Standards(《綠色貨運車輛標準》)*, to control vehicle selection criteria, and in combination with the enterprise's actual situation, to eliminate heavy energy-consuming vehicles step by step, and to steadily improve the enterprise's ability to reduce energy consumption in road transport. With regard to daily office work, member companies of the Group at all levels rigorously promote all measures related to energy conservation and environmental protection, strictly controls the temperature of air conditioning at workplaces, and keep promoting the use of LED lights; implement unified management of official business vehicles, and reduce separate or repeated vehicle dispatching. In terms of warehousing, the Group strictly restricts the application of heavy energy-consuming equipment and facilities, eliminates old equipment of high energy consumption and low efficiency, and reduces energy consumption from the source. Each transport enterprise, on the basis of reinforcing vehicle management, implements unified management of transport vehicle dispatching through the vehicle dispatching center, makes reasonable planning for vehicle routing, and realizes all-round monitoring with the aid of GPS, so as to further increase the efficiency of vehicle operation, and reduce the energy consumption of vehicle operation. The Group focuses on reducing energy consumption in its operation by upgrading relevant equipment and introducing clean energy. Equipment originally driven by diesel and gasoline has been replaced with those powered by electricity. Advanced technologies have been introduced, and outdated capacity has been closed down.

In 2016, Sinotrans further reinforced the energy consumption monitoring system. The Group has further improved energy consumption & pollutant discharge monitoring systems of companies under it, and on the basis of summing up energy consumption statistics over previous years, strives to conduct on-time statistics and proper monitoring; once anything is found abnormal, efforts would be made to perform timely tracking, investigate causes, identify responsible persons and get appropriate measures in place. As the Group would not consume large quantity of water and other raw materials, it has no formal statistics about water consumption and product package materials. Meanwhile, there are no matters that relate to water sources.

Dedicated to its environmental responsibilities, Sinotrans attaches close attention to green building, strives for optimized energy consumption structure and devotes itself to exploitation of solar energy. In a bid to significantly improve the proportion of clean energy to total energy consumption, the Group takes advantage of its self-owned warehouses and launches rooftop distributed PV project.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Take Hefei Sinotrans High Tech Logistics Park (合肥中外運高新物流園區) for example. At the end of 2016, Hefei Sinotrans Logistics Development Co., Ltd. (合肥中外運物流發展有限公司), a subsidiary of the Group, reached cooperation agreement with CGN in relation to rooftop distributed PV project. Pursuant to the agreement, construction of a 5 MW roof PV power station on the rooftop of warehouses in Hefei Sinotrans High Tech Logistics Park, totaling 60,000 square meters, will kick off in 2017. Upon the completion, the PV power station would generate an average power of 4,542,400KWh each year. When compared with thermal power, it would save 1,453.6 tons of standard coal annually (if calculated by the 320G/KWh of average standard coal consumption), with emission of sulfur dioxide SO_2 and carbon dioxide CO_2 decreasing by 136.27T/A and 4000T/A respectively. In 2016, Hefei Sinotrans Logistics Development Co., Ltd. was honored as "China Green Warehouse and Distribution Benchmark Enterprise 2016"（「2016年中國綠色倉儲與配送獎標杆企業獎」）by the Ministry of Commerce.

Environment & Natural Resources

The business nature of Sinotrans has no significant effect on the environment or natural resources (e.g. biodiversity). The Group will continuously reinforce the work of environmental protection and reduce any possible impact of business operations on the environment. The Group formulated identification & evaluation control procedures of environmental factor to ensure important environmental factors could receive necessary attention and effective control, so as to reduce adverse impacts on the environment.

According to the provisions of China's environmental laws, regulations and relevant policies, when carrying out certain construction project, for example, the logistics center construction project, the company concerned shall submit an environmental impact report to the environmental authority, involving assessment on such aspects as possible pollution in the production process, feasibility of control measures, whether the production process and product conform to the clean production requirements, effect of final pollutants on the surrounding environment, etc.

ESTABLISHING AN EXCELLENT TEAM

Employment & Labor Practices

Sinotrans always adheres to the "People-oriented" concept to protect the rights, interests, health and safety of employees. The Group gives great importance to the personal safety & the physical and mental health of employees, is committed to creating a safe, harmonious working environment for employees, and continuously improves occupational health and safety systems. The Group pays attention to its relationship with employees, encourages a rational transfer of employees within the Group, and provides learning or promotion opportunities for employees. The Group has organized a number of activities to enrich the lives of employees in order to meet the needs of physical and mental health for the Group's employees.

Sinotrans is devoted to creating a good working environment for employees. The Group has strictly complied with the relevant laws and regulations on labor and personnel such as *Labour Law(《勞動法》), Labor Contract Law (《勞動合同法》)and The Regulation on the Implementation of the Labor Contract Law(《勞動合同法實施條例》)* of the state. The Group has followed the principles of "Openness, Fairness, Selecting the Best Talents", and has formulated various regulations in compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and benefits and welfare, including *Sinotrans Measures for the Administration of Recruitment at Headquarters(《中國外運股份有限公司總部招聘管理辦法》), Sinotrans Measures for the Administration of Working Hours, Attendances and Leaves (《中國外運股份有限公司工作時間、考勤、請休假管理辦法》), Sinotrans Guiding Opinions towards Reward and Punishment Management for Staff (Temporary) (《中國外運股份有限公司員工獎懲管理(暫行)指導意見》), Sinotrans Measures for the Administration of Dimission for Staff at Headquarters (Temporary) (《中國外運股份有限公司總部員工離職管理(暫行)辦法》), Sinotrans Measures for the Administration of Performance (Trial) (《中國外運股份有限公司績效管理(試行)辦法》) and Sinotrans Measures for the Administration of Unemployment Insurance (Temporary) (《中國外運股份有限公司失業保險管理(暫行)辦法》),* so as to achieve diversified and equal employment, and to absolutely refuse labor discrimination and eliminate the use of child labor. In 2016, Sinotrans had a total of 26,693 employees[1], including 20,716 registered on-the-job employee[2] and 1,904 new employees.

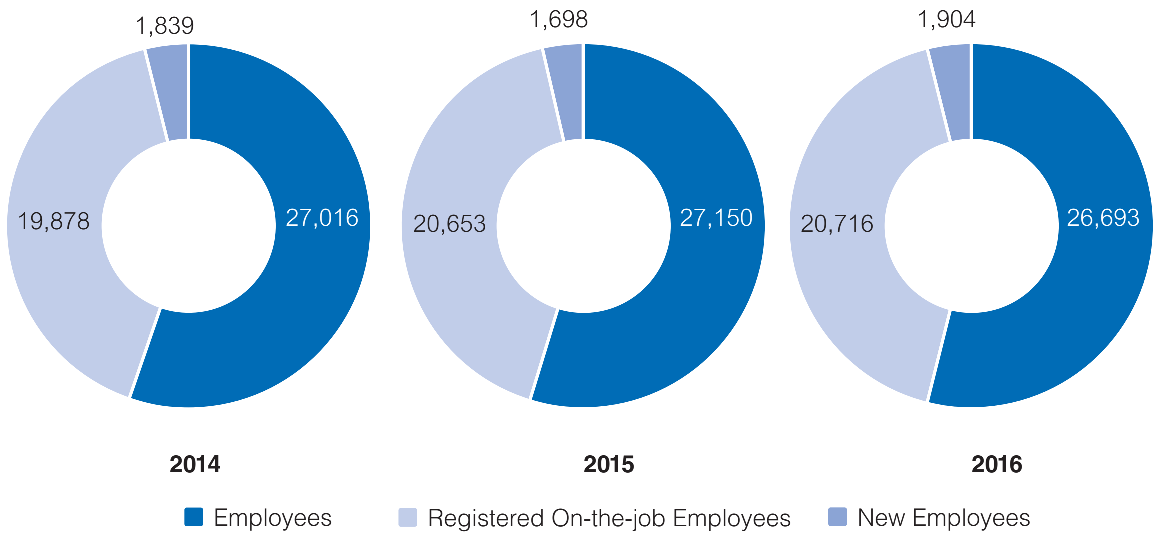
Notes:

1. Employees include contracted employees and employees in other employment forms, e.g. dispatched labor, part-time employees, etc.

2. Registered on-the-job employees refer to contracted on-the-job employees amongst employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Status of Sinotrans Limited



Sinotrans strictly observes national and local labor laws and regulations, and with a strict recruitment process and entry formalities, resolutely puts an end to illegal behaviors such as the use of child and forced labor. To establish incentive and restraint mechanisms that link employee income and position with performance, the Group has formulated a series of remuneration management, performance assessment and reward & punishment management systems applicable to the headquarters and companies under it, respectively, which would, at the same time of complying with national and local policies, ensure the remuneration stays at a reasonable level of competitiveness in the market. Besides, the Group's headquarters has set up a "President Reward Fund" to give special rewards to individuals or teams with outstanding contributions to the Group's benefits, so as to boost employees' passion for innovation. The remuneration for employees in different regions takes into account the local living standard and operational condition, so the remuneration for the same position grade in different regions might vary to some extent. The Group is committed to providing equal opportunities so that employees are hired, promoted and assigned on the basis of their skills and abilities.

Sinotrans respects gender equality by adopting the same remuneration level and structure for male and female employees, and taking the same way to determine the remuneration. The Group attended a job fair specifically towards minorities, and recruited a total of 505 minority employees, up by 12% than 2015. The Group also recruits disabled persons according to the actual needs, and if it fails to reach the disabled employment proportion stipulated by the state, the Group would pay employment security funds for disabled persons in accordance with the relevant requirements. The Group did not have statistics in relation to employee turnover ratio.

Number of Employees (divided by age and position grade)

Position Grade	Age: 30 and below	31-40	41-50	51-60	60 and above	Total
Persons in charge of company	22	253	451	177	0	903
Persons in charge of department	108	1,082	871	250	0	2,311
General employees	7,298	6,230	2,857	1,113	4	17,502
Total	**7,428**	**7,565**	**4,179**	**1,540**	**4**	**20,716**

Number of Employees (divided by degree of education and position grade)

Position Grade	Higher than graduate	Graduate	Bachelor	College	Technical secondary school/ Senior high school	Junior high school and below	Total
Persons in charge of company	4	105	452	277	63	2	903
Persons in charge of department	3	128	1,096	808	258	18	2,311
General employees	4	579	6,658	5,709	3,414	1,138	17,502
Total	**11**	**812**	**8,206**	**6,794**	**3,735**	**1,158**	**20,716**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

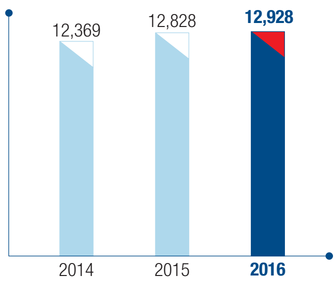
Number of Employees (divided by gender and position grade)

Position Grade	Male		Female		Total
Persons in charge of company	740	81.95%	163	18.05%	903
Persons in charge of department	1,494	64.65%	817	35.35%	2,311
General employees	10,694	61.10%	6,808	38.90%	17,502
Total	**12,928**	**62.41%**	**7,788**	**37.59%**	**20,716**

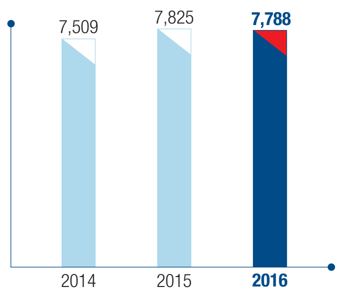
Notes:

1. The above employee statistics is as of 31st December, 2016.
2. Scope of Statistics: Registered on-the-job employees of the Group in 2016.
3. Persons in charge of company refer to company-level managers of the headquarters and each subsidiary of Sinotrans; persons in charge of department refer to department-level managers of the headquarters and each subsidiary of Sinotrans; general employees refer to ordinary employees of the headquarters and each subsidiary of Sinotrans.

Sinotrans Employee Gender Composition

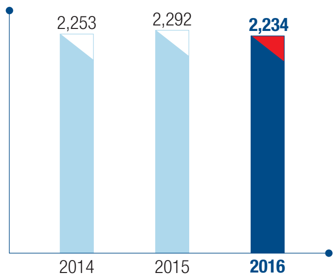


Total Number of Male Employees

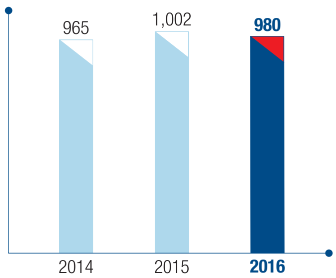


Total Number of Female Employees

Sinotrans Manager Gender Composition



Total Number of Male Managers



Total Number of Female Managers

Health and Safety

Employees are the most valuable treasure of Sinotrans. The Group attaches importance to its relationship with employees, and keeps improving occupational health & safety systems, and provides all-round protective measures for employees, with an expectation of putting an end to all possible health & safety risks. For example, the Group's headquarters arranges physical examination for employees every year, and employ a specialized physical examination agency for analysis and reporting on key indicators that have an effect on employee health.

Currently, the Group has no data statistics yet regarding the loss of working days due to work-related injury, because the definition of work-related injury needs approval from the work-related injury identification division of the labor authority, while such labor authority is subject to local administration of each province/municipality, where policies might vary to some extent, leading to the present absence of a unified statistical approach.

In combination with relevant safety laws and regulations of the state including *Law of the People's Republic of China on Safe Production* and its own actual situations, the Group has formulated and constantly revised certain regulations and contingency plans relating to safe production, such as *Sinotrans Measures for Safe Production Objective Management Assessment (2016) (《中國外運股份有限公司安全生產目標管理考核辦法(2016版)》),* with the purpose of further reinforcing the safe production responsibility at all levels and improve the company's safe production system. The Group has further strengthened the team building for safe management and set up the company' safe production expert team to focus on safety management research in respects of fire safety, road transportation, hazardous chemicals and site operations, which formed the *Handbook for Check Against Safety Hidden Hazard for Storage and Transportation Enterprises (《倉碼企業安全隱患對照檢查手冊》).* In 2016, the Group formed a total of 26 examination teams, who examined more than 50 grassroots organizations, issued more than 40 notices for safety inspection and rectification requirements. According to the accident classification made by the state, no major liability accidents or above happened within the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements of the law on safe production and relevant laws and regulations of the state, combined with the security deployment of "Five One" from China Merchants, the Group organized an exercise of contingency plans for fire accident in 2016. Through exercise of contingency plans, each company has exercised the responsive capability of its emergency team, and improved the capability of emergency staff to properly handle the accident.

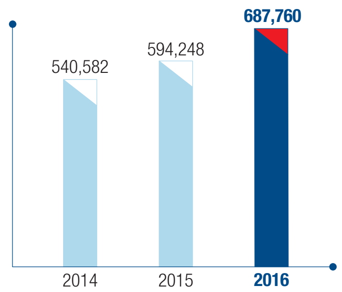
Sinotrans has always insisted in focusing on trainings for safe production, and in 2016 the Group has organized two sections of "Training Course from Demonstrative Units on Comprehensive Safety Management", "Training Course from Demonstrative Units on Road Transport Safety Management", "Training Course from Demonstrative Units on Warehouse Safety of Hazardous Chemicals", "Training Course on Warehouse Station On-Site Operation Safety Management" and five sections of "Training Course on Fire Safety", which in deed enhanced the safety awareness of leaders at all levels and the safety management skills of safety management personnel.

Development and Training

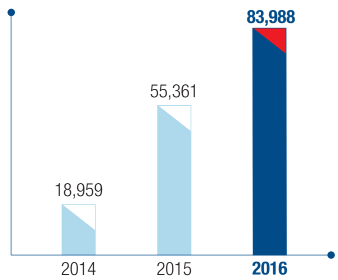
Sinotrans cherishes every employee and believes they will keep growing up along with the Group's business expansion, and the Group provides targeted, systematic and forward-looking training for employees, and explores their potential to support the Group's sustainable development. The Group has formulated *Sinotrans Guiding Opinions towards Training Management (《中國外運股份有限公司培訓管理指導意見》) and Sinotrans Rules for Training Management at Headquarters (《中國外運股份有限公司總部培訓管理細則》),* in order to guide and standardize the development and training for the employees of the Group in a better way.

In 2016, the Group's offline training hours were 670,993 in total; 4,357 online training courses were completed (equivalent to 16,767 hours). The Group's training content mainly included: company organization strategy and corporate culture training, basic work skills training, business knowledge training, management skills & leadership training, new employee training, self-directed learning, etc. As the Group develops, to ensure the constant improvement of team quality, we will increase training opportunities for employees, and keep checking and improving training courses, so as to support business operations and employee needs.

Sinotrans Total Training Hours
(Total Training Hours)



Sinotrans Employee Training Participation
(Total Participants)



Training Hours & Percentage Divided by Position Grade

Position Grade	Average Training Hours	Average Training Percentage
Persons in charge of company	13	133%
Persons in charge of department	29	349%
General Employees	35	427%

Notes:

1. The above employee statistics data is as of December 31st, 2016.
2. Calculation of average training percentage: training participants/employees. As the same employee might participate in multiple training activities, the average training percentage of ordinary employees beyond 100% doesn't mean all employees have participated in training.

Labor Standards

Sinotrans strictly observe national laws and regulations, and no business of the Group would use child or forced labor. The Group has not drawn up specific regulations on employment of child labor or forced labor. Within the report period, no such case was received by the Group.

ENSURING RESPONSIBILITY MANAGEMENT

Supply Chain Management

For the long-term operation of the Group, the Group continues to deepen its understanding to the industry and tailors the optimal supply chain solutions for customers. Towards the supply chain management, the Group has formulated the policies including *Sinotrans Measures for the Administration of Overseas Network (《中國外運股份有限公司海外網絡管理辦法》)* and *Purchasing Control Procedures (《採購控制程序》)*, and prepared *List of Qualified Suppliers (《合格供方名錄》)*. To strengthen the management on the suppliers, the Group utilizes a supplier data management platform in 2016 to provide a comprehensive record for all suppliers. In 2016, Sinotrans had a total of 19,733 qualified suppliers, including 19,611 from Mainland China, and many other qualified suppliers mainly from Asia, Europe and America. The Group conducted at least one review on supplies under long-term cooperation (i.e. more than two years) annually, and for suppliers that failed to meet the requirements, the Group would decide whether to disqualify them according to the specified process.

The Group has a sound quality and safety management system, which has passed through ISO9001:2008, ISO14001:2004 and OHSAS18001:2007, certified by the internationally renowned certification institution. The Group has obtained more than 60 certificates with its system, and a total of more than 1,400 management staff has been trained for its professional system, with over 700 internal auditors registered. The Group has implemented standard operating procedures and management requirements for safe operation, and has established detailed and feasible contingency plans for all sections of logistics to ensure the security and efficient operation of the goods.

Advancing the establishment of green supply chain has important strategic significance to the enterprise's sustainable development. The Group controls the process of purchasing materials, purchasing outsourcing services and purchasing on behalf of customers involved in business operations as per the specified procedures, so as to avoid any possible economic loss or brand impact on the Group or related parties. As for key aspects like operational equipment, the Group performs centralized purchasing, and has formulated the corresponding process to standardize procedures and improve the quality of after-sale services. For example, in terms of handling equipment, the Group has gradually begun to select imported engines of less fuel consumption; diesel vehicles purchased for transport are required to reach or exceed National IV Standard to control or reduce pollutant discharge; as to forklifts purchased for warehousing, priority is given to electric vehicles for effective energy saving and carbon reduction.

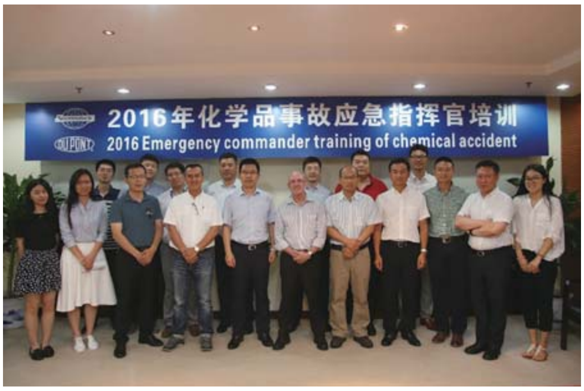
In the supplier management of centralized procurement, in order to ensure effective implementation of centralized procurement project, Sinotrans has established a practical, standardized and efficient management system, and has promulgated *Sinotrans Temporary Measures for Centralized Procurement for Production and Operation Equipment (《中國外運股份有限公司生產經營設備集中採購工作暫行辦法》) and Sinotrans Rules for Implementation of Centralized Procurement of Equipment (《中國外運股份有限公司設備集中採購實施細則》)*, to set up a centralized procurement project team, which is responsible for organizing the evaluation and review of tender, and uniformly negotiate or deal with recourse with suppliers regarding the general quality problems or service issues found in the process of use. In 2016, the team members of centralized procurement project of the Group has conducted targeted on-site business visits and study, training and problem negotiation with three suppliers including Toyota (a forklift supplier), Sinotruck (a transport vehicle supplier) and FAW Jiefang.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRODUCT RESPONSIBILITY

Observe Logistics Laws and Regulations

Sinotrans strictly observes all laws and regulations in connection with logistics services (including: regulations on the carriage of dangerous goods, overload transport, embargo, etc.). Taking hazardous chemicals for example, Sinotrans attaches great importance to safe handling, transport and warehousing of hazardous chemicals. Sinotrans Chemical International Logistics Co., Ltd. ("Sinotrans Chemical Logistics") is a subsidiary



of the Group specializing in transport and warehousing of hazardous chemicals. From the year of 2008 when Sinotrans Chemical Logistics built the first emergency team in Shanghai, it now has established a nation-wide network for emergency rescue of hazardous chemicals, with an emergency team who has received overseas professional training and advanced emergency equipment available. For example, it has equipped with an emergency operation vehicle featured with 7*24 rapid response and night-time emergency operation functions, and a specialized chemical fire engine. Sinotrans Chemical Logistics' emergency network is able to handle all kinds of off-site emergency events, including disposal of large bulk liquid chemicals, flammables & explosives, hazardous & toxic chemicals, etc., and upon occurrence of any accident within 200 kilometers, it basically can arrive at the scene within two hours. At the beginning of 2016, Sinotrans Chemicals Logistics introduced a complete set of Du Pont emergency response solutions and equipment. During 2016, Sinotrans Chemicals Logistics entered into off-site emergency response service agreements with international famous chemicals manufacturers, such as Du Pont and Chemours, so as to transform chemicals emergency response solutions into its product commercialization. Sinotrans Chemicals Logistics has strived to explore the value of emergency response solutions and strived to develop the chemicals emergency resolutions into its specialized products, to provide more professional off-site emergency services to chemical manufacturers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established its examination and control procedures for examining the required quality of its various operation management and business operations, environment management, to ensure all products, services and environment meeting the standards and requirements of related regulations. The Group also observes the national polices, laws and regulations on health and safety. In 2016, no case in connection with maintenance or protection of intellectual property rights was received by the Group. There is no product recall as the Group only provides integrated logistics services to its clients.

Protect Client Privacy

During any bidding process of major projects and when signing logistic contracts, Sinotrans signs Confidential Agreement with its clients, avoiding disclosure of the clients' information and safeguarding the clients' privacy. Within the report period, no complaint caused by disclosure of client information was received by the Group. In the future, the Group will further improve measures for protecting client privacy and information, so as to avoid disclosure of client information (including: name, contact, content of consignment, etc.).

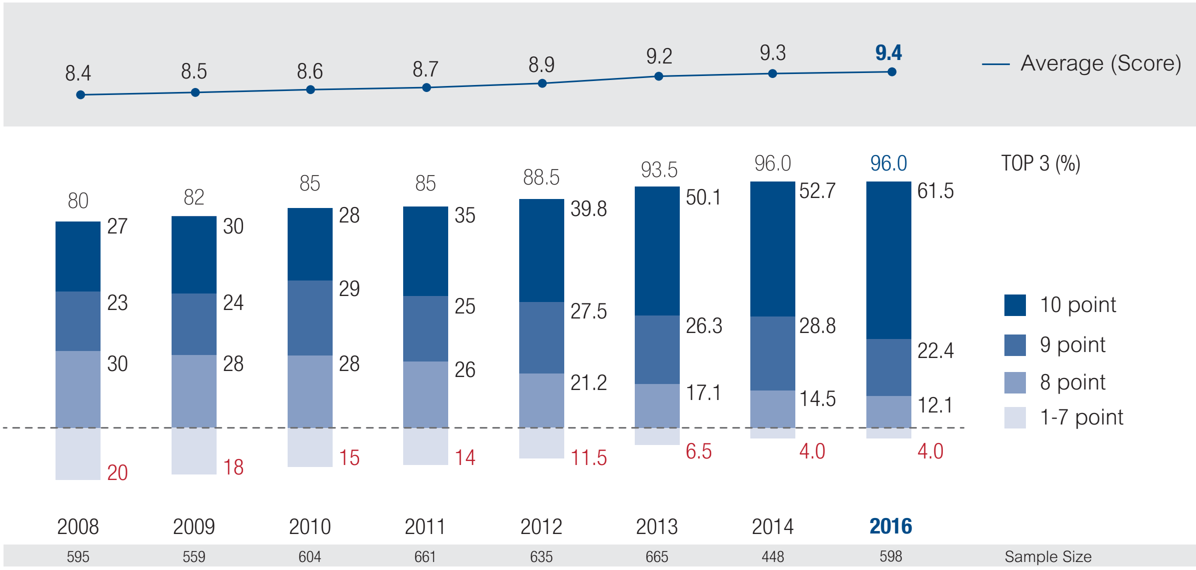
Improve Service Quality

Sinotrans strictly performs service contracts, and lays emphasis on improving service quality to increase client satisfaction. The Group has established an inspection mechanism to evaluate client satisfaction of business operations from time to time, investigate and analyze shortcomings, monitor the contract execution, logistics distribution and warehousing service quality, formulate preventive measures and supervise their implementation.

Over the past few years, Sinotrans has entrusted independent investigation agencies for client satisfaction surveys from time to time, covering clients of provincial/municipal subsidiaries and specialized subsidiaries under the Group (other than clients of Sinotrans (Hong Kong) Logistics Co., Ltd. and China Shipping Agency Co., Ltd.). In 2016, the Company accelerated its restructuring of principal business innovation and proactively promoted the transformation and upgrading of its business segments. The Company also made proper adjustments of its system of measuring customer satisfaction and began to conduct biennial customer satisfaction survey. Therefore, the Group did not carry out 2015 customer satisfaction survey in 2016. The 2016 customer satisfaction survey results show that client scores for the Group's services have increased year by year. Below is the result of the Group's survey conducted in 2017 regarding the 2016 customer satisfaction survey:

Sinotrans Client Satisfaction Survey Result 2016 – 1

Sinotrans Overall Client Satisfaction Comparison over the Years (1-10 Scores) (%)

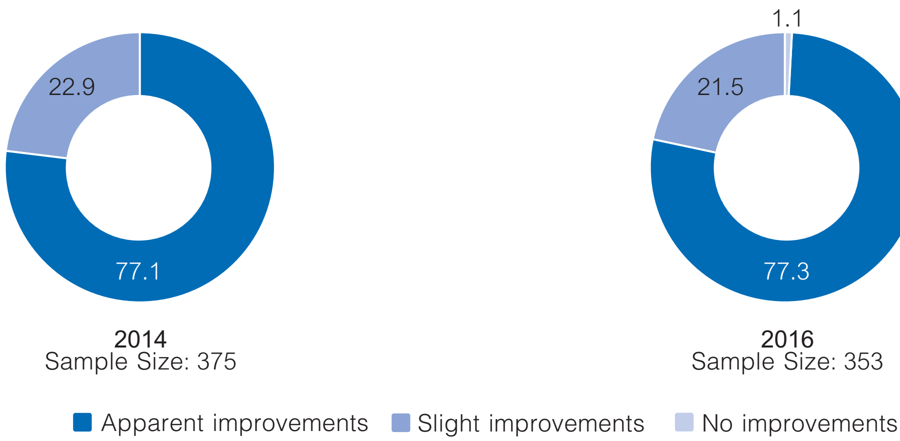


Note: 8-10 scores account for 96.0% of client scores, flat with 2014.

Client opinions are key to the enterprise's sustainable development. In 2016, 77.3% of clients expressed that Sinotrans made significant improvements, slightly higher than 77.1% in 2014, wherein 97.7% of clients expressed that Sinotrans communicated improvement actions to them, with a slightly higher proportion than 97.6% in 2014.

Sinotrans Client Satisfaction Survey Result – 2

Sinotrans improvements (%)



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whether improvement actions are got back to clients (%)

Notes:

- 77.3% of clients expressed Sinotrans made significant improvements based on suggestions/complaints, slightly higher than 2014 (77.1%).
- 97.7% of clients expressed improvement actions were communicated to them, with a slightly higher proportion than 2014 (97.6%).

In 2016, Sinotrans has been selected into a short list of Huawei's global suppliers, and been awarded Huawei gold supplier, Alibaba's Cainiao Alliance Jinpeng award, BOE's brilliant logistics award, ZTE's core suppliers, excellent supplier of Disney and Amazon, the best event logistics provider of General Administration of Sport, Suzhou Samsung's gold supplier, Suzhou Knorr's gold supplier, Suzhou Bosch's gold supplier and Anhui JAC's gold supplier, etc.

Sinotrans Awarded "Huawei Gold Supplier"

Subsidiary of Sinotrans Awarded Alibaba's Cainiao Alliance Jinpeng Award

Advertisement labelling

The Group has no general regulation and system for advertisements and tags. To maintain a standardized visual image of the Group and to enhance the brand name and reputation of the Group, the policy relating to advertisement and labelling of the Group will make reference to *Administrative Measures of Corporate Visual Image of Sinotrans & CSC (《中國外運長航集團企業視覺形象管理辦法》)*, which was established by Sinotrans & CSC, the controlling shareholder of the Group.

Anti-corruption

In 2016, the Group further improved systems of punishing and preventing corruption. According to the requirements of *Measures for the Implementation of Punishing & Preventing System Work Planning 2013-2017 (《2013-2017懲防體系工作規劃實施辦法》)*formulated by the Group, the Group conscientiously followed several principles regarding preventive measures on corruption of state-owned enterprise leaders, reinforced restriction and supervision on power operation, and realized institutionalization, normalization and standardization with respect to power supervision. The Group strengthened anti-corruption education by a variety of ways, including: setting up a publicity column on the intranet, display board, warning education video, WeChat subscription account, visiting the anti-corruption education base, etc., and created a positive learning atmosphere across the Group.

In 2016, the Group entered into a written responsibility document with 32 subsidiaries to clarify anti-corruption responsibility and reinforce supervision, and carry out supervision, inspection and assessment on the implementation; in daily work, the Group, by setting up a suggestion box, hotline and mail, intensified supervision on the management team, and advocated the anti-corruption concept and created an honest working atmosphere within the Group. With regard to financial management, the Group required its companies to strictly follow *Accounting Standards for Business Enterprises* to strengthen spot check and audit on key aspects and weak aspects in business operations, improve asset quality and prevent financial risks. The Group also complies with the national and local laws and regulations relating to bribery, extortion, fraud and money laundering. Within the report period, no concluded legal case regarding corrupt practices was brought against the Group or its employees. Along with the business development, the Group will further improve anti-corruption systems, and continuously intensify supervision so as to provide strong guarantee for the Group's sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BUILDING A BETTER COMMUNITY TOGETHER

Sinotrans pays attention to corporate culture construction, and increase efforts to publicity of corporation culture via such media as window column, electronic display screen, cultural banner, cultural wall newspaper, cultural video, cultural MMS, WeChat, Weibo, electronic weekly, etc., and by a variety of means, including volunteer activities and essay competitions.

Sinotrans lays high emphasis on physical and mental health of employees. The company arranges health check for on-the-job employees and retired cadres, improves the safeguard mechanism for employees in difficulties, and has formulated *Sinotrans Measures for the Administration of Subsidies for Employees in Difficulties (Tentative) (《中國外運股份有限公司職工困難補助管理(暫行)辦法》)*. The Group is solicitous of and pays great attention to the lives of its employees who are ill or have difficulties. Visits and assistance are given to employees with illness and difficulties. Allowances are paid to employees to help solving their difficulties. To ensure employees have a strong body and satisfy their health needs, the Company continuously organizing such activities as badminton, billiards, basketball and table tennis, also offers the Tai Chi class and yoga class, with an expectation of enriching employees' healthy cultural life and corporate culture construction.

Employee-care Activities

Prosperous New Year

Monthly Birthday Party

Food Festival Cultural Activity

Sports Cultural Activity

Although the Group has no specific policy of social welfare or community investment, the Group has organized and participated in many social welfare, energy saving and emission reduction activities etc., fulfilling its corporate responsibilities and contributing to the society actively.

"Culture Integration, Global Welfare"

The overseas network of the Group covers regions and areas such as Asia, Africa, Americas and Europe. On the one hand, the Group provides quality logistic services reaching everywhere in the world for its customers, and on the other hand the Group pays great attention to the integration into the local culture, protecting the local environment, providing training to local employees and commencing social welfare activities overseas during the operation of its overseas projects.

On 11 June 2015, Sinotrans Bangladesh Limited (中國外運孟加拉有限公司) established a "Sinotrans Scholarship" under the Confucius Institute at North South University, aiming to further contribute to the society, to consolidate the relationship between China and Bangladesh, and to encourage outstanding students studying in Bangladesh to learn more Chinese culture, to study hard, to be innovative, friendly and helpful, and to be a great talent.

Sinotrans Scholarship Signing Ceremony

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

"Care & Love"

In May 2016, a volunteering service team of the headquarters of Sinotrans together with those volunteers from Beijing company went to Tongzhou to join social welfare activities organized by "Social Welfare at Hand Fund" (隨手公益基金會) and nearly a thousand items were donated through the activities. Volunteering teams from Sinotrans have participated in social welfare activities organized by the "Social Welfare at Hand Fund" for 5 years consecutively. Thus, social welfare activities of the "Social Welfare at Hand Fund" have become one of the featuring activities of Sinotrans.

"Charity Sale"

In 2016, the Group joined hands with Sinotrans & CSC to lead the employees over the country to initiate a large-scale donation activity themed with "Gathering our love, Contributing to Poverty Villages". A total of 49 Charity Sale activities were held and an aggregate of RMB291,715.63 was raised. The proceeds were donated to Village of Ye Family, where a road of 1.4 kilometers long was set up with 24 solar-power street lamps. Also, the fund was spent on sport equipment and culture items for San Miaohe Primary School of which stay-home children was the majority. The Group has also bought a piece of land of 0.5 mu as its youth plantation base. A "Small Waves Fund" was established by making use of the proceeds, to fund social welfare activities organized by youth volunteers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In responding to the call for charity sale, Sinotrans Eastern Co.,Ltd., a subordinated company of the Group, initiated a charity sale with a theme of "Contributions, Friendship, Support, Progress". Charity sale was held during lunch time and at Sinotrans Tower in Shanghai. The proceeds raised in charity sale will be spent on establishment of street lamps and environment management for a poverty village, Village of Ye Family Chong, Dupi Township, Feng County, Hubei Province.

Energy Conservation & Emission Reduction Public Welfare Activities

In March 2016, the Beijing Companies of the Group, responding to the call of "Energy Conservation, Emission Reduction" from Beijing, has initiated a plantation event themed with "Green Beijing, You and Me". Dozens of volunteers planted trees in the environmental friendly garden of Beijing Energy Saving Center (located at Longwantun Town, Shunyi Dsitrict). Trees were planted through cooperation, thus efforts being made for the blue sky in Beijing.

In addition to organizing activities, the Group also makes use of columns and display boards to promote these activities and convey positive energy to more colleagues. In the future, the Group will, at the same time of continuing to maintain a good relationship with communities where business operations are located, adopt a more active way to acquire a deeper understanding of community needs, ensure the process of business operation takes into account community interests, and avoid any adverse impact of business operations on the society.

OVERVIEW OF SUSTAINABLE DEVELOPMENT

This report uses important indicators specified in the Guide issued by SEHK to provide an overview of Sinotrans' performance in sustainable development.

A	Environment	ESG Key Performance Indicator
A1	**Emissions**	
	Sulfur dioxide emission = 144.28 tons (up by 14.91% than 2015)	A1.1
	Oxynitride emission = 96.58 tons (up by 3.81% than 2015)	
	Total emission of greenhouse gas = 163,145.77 tons of carbon dioxide equivalent	A1.2
	Total emission of greenhouse gas is down by 1.46% than 2015	A1.5
	Currently, the Group has no official statistics about the gross amount of hazardous waste and nonhazardous waste.	A1.3 A1.4 A1.6
A2	**Use of Resources**	
	Total energy consumption = 97,500 tons of standard coal (down by 1.46% than 2015)	A2.1
	– Total electricity consumption = 113.5814 million KWH (up by 9.28% than 2015)	A2.3
	– Total gasoline consumption = 5,686.19 tons (down by 3.06% than 2015)	
	– Total diesel consumption = 44,003.40 tons (down by 3.53% than 2015)	
	– Total natural gas consumption = 6,231,947.08 SCM (down by 17.27% than 2015)	
	– Total coal consumption = 0.0749 (10,000 tons of standard coal) (up by 88.19% than 2015)	
	Currently, the Group has no official statistics about the water consumption.	A2.2 A2.4
	The Group is not involved in a large amount of products or services with excessive packaging.	A2.5
A3	**The Environment and Natural Resources**	
	Although the business nature of the Group has no significant effect on the environment or natural resources (e.g. biodiversity), the Group will continuously reinforce the work of environmental protection and reduce any possible impact of business operations on the environment. When the Group carries out certain construction project, it will submit an environmental impact report to the environmental authority pursuant to the PRC laws and regulations.	A3.1

B	Society	ESG Key Performance Indicator
B1	**Employment**	
	Total number of employee =26,693	B1.1
	Total number of registered on-the-job employees = 20,716 – Divided by position grade: Persons in charge of company/persons in charge of department/general employees = 903/2,311/17,502 – Divided by age group: 30 and below/31-40/41-50/51-60/above 60 =7,428/7,565/4,179/1,540/4 – Divided by gender: Male/female =12,928/7,788 – Divided by degree of education: Higher than graduate/graduate/bachelor/college/technical secondary school or senior high school/junior high school and below =11/812/8,206/6,794/3,735/1,158	
	Total number of new employees in 2016 =1,904 – Currently, the Group has no official statistics about the employee turnover ratio.	B1.2
B2	**Health and Safety**	
	Currently, the Group has no official statistics about the death toll or ratio, or the loss of working days due to work-related injury.	B2.1, B2.2
	Following the “Safety First, Prevention Dominance, Comprehensive Governance” guidelines, Sinotrans keeps improving occupational health & safety systems, and provides all-round protective measures for employees wherever possible, with an expectation of putting an end to all possible health & safety risks.	B2.3
B3	**Development and Training**	
	Average training hours and percentage of training participants divided by number of persons in a position grade: Persons in charge of company = 13 hours (133%) Persons in charge of department = 29 hours (349%) General employees = 35 hours (427%)	B3.1, B3.2
B4	**Labor Standards**	
	The Group strictly observes national laws and regulations, and no business would use child or forced labor. Within the report period, no such case was received by the Group.	B4.1, B4.2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5	**Supply Chain Management**	
	Total number of qualified supplies on a global scale = 19,733 Total number of qualified suppliers in Mainland China = 19,611	B5.1
	The Group conducted at least one review on supplies under long-term cooperation (i.e. more than two years) annually, and for suppliers that failed to meet the requirements, the Group would decide whether to disqualify them according to the specified process.	B5.2
B6	**Product Responsibility**	
	No case of products or services inconsistent with relevant health or safety regulations has been found within the Group.	B6.1
	According to the client satisfaction survey 2016: Client satisfaction score for the Group = 9.4 (10 in full) Proportion of clients expressing the Group has made significant improvements based on suggestions or complaints = 77.3%, slightly higher than 2014	B6.2
	The Group is committed to observing national policies, laws and regulations concerning protection of intellectual property rights. Within the report period, no case in connection with maintenance or protection of intellectual property rights was received by the Group.	B6.3
	The Group establishes inspection mechanisms, irregularly evaluates customer satisfaction for business operation, investigates and analyzes shortcomings, monitors contract signing, logistics distribution service and storage service quality, develops and supervises the implementation of preventive measures.	B6.4
	Within the report term, no complaint caused by disclosure of client information was received by the Group's headquarters.	B6.5
B7	**Anti-corruption**	
	Within the report period, no concluded legal case regarding corrupt practices was brought against the Group or its employees.	B7.1
	Along with the business development, the Group will further improve anti-corruption systems, and continuously intensify supervision so as to provide strong guarantee for the Group's sustainable development.	B7.2
B8	**Community Investment**	
	Currently, the Group has no specific definition regarding the range of focused contribution.	B8.1 B8.2

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

To the Shareholders of Sinotrans Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Sinotrans Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 93 to 188, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Provisions for litigation claims	
We identified the provision for litigation claims as a key audit matter because the determination of its adequacy requires significant management estimate and judgement. As disclosed in Note 4 to the consolidated financial statements, the Group is subject to litigation claims from various customers and vendors in the ordinary cause of the business mainly for damages or losses of goods during the transportation or storage process where the Group is acting as a service provider for freight forwarding, transportation or storage services. In determining the provision for litigation claims, management made an assessment based on its best estimate and judgement of whether it is probable that an outflow of resources will be required to settle the claims, and, if applicable, the final amount of the settlements.	Our procedures in relation to the provision for litigation claims included: • Testing key controls over the determination of provision for litigation claims; • Assessing the adequacy of the provision for litigation claims by evaluating management's assessment regarding the nature and status of material litigations as well as other factors considered by management in developing such assessment; and • Inquiring with external legal advisers retained by the Group for latest developments of material litigation claims.

Other Information

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the CO, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	46,784,192	45,528,074
Other income		333,745	378,980
Tax and other surcharges		(124,984)	(126,310)
Transportation and related charges		(40,653,645)	(39,680,332)
Staff costs	7	(3,544,921)	(3,349,355)
Depreciation and amortisation		(647,378)	(625,280)
Office and other expenses		(492,855)	(467,294)
Other gains and losses, net	8	407,813	378,345
Other operating expenses		(487,636)	(392,474)
Operating profit	9	1,574,331	1,644,354
Finance income	10	166,899	142,298
Finance costs	10	(143,937)	(204,377)
		1,597,293	1,582,275
Share of profit of joint ventures	19	828,391	962,088
Share of profit of associates	20	45,575	30,726
Profit before income tax		2,471,259	2,575,089
Income tax expense	11	(384,749)	(613,201)
Profit for the year		2,086,510	1,961,888
Profit attributable to			
– Owners of the Company		1,629,472	1,493,264
– Non-controlling interests		457,038	468,624
		2,086,510	1,961,888
Earnings per share, basic (RMB)	13	0.35	0.32

The notes on pages 101 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	2,086,510	1,961,888
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Fair value (losses)/gains on available-for-sale financial assets		
– (Losses)/gains arising during the year	(167,946)	226,749
– Reclassification adjustments to profit or loss during the year upon disposal	(315,880)	(71,611)
Currency translation differences	59,040	40,089
Income tax relating to items that may be reclassified subsequently	78,495	(45,133)
Share of other comprehensive income/(expense) of joint ventures and an associate	6,986	(2,234)
Reclassification adjustments to profit or loss upon disposal of an associate	25,629	–
Other comprehensive (expense)/income for the year, net of income tax	(313,676)	147,860
Total comprehensive income for the year	1,772,834	2,109,748
Total comprehensive income attributable to		
– Owners of the Company	1,471,211	1,596,623
– Non-controlling interests	301,623	513,125
	1,772,834	2,109,748

The notes on pages 101 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	14	2,703,664	2,732,850
Prepayments for acquisition of land use rights	15	79,914	83,621
Property, plant and equipment	16	8,235,742	7,713,273
Investment properties	17	160,716	146,715
Intangible assets	18	122,692	125,899
Investments in joint ventures	19	3,180,654	3,171,423
Investments in associates	20	873,035	803,824
Deferred income tax assets	11	159,343	166,620
Available-for-sale financial assets	21	1,071,422	1,809,635
Other non-current assets		174,841	58,059
		16,762,023	16,811,919
Current assets			
Prepayments and other current assets	22	2,833,722	2,231,225
Inventories		153,628	148,706
Trade and other receivables	23	8,940,665	8,569,559
Restricted cash	24	228,139	260,212
Term deposits with initial terms of over three months	25	1,330,178	903,057
Cash and cash equivalents	26	7,118,590	6,133,308
		20,604,922	18,246,067
Asset classified as held for sale	27	–	26,875
		20,604,922	18,272,942
Total assets		37,366,945	35,084,861
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	4,606,483	4,606,483
Reserves	36	11,465,774	10,515,864
		16,072,257	15,122,347
Non-controlling interests		3,557,621	3,337,456
Total equity		19,629,878	18,459,803

Consolidated Statement of Financial Position (Continued)

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	11	70,314	123,664
Borrowings	28	1,124,000	40,000
Long-term bonds	29	3,494,630	996,418
Other non-current liabilities	31	350,410	356,583
		5,039,354	1,516,665
Current liabilities			
Trade payables	32	6,527,636	6,001,332
Other payables, accruals and other current liabilities	33	1,186,246	1,048,385
Receipts in advance from customers	34	2,219,818	1,948,603
Current income tax liabilities		188,436	439,308
Borrowings	28	325,131	524,568
Short-term bonds	29	–	2,042,008
Long-term bonds due within one year	29	998,726	1,999,858
Provisions	30	337,083	340,339
Salary and welfare payables		914,637	763,992
		12,697,713	15,108,393
Total liabilities		17,737,067	16,625,058
Total equity and liabilities		37,366,945	35,084,861
Net current assets		7,907,209	3,164,549
Total assets less current liabilities		24,669,232	19,976,468

The consolidated financial statements on pages 93 to 188 were approved and authorised for issue by the Board of Directors on 21 March 2017 and are signed on its behalf by:

Zhao Huxiang	Li Guanpeng	Wang Jiuyun
Chairman	*Executive Director and President*	*Chief Financial Officer*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000 (Note 36)	Statutory surplus reserve RMB'000 (Note 36)	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	4,606,483	2,554,014	557,101	438,277	(121,323)	7,087,795	15,122,347	3,337,456	18,459,803
Profit for the year	–	–	–	–	–	1,629,472	1,629,472	457,038	2,086,510
Other comprehensive income/(expense) for the year	–	5,655	–	(247,049)	83,133	–	(158,261)	(155,415)	(313,676)
Total comprehensive income/(expense) for the year	–	5,655	–	(247,049)	83,133	1,629,472	1,471,211	301,623	1,772,834
Dividends recognised as distribution (Note 12)	–	–	–	–	–	(483,681)	(483,681)	–	(483,681)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(268,720)	(268,720)
Capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	214,445	214,445
Capital reduction from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	(22,006)	(22,006)
Business tax paid on disposal of equity interests in a subsidiary to non-controlling interests	–	(36,753)	–	–	–	–	(36,753)	–	(36,753)
Acquisition of additional equity interests in a subsidiary from non-controlling interests	–	(867)	–	–	–	–	(867)	(5,177)	(6,044)
Total transactions with owners	–	(37,620)	–	–	–	(483,681)	(521,301)	(81,458)	(602,759)
Transfer to statutory reserve (Note 36)	–	–	62,546	–	–	(62,546)	–	–	–
As at 31 December 2016	4,606,483	2,522,049	619,647	191,228	(38,190)	8,171,040	16,072,257	3,557,621	19,629,878

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000 (Note 36)	Statutory surplus reserve RMB'000 (Note 36)	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015	4,606,483	2,005,416	434,455	372,136	(153,090)	6,157,093	13,422,493	2,882,626	16,305,119
Profit for the year	–	–	–	–	–	1,493,264	1,493,264	468,624	1,961,888
Other comprehensive income for the year	–	(3,352)	–	66,141	40,570	–	103,359	44,501	147,860
Total comprehensive income for the year	–	(3,352)	–	66,141	40,570	1,493,264	1,596,623	513,125	2,109,748
Dividends recognised as distribution (Note 12)	–	–	–	–	–	(437,615)	(437,615)	–	(437,615)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(202,439)	(202,439)
Capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	42,100	42,100
Deemed disposal of subsidiaries	–	(10)	–	–	–	–	(10)	(70,368)	(70,378)
Disposal of equity interests in subsidiaries to non-controlling interests without losing control	–	648,156	–	–	–	–	648,156	247,250	895,406
Acquisition of additional equity interests in a subsidiary from non-controlling interests	–	(106,175)	–	–	–	(164)	(106,339)	(74,285)	(180,624)
Acquisition of a subsidiary under common control	–	9,979	–	–	(8,803)	(2,137)	(961)	(553)	(1,514)
Total transactions with owners	–	551,950	–	–	(8,803)	(439,916)	103,231	(58,295)	44,936
Transfer to statutory reserve (Note 36)	–	–	122,646	–	–	(122,646)	–	–	–
As at 31 December 2015	4,606,483	2,554,014	557,101	438,277	(121,323)	7,087,795	15,122,347	3,337,456	18,459,803

The notes on pages 101 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	37	2,172,586	2,848,748
Income tax paid		(471,312)	(415,174)
NET CASH FROM OPERATING ACTIVITIES		1,701,274	2,433,574
INVESTING ACTIVITIES			
Cash paid for capital injection/purchase of joint ventures		(123,827)	(157,643)
Cash paid for capital injection/purchase of associates		(33,147)	(8,440)
Government grants received for acquisition of non-current assets		51,934	47,677
Repayments of loans due from subsidiaries disposed		126,480	129,360
Net cash outflow from deemed disposal of subsidiaries		–	(50,988)
Proceeds from liquidation/disposal of joint ventures		–	3,657
Proceeds from disposal of associates		135,022	–
Proceeds from disposal of available-for-sale financial assets		740,270	460,970
Interest income received from available-for-sale financial assets		64,528	43,023
Proceeds from disposal of property, plant and equipment, intangible assets and land use rights		124,413	463,405
Purchase of property, plant and equipment		(1,280,591)	(1,496,285)
Tax paid for disposal of land use right		(164,768)	–
Purchase of intangible assets		(27,231)	(4,671)
Purchase of land use rights		(77,041)	(24,126)
Purchase of available-for-sale financial assets		(287,500)	(1,180,000)
Purchase of other non-current assets		(19,966)	(19,390)
Deposits paid for acquisition of land use rights		(58,522)	(108,564)
(Increase)/decrease in term deposits with initial terms of over three months		(427,121)	18,543
Interest income received from term deposit		63,257	66,687
Dividends received from associates		22,539	20,135
Dividends received from joint ventures		957,997	891,889
Dividend income on available-for-sale financial assets		31,766	33,831
Loan guarantee paid for the benefit of a joint venture		–	(19,587)
Loan to a joint venture		(120,040)	(45,000)
Repayments of loans due from a joint venture		45,000	–
Refund of deposit paid for acquisition of a subsidiary		–	30,000
NET CASH USED IN INVESTING ACTIVITIES		(256,548)	(905,517)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES			
Acquisition of subsidiaries through business combinations under common control		–	(196,653)
New bank borrowings		1,029,093	527,248
Repayments of bank borrowings		(1,000,986)	(905,476)
Repayment of short-term bonds		(3,500,000)	(2,000,000)
Repayment of long-term bonds		(2,000,000)	(2,000,000)
Cash received from short-term bonds issued		1,497,750	3,996,000
Cash received from long-term bonds issued		3,493,000	–
Advance from ultimate holding company and fellow subsidiaries		1,649,086	382,230
Repayments to ultimate holding company and fellow subsidiaries		(814,861)	(331,228)
Interest paid for borrowings		(52,165)	(50,610)
Interest paid for short-term bonds		(82,110)	(25,397)
Interest paid for long-term bonds		(159,739)	(253,448)
Dividends paid to the Company's shareholders		(483,681)	(437,615)
Dividends paid to non-controlling shareholders of subsidiaries		(248,789)	(203,183)
Contributions from non-controlling shareholders of subsidiaries		214,445	42,100
Capital reduction from non-controlling shareholders of subsidiaries		(22,006)	–
Disposal of equity interests in subsidiaries to non-controlling interests without losing control		–	895,406
Acquisition of additional equity interests in subsidiaries from non-controlling interests		(6,044)	(180,624)
NET CASH USED IN FINANCING ACTIVITIES		(487,007)	(741,250)
Exchange gains on cash and cash equivalents		27,563	14,387
Net increase in cash and cash equivalents		985,282	801,194
Cash and cash equivalents as at 1 January		6,133,308	5,332,114
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	7,118,590	6,133,308

The notes on pages 101 to 188 are an integral part of these consolidated financial statements.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

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 shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "H shares") (the "2002 Reorganisation"). In 2009, the former Sinotrans Group Company changed its name to Sinotrans & CSC Holding Co., Ltd. ("Sinotrans & CSC") after it merged with China Changjiang National Shipping (Group) Corporation.

On 29 December 2015, the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") has approved the reorganisation between Sinotrans & CSC and China Merchants Group Limited ("China Merchants"). Sinotrans & CSC was thereby administratively allocated (for no consideration) to, and became a wholly-owned subsidiary of, China Merchants in year 2016 and as a result, China Merchants obtained control over Sinotrans & CSC. The company's ultimate holding company became China Merchants.

The directors of the Company (the "Directors") considers that China Merchants, an unlisted state-owned company established in the PRC, is the ultimate holding company of the Company.

The principal activities of the Company and its subsidiaries (together, the "Group") include freight forwarding, logistics, storage and terminal services and other services. The Group has operations mainly in the PRC.

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000") unless otherwise stated, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year:

The Group has applied the following amendments to IFRSs for the first time in the current year:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception
- Amendments to IFRSs – Annual Improvements to IFRSs 2012-2014 Cycle

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Standards and amendments to existing standards and interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

- IFRS 9 – Financial Instruments[1]
- IFRS 15 – Revenue from Contracts with Customers[1]
- IFRS 16 – Leases[2]
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration[1]
- IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions[1]
- IFRS 4 (Amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
- IFRS 15 (Amendments) – Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
- IFRS 10 (Amendments), IAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
- IAS 7 (Amendments) – Disclosure Initiative[4]
- IAS 12 (Amendments) – Recognition of Deferred Tax Assets for Unrealised Losses[4]
- IAS 40 (Amendments) – Transfers of Investment Property[1]
- Amendments to IFRSs – Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement.* The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors anticipate that application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured at fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board ("IASB") issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Directors perform a detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases (continued)

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB851,254,000 as disclosed in Note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect to all these leases unless they qualify for low value or short-term lease upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as disclosed above, the Directors do not anticipate that the application of the other new and revised IFRSs and interpretation will have a material impact on amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the company and its subsidiaries. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

The Group treats transactions with non-controlling interests that do not result in the Group losing control over the subsidiaries as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The Group uses the acquisition method of accounting to account for business combinations, except for business combination involving entities under common control. The consideration transferred for the acquisition of a subsidiary is the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation is initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss after re-assessment.

Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of 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's interest.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations involving entities under common control (continued)

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever the shorter.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The requirements of IAS 39 are applied to determine whether the Group's investment in an associate or a joint venture may be impaired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale.

Upon disposal or partial disposal of the Group's interest in an associate or a joint venture in which the Group lost significant influence or joint control and discontinued the use of equity method, any retained interest that is within the scope of IAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate or joint venture at the date, and the proceeds from disposing of such interest (or partial interest) in the associate or joint venture and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other similar allowances.

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 when specific criteria have been met for each of the Group's activities as described below. 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.

Revenues are recognised on the following bases:

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 transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group.

Logistics

Revenue from logistics services is recognised on a percentage of completion basis at the end of each reporting period. The percentage of completion is determined on the proportion of services rendered to date relative to the total services.

Storage and terminal services

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

Other services

Revenue from other services, such as marine transportation, trucking and express services, is recognised when the services are rendered.

Rental income

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

Interest income

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on the initial recognition.

Dividend income

Dividend income is recognised when the shareholders' rights to receive payment have been 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss on a straight-line basis. Any impairment is expensed in profit or loss.

Property, plant and equipment

Property, plant and equipment (other than assets under construction) 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.

Depreciation is calculated on a straight-line basis to write off the cost of assets (other than assets under construction) 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 and 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 – 18 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 appropriate category of property, plant and equipment and depreciated in accordance with the policy as stated above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Goodwill

Goodwill representing 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 business is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units of which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature of the financial assets and the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

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 those with maturities greater than 12 months after the end of each reporting period, which 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 statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months from the end of each reporting period.

Initial recognition, measurement and derecognition

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. Financial assets are initially recognised at fair value plus transaction costs. 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Initial recognition, measurement and derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Available-for-sale financial assets are subsequently carried at fair value, except for those available-for-sale equity instruments whose fair value cannot be measured reliably, measured at cost less impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When they are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as "other gains and losses, net". Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Financial liabilities

Financial liabilities issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Group's financial liabilities are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio;
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets 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 reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on available-for-sale equity instruments are not reversed through profit or loss.

For available-for-sale equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss cannot be reversed.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in profit or loss, the impairment loss is reversed through profit or loss.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

A group company is the lessee

Payments made under operating leases (net of any incentives received from the lessor), including the cost of acquiring land held under operating leases, are charged to profit or loss on a straight-line basis over the period of the lease.

A group company is the lessor

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiation and arranging an operating lease are added to the carrying amount of the leased asset.

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.

Cash and cash equivalents

Cash and cash equivalents include 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.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

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 employees when they retire. 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 expenses when they are due.

Termination benefits

The Group recognise a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits (b) and when the entity recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

Housing benefits

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

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.

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 profit or loss.

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

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 are translated at the closing rate at the date of the end of each reporting period;
- income and expenses are translated at average exchange rates (unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used) of each reporting period; and
- all resulting exchange differences are recognised in other comprehensive and accumulated in exchange reserve, a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Contingent liabilities

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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend distribution

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 end of each reporting period are disclosed as a subsequent event and are not recognised as a liability at the end of each reporting period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management, which is chaired by the chief executive officer and consists of senior management of the Company who make strategic decisions.

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.

Financial guarantee contracts issued by the Group are initially measured at their fair value and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the initial amount, less cumulative amortisation recognised over the guarantee, and the best estimate of the amount of obligation under the guarantee contract determined under IAS 37. Any increase in the liability relating to guarantees is reported in profit or loss.

Government grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale (continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment(or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of property, plant and equipment

The management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. The Group will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Estimated impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. The movements of the impairment recognised during the year are set out in Note 23.

Impairment for non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The value in use calculation requires the Group to estimate the future cash flows expected to come from the assets or CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are significantly less than expected, or changes in circumstances which result in downward revision of recoverable amount of the assets or CGU, impairment loss may arise.

Litigation claims

The Group is subject to litigation claims from various customers and vendors in the ordinary cause of the business mainly for damages or losses of goods during transportation or storage process where the Group is acting as a service provider for freight forwarding, transportation or storage services. In determining the provision for litigation claims, management made an assessment based on its best estimate and judgement of whether it is probable that an outflow of resources will be required to settle the claims, and, if applicable, the final amount of the settlements. Management considers in its assessment information about the nature and status of the claims and other factors, such as the past experience in similar situation, relevant case outcome in recent years, and practice of particular jurisdictions where the litigation was brought against the Group and court decision in previous trial. Where the actual amounts to settle the obligation are more or less than expected, a further provision or reversal may arise. The provisions recognised during the year are set out in Note 30.

Other Provisions

Except for litigation claims as described above, the Group incurs a number of other obligations arising in its ordinary course of business. Provisions are recognised based on management's best estimation of the probability and the amount of the outflow of resources necessary to settle the obligations. The provisions recognised during the year are set out in Note 30 (one-off housing subsidies, guarantees and related provisions, and others).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Income Taxes

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or changes in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arises, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. SEGMENT INFORMATION

The Group's chief operating decision-maker (the "Management") reviews the Group's internal reporting in order to assess performance and allocate resources. The Management has determined the operating segments based on these reports. No operating segments identified by the Management have been aggregated in arriving at the reportable segments of the Group.

An analysis of the Group's reportable and operating segments is set out below:

– Freight forwarding: primarily involve, at the instruction of its customers, arranging transportation of goods to designated consignees at other locations within specified time limits, including the shipping agency services to shipping companies related to the freight forwarding services.

– Logistics: primarily involve providing customised and professional integrated logistics services to its customers.

– Storage and terminal services: primarily involve providing services of warehousing, container yards, container freight stations and terminals.

– Other services: mainly involve providing services of trucking, shipping and express services.

The Management assesses the performance of the operating segments based on segment results. Segment results is the operating profit excluding the effects of other gains and losses, net and corporate expenses.

Sales between segments are charged at mutually agreed prices.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Segment total RMB'000	Inter-elimination RMB'000	Total RMB'000
For the year ended 31 December 2016							
Revenue – external	34,665,848	7,803,124	2,015,183	2,300,037	46,784,192	–	46,784,192
Revenue – inter-segment	503,529	164,996	270,642	387,568	1,326,735	(1,326,735)	–
Total revenue	35,169,377	7,968,120	2,285,825	2,687,605	48,110,927	(1,326,735)	46,784,192
Segment results	724,983	358,320	252,070	25,264	1,360,637	–	1,360,637
Other gains and losses, net							407,813
Corporate expenses							(194,119)
Operating profit							1,574,331
Finance income							166,899
Finance costs							(143,937)
Share of profit/(loss) of joint ventures	40,499	(9,152)	26,498	770,546	828,391	–	828,391
Share of profit of associates							45,575
Profit before income tax							2,471,259
Income tax expense							(384,749)
Profit for the year							2,086,510

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Segment total RMB'000	Inter-elimination RMB'000	Total RMB'000
For the year ended 31 December 2015							
Revenue – external	34,603,898	6,921,020	1,935,635	2,067,521	45,528,074	–	45,528,074
Revenue – inter-segment	407,701	146,408	269,936	392,023	1,216,068	(1,216,068)	–
Total revenue	35,011,599	7,067,428	2,205,571	2,459,544	46,744,142	(1,216,068)	45,528,074
Segment results	716,678	322,158	354,003	51,826	1,444,665	–	1,444,665
Other gains and losses, net							378,345
Corporate expenses							(178,656)
Operating profit							1,644,354
Finance income							142,298
Finance costs							(204,377)
Share of profit/(loss) of joint ventures	65,787	(2,090)	10,150	888,241	962,088	–	962,088
Share of profit of associates							30,726
Profit before income tax							2,575,089
Income tax expense							(613,201)
Profit for the year							1,961,888

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	For the year ended 31 December 2016					
	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	360,695	164,878	700,807	61,251	175,720	1,463,351
Depreciation	132,096	152,982	273,740	51,347	10,278	620,443
Amortisation	8,042	2,244	1,145	1,113	14,391	26,935
Operating lease charges on land use rights	16,970	12,562	36,840	1,371	–	67,743
Provision for impairment loss of receivables	44,451	29,275	1,067	11,399	–	86,192
Impairment loss of property, plant and equipment	–	–	–	–	3,833	3,833
Gain on disposal of property, plant and equipment and land use rights	–	–	–	–	35,062	35,062

	For the year ended 31 December 2015					
	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	633,793	443,920	465,716	86,050	23,557	1,653,036
Depreciation	128,526	120,023	286,564	55,937	10,225	601,275
Amortisation	5,470	1,817	2,137	1,387	13,194	24,005
Operating lease charges on land use rights	17,162	10,044	34,439	2,283	–	63,928
Provision for impairment loss of receivables	10,163	511	2,311	1,619	–	14,604
Impairment loss of property, plant and equipment	–	–	–	–	9,645	9,645
Gain on disposal of property, plant and equipment and land use rights	–	–	–	–	483,253	483,253

* The capital expenditure represents the total cash paid for purchase of non-current assets for the year ended 31 December 2016 and 2015.

The Company is domiciled in the PRC. The Group's revenue from external customers in the PRC for the year ended 31 December 2016 is RMB40,090,375,000 (2015: RMB40,284,277,000), and the Group's revenue from external customers from other regions is RMB6,693,817,000 (2015: RMB5,243,797,000).

No major customers contributed over 10% of the total revenue of the Group during both years.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

6. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

Emoluments of directors, supervisors and chief executive

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

	2016 RMB'000	2015 RMB'000
Directors:		
Fees	664	664
Other emoluments		
– Basic salaries, housing allowances, and other allowances	1,415	1,324
– Discretionary bonuses	3,415	3,153
– Contributions to pension plans	183	172
Supervisors:		
Fees	107	107
Other emoluments		
– Basic salaries, housing allowances, and other allowances	198	179
– Discretionary bonuses	300	277
– Contributions to pension plans	47	44

Directors' fees disclosed above include RMB664,000 (2015: RMB664,000) paid to independent non-executive Directors.

The emoluments of the Directors, supervisors and the chief executive for the year ended 31 December 2016 are as follows:

	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
As at 31 December 2016					
Current Directors					
Li Guanpeng (1)	–	378	1,224	47	1,649
Wang Lin (2)	–	319	360	42	721
Yu Jianmin (3)	–	359	987	47	1,393
Wu Xueming (3)	–	359	844	47	1,250
Guo Minjie	166	–	–	–	166
Lu Zhengfei	166	–	–	–	166
Liu Junhai	166	–	–	–	166
Han Xiaojing	166	–	–	–	166
As at 31 December 2016					
Current supervisors					
Zhou Fangsheng	107	–	–	–	107
Ren Dongxiao	–	198	300	47	545

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

6. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Emoluments of directors, supervisors and chief executive (continued)

(1) Li Guanpeng, director, is also chief executive of the Company, and his emoluments disclosed above include those for services rendered by him as the chief executive.

(2) Wang Lin, director, deputy chief executive of the Company, is also Chairman of Sinotrans Eastern Company Limited, a wholly owned subsidiary of the Company. The specific amount of his discretionary bonus has not yet been determined, and the discretionary bonus disclosed above is an advance payment made in 2016.

(3) Yu Jianmin and Wu Xueming, directors, are also deputy chief executives of the Company, and their emoluments disclosed above include those for services rendered by them as the deputy chief executives.

The emoluments of directors, supervisors and the chief executive for the year ended 31 December 2015 are as follows:

	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Contributions to pension plans RMB'000	Total RMB'000
As at 31 December 2015					
Current Directors					
Li Guanpeng (4)	–	349	1,108	44	1,501
Wang Lin (5)	–	317	366	40	723
Yu Jianmin (6)	–	329	905	44	1,278
Wu Xueming (6)	–	329	774	44	1,147
Guo Minjie	166	–	–	–	166
Lu Zhengfei	166	–	–	–	166
Liu Junhai	166	–	–	–	166
Han Xiaojing	166	–	–	–	166
As at 31 December 2015					
Current supervisors					
Zhou Fangsheng	107	–	–	–	107
Ren Dongxiao	–	179	277	44	500

(4) Li Guanpeng, Director, is also chief executive of the Company, and his emoluments disclosed above include those for services rendered by him as the chief executive.

(5) Wang Lin, Director, deputy chief executive of the Company, is also Chairman of Sinotrans Eastern Company Limited, a wholly owned subsidiary of the Company. The specific amount of his discretionary bonus disclosed above is an advance payment made in 2015.

(6) Yu Jianmin and Wu Xueming, Directors, are also deputy chief executives of the Company, and their emoluments disclosed above include those for services rendered by them as the deputy chief executives.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

6. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Emoluments of directors, supervisors and chief executive (continued)

No directors, supervisors, or the chief executive of the Company waived any remuneration in 2016 (2015: Nil).

Compensation of senior management personnel other than directors, supervisors and the chief executive is as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other employee benefits	3,367	4,251

The number of senior management personnel other than directors, supervisors and the chief executive whose compensation fell within the following bands is as follows:

	2016	2015
Above RMB1,000,000	2	3
RMB850,000 – 1,000,000	–	1
RMB700,000 – 850,000	–	–
RMB550,000 – 700,000	–	–
Below RMB550,000	2	–

Five highest paid individuals

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

	Number of individuals	
	2016	2015
Director	3	3
Senior management	2	2

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

6. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Five highest paid individuals (continued)

The five individuals whose emoluments were the highest in the Group during the year include three (2015: three) directors who are also the chief executive or the deputy chief executive of the Company, whose emoluments are reflected in the analysis presented above. Details of remuneration of members of senior management amongst the five highest paid individuals are as follows:

	2016 RMB'000	2015 RMB'000
Basic salaries, housing allowances and other allowances	671	619
Discretionary bonuses	1,850	1,618
Contributions to pension plans	94	80

During the year, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

7. STAFF COSTS

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

	2016 RMB'000	2015 RMB'000
Wages and salaries	2,141,121	2,060,332
Housing benefits (a)	168,567	155,269
Contributions to pension plans (b)	311,822	248,655
Termination benefits	19,488	15,802
Welfare and other expenses	903,923	869,297
	3,544,921	3,349,355

(a) These include the Group's defined contributions to government sponsored housing funds at rates ranging from 5% to 12% (2015: 5% to 12%) of the employees' basic salary.

(b) 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 22% (2015: 5% to 22%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2016, contributions totalling RMB6,863,000 (2015: RMB5,080,000) were payable to these plans.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

8. OTHER GAINS AND LOSSES, NET

	2016 RMB'000	2015 RMB'000
Gain on disposal of available-for-sale financial assets	358,537	79,878
Gain on disposal of investments in associates	82,504	–
Gain on disposal of property, plant and equipment and land use rights	35,062	483,253
Impairment loss of property, plant and equipment	(3,833)	(9,645)
Impairment loss of investment in joint ventures	(4,020)	–
Provision for litigation claims, guarantees and losses on accident	(60,437)	(175,141)
	407,813	378,345

9. OPERATING PROFIT

Operating profit is stated after charging and crediting the following items:

	2016 RMB'000	2015 RMB'000
Charging		
Auditor's remuneration		
– Audit fee	5,500	5,300
– Audit-related and other services fee	3,050	2,820
Depreciation		
– Owned property, plant and equipment	600,738	585,132
– Owned property, plant and equipment leased out under operating leases	13,846	13,620
Amortisation of intangible assets	26,935	24,005
Operating lease charges on		
– Land use rights	67,743	63,928
– Buildings	264,878	237,771
– Plant and equipment	214,801	116,575
Impairment losses of receivables	86,192	14,604
Charges on property management and facilities	142,068	129,375
Charges on IT support	71,160	69,434
Other tax expenses	91,664	82,723
Crediting		
Rental income from		
– Buildings	60,917	57,384
– Plant and machinery	16,905	10,055
Gross rental income from investment properties	9,488	3,844
Less: Depreciation of investment properties	(5,859)	(2,523)
Net rental income from investment properties	3,629	1,321
Dividend income on available-for-sale financial assets	31,766	33,831
Government grants	159,788	227,023

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

10. FINANCE INCOME AND FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Finance income		
– Bank interest income	166,899	142,298
Finance costs		
– Interest expenses		
Including: Borrowings and amounts due to ultimate holding company and fellow subsidiaries	(22,127)	(33,168)
Bonds	(256,716)	(253,708)
– Exchange gains, net	158,809	97,510
– Bank charges	(23,903)	(15,011)
	(143,937)	(204,377)

11. TAXATION

Income tax expense in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current income tax		
– PRC enterprise income tax	417,445	421,941
– Overseas	2,737	1,873
– Hong Kong	14,097	12,203
Deferred PRC income tax	32,395	(36,655)
	466,674	399,362
Land appreciation tax ("LAT")	(81,925)	213,839
	384,749	613,201

The Group provides for current income tax on the basis of its profit for financial reporting purposes, adjusted for income and expense items that are not taxable or deductible for income tax purposes.

PRC enterprise income tax expense has been provided on the estimated taxable profit for the year according to the tax laws and regulations applicable to the PRC enterprises. The provision for PRC enterprise income tax is based on the statutory rate of 25% (2015: 25%) of the taxable income of each of the companies comprising the Group in the PRC as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 10% to 20% (2015: 10% to 20%) based on the relevant PRC tax laws and regulations.

Notes to The Consolidated Financial Statements

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11. TAXATION (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for both years.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

(a) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2016 RMB'000	2015 RMB'000
Profit before income tax	2,471,259	2,575,089
Less: Share of profit of associates	(45,575)	(30,726)
Less: Share of profit of joint ventures	(828,391)	(962,088)
	1,597,293	1,582,275
Tax calculated at the statutory tax rate of 25% (2015:25%)	399,323	395,569
Tax effects of		
– Utilisation of tax losses previously not recognised	(19,070)	(8,467)
– Deferred income tax benefits arising from tax losses in certain entities not recognised	98,937	73,960
– Income not taxable for tax purposes	(56,791)	(36,000)
– Expenses not deductible for tax purposes	25,380	28,869
– Preferential tax rates on the income of certain subsidiaries	(1,586)	(1,109)
LAT	(81,925)	213,839
Tax effects of LAT	20,481	(53,460)
Income tax expense	384,749	613,201

The tax charge relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000	Before tax RMB'000	Tax charge RMB'000	After tax RMB'000
Fair value (losses)/gains on available-for-sale financial assets	(483,826)	78,495	(405,331)	155,138	(45,133)	110,005
Deferred tax		78,495			(45,133)	

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

11. TAXATION (CONTINUED)

(b) The following are the major deferred tax balances recognised and movements:

Deferred income tax assets

	2016 RMB'000	2015 RMB'000
At beginning of year	216,620	179,816
(Charged)/credited to profit or loss	(32,404)	36,763
Other	(27)	41
At end of year	184,189	216,620
Provided for in respect of		
– Provision for impairment of receivables	18,722	11,935
– Provision for one-off cash housing subsidies	6,286	6,802
– Accrued salary	44,172	52,547
– Provision for claims	74,971	65,980
– Depreciation on property, plant and equipment	3,382	3,270
– Tax losses	9,924	46,707
– Other temporary differences	26,732	29,379
	184,189	216,620

	2016 RMB'000	2015 RMB'000
Temporary differences for which deferred income tax assets were not recognised		
– Tax losses in certain entities not recognised	1,955,932	1,912,421

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016, the Group did not recognise deferred income tax assets of RMB488,983,000 in respect of the above stated tax losses amounting to RMB1,955,932,000 which can be carried forward against future taxable income, and tax losses amounting to RMB477,094,000, RMB294,186,000, RMB493,064,000, RMB295,840,000 and RMB395,748,000 and would expire in 2017, 2018, 2019, 2020 and 2021, respectively.

As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB478,106,000 in respect of the above stated tax losses amounting to RMB1,912,421,000 which can be carried forward against future taxable income, and tax losses amounting to RMB352,237,000, RMB477,094,000, RMB294,186,000, RMB493,064,000, and RMB295,840,000 and would expire in 2016, 2017, 2018, 2019 and 2020, respectively.

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For the year ended 31 December 2016

11. TAXATION (CONTINUED)

(b) The following are the major deferred tax balances recognised and movements: (continued)

Deferred income tax liabilities

	2016 RMB'000	2015 RMB'000
At beginning of year	173,664	128,423
(Credited)/charged to profit or loss	(9)	108
(Credited)/charged to other comprehensive income	(78,495)	45,133
At end of year	95,160	173,664
Provided for in respect of		
– Change in fair values of available-for-sale financial assets	91,751	170,246
– Operating lease charges on land use rights	1,802	2,325
– Other temporary differences	1,607	1,093
	95,160	173,664

Deferred income tax liabilities have not been recognised in relation to the taxable temporary differences associated with the Group's underlying investments in subsidiaries, as the Group is able to control the timing of the reversal of the temporary difference and the Directors considers it is probable that the temporary difference will not reverse in the foreseeable future. Among them, the unrecognized deferred income tax liabilities amounting to RMB135,986,000 as at 31 December 2016 (2015: RMB135,986,000) was related to gain of RMB543,944,000 arising from deemed disposal of the Company's share of net assets of Sinotrans Air Transportation Development Co., Ltd. ("Sinoair") after the issuance of shares by Sinoair in connection with its initial public offering on the Shanghai Stock Exchange in 2000.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Deferred income tax assets	159,343	166,620
Deferred income tax liabilities	(70,314)	(123,664)

Notes to The Consolidated Financial Statements

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12. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
– 2015 Final, paid, of RMB0.07 (2014 Final, paid: RMB0.065) per ordinary share	322,454	299,421
– 2016 Interim, paid, of RMB0.035 (2015 Interim, paid: RMB0.03) per ordinary share	161,227	138,194
	483,681	437,615

At the Board of Directors' meeting held on 21 March 2017, the Directors proposed a final dividend of RMB0.075 per ordinary share totaling RMB345,486,000. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2016, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

At the Board of Directors' meeting held on 22 March 2016, the Directors proposed a final dividend of RMB0.07 (2015: RMB0.065) per ordinary share totaling RMB322,454,000 (2015: RMB299,421,000) for the year ended 31 December 2015. Such dividends were approved at the annual general meeting of the shareholders of the Company on 18 May 2016.

An interim dividend of RMB0.035 (2015 Interim: RMB0.03) per ordinary share for 4,606,483,200 shares as at 23 August 2016, totaling RMB161,227,000 (2015 Interim: RMB138,194,000) for the six months ended 30 June 2016, was declared by the Board of Directors to the owners of the Company on 23 August 2016.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to owners of the Company (RMB'000)	1,629,472	1,493,264
Number of ordinary shares in issue (thousands)	4,606,483	4,606,483
Earnings per share, basic (RMB)	0.35	0.32

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding during both year.

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14. LAND USE RIGHTS

	2016 RMB'000	2015 RMB'000
At beginning of year	2,732,850	2,606,566
Additions	77,041	22,890
Transfer from prepayments for acquisition of land use rights	33,755	205,325
Transfer from assets under construction	–	1,235
Disposals	(72,239)	(13,835)
Deemed disposal of subsidiaries	–	(25,403)
Charged to profit or loss	(67,743)	(63,928)
At end of year	2,703,664	2,732,850

All of the Group's land use rights are located outside Hong Kong and are mainly in the PRC. All of the Group's land use rights are held under operating leases between 10 to 50 years (2015:10 to 50 years).

Land use rights pledged as security for bank borrowings are disclosed in Note 28(c).

15. PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	2016 RMB'000	2015 RMB'000
At beginning of year	83,621	180,382
Additions	58,522	108,564
Transfer to land use rights	(33,755)	(205,325)
Withdrawal of land deposit	(28,474)	–
At end of year	79,914	83,621

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16. PROPERTY, PLANT AND EQUIPMENT

	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
2016									
Cost									
At 1 January 2016	5,543,337	16,270	1,335,213	1,034,089	1,776,530	953,181	532,608	831,468	12,022,696
Additions	38,685	2,267	3,502	114,233	148,115	84,895	60,560	723,490	1,175,747
Transfer from investment properties	13,488	–	–	–	–	–	–	–	13,488
Disposal	(14,343)	(838)	(97)	(24,921)	(122,617)	(85,252)	(63,993)	–	(312,061)
Transfer to investment properties	(32,224)	–	–	–	–	–	–	–	(32,224)
Transfer upon completion	571,605	52	10,643	–	4,639	–	294	(587,233)	–
Exchange adjustments	5,996	–	–	67,370	233	1,951	358	–	75,908
At 31 December 2016	6,126,544	17,751	1,349,261	1,190,771	1,806,900	954,775	529,827	967,725	12,943,554
Accumulated depreciation and impairment losses									
At 1 January 2016	(1,300,472)	(10,707)	(422,373)	(585,755)	(969,888)	(625,849)	(394,379)	–	(4,309,423)
Depreciation charge	(193,465)	(2,806)	(46,755)	(92,846)	(144,083)	(89,471)	(45,158)	–	(614,584)
Transfer from investment properties	(8,844)	–	–	–	–	–	–	–	(8,844)
Disposal	9,401	461	37	19,697	100,307	72,012	57,939	–	259,854
Transfer to investment properties	8,182	–	–	–	–	–	–	–	8,182
Exchange adjustments	(1,946)	–	–	(40,243)	(177)	(328)	(303)	–	(42,997)
At 31 December 2016	(1,487,144)	(13,052)	(469,091)	(699,147)	(1,013,841)	(643,636)	(381,901)	–	(4,707,812)
Net book value									
At 31 December 2016	4,639,400	4,699	880,170	491,624	793,059	311,139	147,926	967,725	8,235,742
At 1 January 2016	4,242,865	5,563	912,840	448,334	806,642	327,332	138,229	831,468	7,713,273

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16. PROPERTY, PLANT AND EQUIPMENT (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
2015									
Cost									
At 1 January 2015	4,800,052	13,990	1,263,454	955,750	1,735,943	973,206	518,789	1,018,272	11,279,456
Additions	53,657	2,674	2,122	83,552	159,674	63,245	46,500	835,259	1,246,683
Acquisition of a subsidiary	–	–	–	–	–	1,132	3,007	–	4,139
Disposal	(70,318)	(493)	(44)	(60,229)	(132,810)	(80,891)	(35,519)	–	(380,304)
Deemed disposal of subsidiaries	(1,334)	–	–	–	(15)	(4,619)	(1,278)	(96,345)	(103,591)
Transfer to investment properties	(77,161)	–	–	–	–	–	–	–	(77,161)
Transfer to intangible assets/ land use right	–	–	–	–	–	–	–	(5,130)	(5,130)
Transfer upon completion	836,536	86	69,681	–	13,536	–	749	(920,588)	–
Exchange adjustments	1,905	13	–	55,016	202	1,108	360	–	58,604
At 31 December 2015	5,543,337	16,270	1,335,213	1,034,089	1,776,530	953,181	532,608	831,468	12,022,696
Accumulated depreciation and impairment losses									
At 1 January 2015	(1,185,067)	(8,068)	(375,091)	(522,451)	(930,673)	(599,167)	(379,944)	–	(4,000,461)
Depreciation charge	(180,404)	(2,661)	(47,282)	(86,571)	(147,310)	(89,336)	(45,188)	–	(598,752)
Acquisition of a subsidiary	–	–	–	–	–	(1,132)	(3,004)	–	(4,136)
Disposal	49,414	27	–	54,686	108,244	60,707	33,649	–	306,727
Deemed disposal of subsidiaries	462	–	–	–	5	3,548	422	–	4,437
Transfer to investment properties	15,992	–	–	–	–	–	–	–	15,992
Exchange adjustments	(869)	(5)	–	(31,419)	(154)	(469)	(314)	–	(33,230)
At 31 December 2015	(1,300,472)	(10,707)	(422,373)	(585,755)	(969,888)	(625,849)	(394,379)	–	(4,309,423)
Net book value									
At 31 December 2015	4,242,865	5,563	912,840	448,334	806,642	327,332	138,229	831,468	7,713,273
At 1 January 2015	3,614,985	5,922	888,363	433,299	805,270	374,039	138,845	1,018,272	7,278,995

Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 28(c).

The Group's buildings are mainly located in the PRC.

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17. INVESTMENT PROPERTIES

	RMB'000
2016	
Cost	
At 1 January 2016	188,767
Transfer from property, plant and equipment	32,224
Transfer to property, plant and equipment	(13,488)
Exchange adjustments	1,353
At 31 December 2016	208,856
Depreciation and impairment	
At 1 January 2016	(42,052)
Provided for the year	(5,859)
Transfer from property, plant and equipment	(8,182)
Transfer to property, plant and equipment	8,844
Exchange adjustments	(891)
At 31 December 2016	(48,140)
Net book value	
At 31 December 2016	160,716
At 1 January 2016	146,715
2015	
Cost	
At 1 January 2015	110,579
Transfer from property, plant and equipment	77,161
Exchange adjustments	1,027
At 31 December 2015	188,767
Depreciation and impairment	
At 1 January 2015	(22,823)
Provided for the year	(2,523)
Transfer from property, plant and equipment	(15,992)
Exchange adjustments	(714)
At 31 December 2015	(42,052)
Net book value	
At 31 December 2015	146,715
At 1 January 2015	87,756

The Group's investment properties are mainly located in the PRC.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Buildings	20-40 years

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18. INTANGIBLE ASSETS

	Software RMB'000	Goodwill RMB'000	Others RMB'000	Total RMB'000
2016				
Cost				
At beginning of year	330,832	39,387	5,780	375,999
Additions	24,758	–	–	24,758
Disposals	(2,447)	–	–	(2,447)
At end of year	353,143	39,387	5,780	398,310
Accumulated amortisation				
At beginning of year	(245,607)	–	(4,493)	(250,100)
Amortisation	(26,175)	–	(760)	(26,935)
Disposals	1,417	–	–	1,417
At end of year	(270,365)	–	(5,253)	(275,618)
Net book value				
At end of year	82,778	39,387	527	122,692
At beginning of year	85,225	39,387	1,287	125,899

	Software RMB'000	Goodwill RMB'000	Others RMB'000	Total RMB'000
2015				
Cost				
At beginning of year	312,165	39,387	5,780	357,332
Additions	32,455	–	–	32,455
Transfer from assets under construction	3,895	–	–	3,895
Disposals	(17,613)	–	–	(17,613)
Deemed disposal of subsidiaries	(70)	–	–	(70)
At end of year	330,832	39,387	5,780	375,999
Accumulated amortisation				
At beginning of year	(225,808)	–	(3,733)	(229,541)
Amortisation	(23,245)	–	(760)	(24,005)
Disposals	3,421	–	–	3,421
Deemed disposal of subsidiaries	25	–	–	25
At end of year	(245,607)	–	(4,493)	(250,100)
Net book value				
At end of year	85,225	39,387	1,287	125,899
At beginning of year	86,357	39,387	2,047	127,791

For the purpose of impairment testing, goodwill has been allocated to seven CGUs, representing seven subsidiaries mainly in the freight forwarding segment.

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18. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount is 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 (2015: 5-year) period, and a discount rate of 8% (2015: 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. Cash flows beyond the 5-year (2015: 5-year) period are extrapolated using a 3% (2015: 3%) growth rate.

In 2016 and 2015, the management of the Group was of the view that there was no impairment of goodwill.

19. INVESTMENTS IN JOINT VENTURES

Details of the Group's investment in joint ventures are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of year	3,171,423	2,846,805
Acquisition of joint ventures	79,434	80,881
Addition due to deemed disposal of subsidiaries	–	135,762
Additional investments	43,393	45,900
	122,827	262,543
Share of profit of joint ventures		
– profit before income tax	1,104,521	1,282,784
– income tax expense	(276,130)	(320,696)
	828,391	962,088
Share of other comprehensive expense	(42)	(313)
Disposals	–	(3,657)
Dividends declared	(937,925)	(896,043)
	(937,967)	(900,013)
Impairment loss	(4,020)	–
At end of year	3,180,654	3,171,423

Investments in joint ventures as at 31 December 2016 include goodwill of RMB39,789,000 (2015: RMB39,789,000).

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19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following is a list of the principal joint ventures as at 31 December 2016.

Name	Country/place of operation & incorporation/legal status	Issued share capital/ paid up capital	Proportion of ownership interest and voting rights held by the Group 2016	2015	Principal activities
Dongguan Humen Container. Terminals Port Co., Ltd. ("Dongguan Humen")	Dongguan, the PRC joint venture	RMB670,000,000	49%	49%	Terminal management
New Land Bridge (Lianyungang) Terminal Company limited ("New Land Bridge")	Lianyungang, the PRC Sino-foreign equity joint venture	RMB395,000,000	42%	42%	Terminal development and management, freight forwarding
Wuhu Sanshan Port Co., Ltd.	Wuhu, the PRC Sino-foreign equity joint venture	RMB280,000,000	50%	50%	Construction and operation of ports and ancillary facilities, storage, haulage and international freight forwarding business
Sinotrans Logistics Suzhou Co., Ltd.	Suzhou, the PRC joint venture	RMB175,000,000	51%**	51%**	Freight forwarding, warehousing
Chengdu Bonded Logistics Investment Co., Ltd.	Chengdu, the PRC limited liability company	RMB175,000,000	54.29%*/**	54.29%*/**	Industrial facilities construction, export& import, freight forwarding
DHL-Sinotrans International Air Company Limited ("DHL")	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	50%*	50%*	Express services Courier
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Shanghai, the PRC Sino-foreign equity joint venture	US$18,900,000	60%**	60%**	Container freight transportation
Sinotrans Luzhou Port Bonded Logistics Co., Ltd.	Luzhou, the PRC Limited company	RMB160,000,000	60%*/**	60%*/**	Freight forwarding, transportation, storage and loading and unloading
China United Tally Co., Ltd.	Beijing, the PRC joint venture	RMB46,000,000	32%	32%	Tally business, quarantine
Sinotrans PFS Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$46,240,000	30%	30%	Cold chain transport and storage

* These companies are joint ventures of Sinoair. Sinoair together with the other shareholders exercise joint control over these joint ventures.

** Although the Group owns more than 50% equity interest of these joint ventures, according to the articles of association of these joint ventures, the Group exercise joint control over these joint ventures with the other shareholders.

According to the relevant articles and shareholders' agreements, the Group together with the other shareholders exercise joint control and none of the shareholders has unilateral control over these companies.

The above table lists the joint ventures of the Group which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length. The names of certain joint ventures referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

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19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs.

Dongguan Humen

	2016 RMB'000	2015 RMB'000
Current assets	215,110	158,320
Non-current assets	1,496,446	1,542,809
Current liabilities	(154,226)	(68,666)
Non-current liabilities	(926,019)	(1,004,428)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	81,729	31,233
Current financial liabilities (excluding trade and other payables and provisions)	(2,000)	(21,000)
Non-current financial liabilities (excluding trade and other payables and provisions)	(772,864)	(809,884)

	2016 RMB'000	2015 RMB'000
Revenue	248,443	189,840
Profit/(losses) and total comprehensive income/(expense) for the year	3,276	(35,455)
The above profit/(losses) for the year includes the following:		
Depreciation and amortisation	(60,386)	(55,428)
Interest expense	(49,400)	(57,872)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Dongguan Humen recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Dongguan Humen	631,311	628,035
Proportion of the Group's ownership interest in Dongguan Humen	49%	49%
Goodwill	37,017	37,017
Carrying amount of the Group's interest in Dongguan Humen	346,359	344,754

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19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

New Land Bridge

	2016 RMB'000	2015 RMB'000
Current assets	134,357	145,803
Non-current assets	404,208	433,373
Current liabilities	(40,275)	(76,267)
Non-current liabilities	(17,699)	(14,608)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	57,891	77,083
Current financial liabilities (excluding trade and other payables and provisions)	(5,043)	(5,792)

	2016 RMB'000	2015 RMB'000
Revenue	251,649	252,384
Profit and total comprehensive income for the year	23,678	34,875
Dividends received from the joint venture during the year	13,183	36,443
The above profit for the year includes the following:		
Depreciation and amortisation	(33,665)	(34,961)
Income tax expense	(9,062)	(17,194)

Reconciliation of the above summarised financial information to the carrying amount of the interest in New Land Bridge recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of New Land Bridge	480,591	488,301
Proportion of the Group's ownership interest in New Land Bridge	42%	42%
Carrying amount of the Group's interest in New Land Bridge	201,848	205,086

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19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

DHL

	2016 RMB'000	2015 RMB'000
Current assets	3,234,561	3,096,932
Non-current assets	826,680	884,022
Current liabilities	(1,846,001)	(1,662,668)
Non-current liabilities	(67,552)	(66,114)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	1,603,893	1,470,050
Current financial liabilities (excluding trade and other payables and provisions)	(191,965)	(180,382)

	2016 RMB'000	2015 RMB'000
Revenue	10,618,350	10,223,874
Profit and total comprehensive income for the year	1,609,633	1,775,243
Dividends received from the joint venture during the year	857,058	798,867
The above profit for the year includes the following:		
Depreciation and amortisation	(165,288)	(170,682)
Income tax expense	(542,841)	(596,805)

Reconciliation of the above summarised financial information to the carrying amount of the interest in DHL recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of DHL	2,147,688	2,252,172
Proportion of the Group's ownership interest in DHL	50%	50%
Carrying amount of the Group's interest in DHL	1,073,844	1,126,086

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19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of profit	12,024	77,192
The Group's share of other comprehensive expense	(42)	(313)
The Group's share of total comprehensive income	11,982	76,879

20. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Investments in associates		
– Listed outside Hong Kong	–	26,875
– Unlisted	873,035	803,824
	873,035	830,699
Reclassified to asset classified as held for sale (Note 27)	–	(26,875)
	873,035	803,824

	2016 RMB'000	2015 RMB'000
At beginning of year	803,824	842,707
Additions	33,047	8,440
Share of profit of associates		
– profit before income tax	60,767	40,968
– income tax expense	(15,192)	(10,242)
	45,575	30,726
Share of other comprehensive income/(expense)	7,028	(1,921)
Disposals	–	(2,251)
Dividends declared	(16,439)	(47,002)
	(9,411)	(51,174)
Reclassified to asset classified as held for sale	–	(26,875)
At end of year	873,035	803,824

Investments in associates as at 31 December 2016 include goodwill of RMB38,011,000 (2015: RMB38,011,000).

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20. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following is a list of the principal associates as at 31 December 2016:

Name	Country/place of operation & incorporation/legal status	Issued share capital/ paid up capital	Proportion of ownership interest and voting rights held by the Group 2016	2015	Principal activities
Wuhan Port Container Company Limited ("Wuhan Port")	Wuhan, the PRC limited liability company	RMB400,000,000	30%	30%	Container loading and freight forwarding
Shenzhen Haixing Harbour Development Company Limited ("Shenzhen Haixing")	Shenzhen, the PRC Sino-foreign equity joint venture	US$15,151,500	33%	33%	Storage and terminal services
Weihai Weidong Ferry Company Limited ("Weihai Weidong")	Weihai, the PRC Sino-foreign equity joint venture	US$15,000,000	30%	30%	International marine transportation
Jiangsu Jiangyin Port Company Limited	Jiangyin, the PRC limited liability company	RMB87,750,000	20%	20%	Storage and terminal services
Ma'anshan Tianshun Port Company Limited	Ma'anshan, the PRC limited liability company	RMB150,000,000	14%*	14%*	Storage and terminal services
AMS Global Transportation Company Limited	Beijing, the PRC Sino-foreign equity joint venture	US$1,980,000	20%	20%	Air freight forwarding
Shanghai Haihui International Container Repair Company Limited	Shanghai, the PRC Sino-foreign equity joint venture	US$1,420,000	35%	35%	International container piling and storage, container repair
Qingdao Airport Logistics Zone (Huasheng) Company Limited	Qingdao, the PRC limited liability company	RMB100,000,000	18%*	18%*	Freight forwarding

* Although the Group owns less than 20% equity interest of these companies, the Group can appoint directors to these companies and exercise significant influence over them.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length. 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.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Wuhan Port

	2016 RMB'000	2015 RMB'000
Current assets	107,977	95,797
Non-current assets	806,964	859,573
Current liabilities	(163,701)	(170,438)
Non-current liabilities	(362,643)	(411,017)

	2016 RMB'000	2015 RMB'000
Revenue	112,420	130,381
Profit and total comprehensive income for the year	14,682	14,091

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Wuhan Port	388,597	373,915
Proportion of the Group's ownership interest in Wuhan Port	30%	30%
Goodwill	15,969	15,969
Carrying amount of the Group's interest in Wuhan Port	132,548	128,144

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20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Weihai Weidong

	2016 RMB'000	2015 RMB'000
Current assets	418,146	311,252
Non-current assets	305,847	329,812
Current liabilities	(49,507)	(31,750)

	2016 RMB'000	2015 RMB'000
Revenue	623,440	569,196
Profit for the year	71,402	41,333
Other comprehensive income for the year	23,425	19,356
Total comprehensive income for the year	94,827	60,689
Dividends received from the associate during the year	8,897	5,580

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Weihai Weidong	674,486	609,314
Proportion of the Group's ownership interest in Weihai Weidong	30%	30%
Carrying amount of the Group's interest in Weihai Weidong	202,346	182,794

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Shenzhen Haixing

	2016 RMB'000	2015 RMB'000
Current assets	110,882	91,996
Non-current assets	1,050,011	1,055,690
Current liabilities	(285,424)	(269,356)
Non-current liabilities	–	(3,966)

	2016 RMB'000	2015 RMB'000
Revenue	211,339	230,202
(Loss)/profit and total comprehensive (expenses)/income for the year	(11,127)	9,827
Dividends received from the associate during the year	–	29,986

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Shenzhen Haixing	875,469	874,364
Proportion of the Group's ownership interest in Shenzhen Haixing	33%	33%
Carrying amount of the Group's interest in Shenzhen Haixing	288,905	288,540

Aggregate information of associates that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of profit	23,422	10,856
The Group's share of other comprehensive expense	–	(7,728)
The Group's share of total comprehensive income	23,422	3,128
Aggregate carrying amount of the Group's interest in these associates	249,236	231,221
Reclassified to asset classified as held for sale	–	(26,875)
At end of year	249,236	204,346

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21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Listed equity investments, at fair value (a)	791,624	1,436,245
Unlisted equity investments, at cost less impairment (b)	279,798	373,390
	1,071,422	1,809,635

(a) Movements in listed equity investments are analysed as follows:

	2016 RMB'000	2015 RMB'000
At beginning of year	1,436,245	1,357,670
Change in fair value	(167,946)	226,749
Disposal	(476,675)	(148,174)
At end of year	791,624	1,436,245
Market value of listed equity investments	791,624	1,436,245

Listed equity investments include the ordinary shares of Air China Limited ("Air China") and China Eastern Airlines Corporation Limited ("China Eastern") listed on the Shanghai Stock Exchange and BOE Technology Group Co., Ltd. ("BOE") listed on the Shenzhen Stock Exchange. Air China and China Eastern were incorporated in the PRC whose principal activities are air transportation. BOE was incorporated in the PRC whose principal activities are electronic device manufacturing and sales.

(b) Unlisted equity investments comprise equity interests in entities which are engaged in logistics, freight forwarding operations and other financing activities. There is no open market for these investments and the Directors consider that the marketability of the Group's shareholdings in these investments is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale financial assets are impaired in accordance with the guidelines in IAS 39. The assessment requires the Directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

As at 31 December 2016 and 2015, the entire available-for-sale financial assets were denominated in RMB and none of them were impaired or pledged.

During 2016, the Group disposed its entire 4% equity interest in Zhoushan Port Group Co., Ltd. to a third party for cash consideration of RMB146,096,000. Before the disposal, the investment was accounted for as an available-for-sale financial asset carried at cost. This transaction has resulted in the Group recognising a gain of RMB52,404,000 in the consolidated statement of profit or loss.

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22. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016 RMB'000	2015 RMB'000
Due from related parties		
– Loan to a fellow subsidiary (a)	–	126,480
– Other amounts due from related parties (b)	94,177	8,565
	94,177	135,045
Prepayments on behalf of customers	1,256,782	870,057
Available-for-sale financial assets (c)	1,200,000	1,030,000
Deductible value added tax	202,760	145,276
Prepaid expenses	76,356	49,844
Others	3,647	1,003
	2,739,545	2,096,180
	2,833,722	2,231,225

(a) Loan to a fellow subsidiary

Loan to a fellow subsidiary at 31 December 2015 was a loan amounted to RMB126,480,000 provided to Sunny Express which is a fellow subsidiary of the Company since 6 June 2014. This loan is of 1 year term, unsecured, interest-bearing and denominated in RMB. This loan has been repaid as of 31 December 2016.

(b) Other amounts due from related parties

The amounts due from related parties are unsecured, non-interest bearing and repay on demand (Note 43(b)).

(c) Available-for-sale financial assets

Available-for-sale financial assets are wealth management products issued by banks.

As at 31 December 2016:

– Bank of China product with principal amount of RMB80,000,000, no fixed period starting from November 2016, with expected annual yield rate of 2.25%.

– Shanghai Pudong Development Bank product with principal amount of RMB300,000,000, no fixed period starting from November 2016, with expected annual yield rate of 3.05%.

– Shanghai Pudong Development Bank product with principal amount of RMB100,000,000, 60-day term starting from November 2016, with expected annual yield rate of 3.15%.

– Bank of Beijing product with principal amount of RMB200,000,000, 96-day term starting from November 2016, with expected annual yield rate of 3.00%.

– Bank of China product with principal amount of RMB100,000,000, no fixed period starting from November 2016, with expected annual yield rate of 2.25%.

– Bank of China product with principal amount of RMB50,000,000, no fixed period starting from December 2016, with expected annual yield rate of 2.25%.

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22. PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

(c) Available-for-sale financial assets (continued)

As at 31 December 2016: (continued)

- Bank of China product with principal amount of RMB170,000,000, no fixed period starting from December 2016, with expected annual yield rate of 2.25%.
- Ping An Bank product with principal amount of RMB100,000,000, 28-day-term starting from December 2016, with expected annual yield rate of 3.40%.
- Shanghai Pudong Development Bank product with principal amount of RMB100,000,000, 90-day term starting from December 2016, with expected annual yield rate of 3.20%.

As at 31 December 2015:

- Agricultural Bank of China product with principal amount of RMB400,000,000, 90-day term starting from October 2015, with expected annual yield rate of 3.60%.
- Bank of China product with principal amount of RMB250,000,000, no fixed period starting from December 2015, with expected annual yield rate of 2.60%.
- Bank of China product with principal amount of RMB200,000,000, no fixed period starting from December 2015, with expected annual yield rate of 2.60%.
- Bank of Beijing product with principal amount of RMB150,000,000, 58-day term starting from December 2015, with expected annual yield rate of 3.40%.
- Bank of China product with principal amount of RMB30,000,000, no fixed period starting from November 2015, with expected annual yield rate of 2.60%.

23. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables (a)	7,294,268	7,043,353
Bills receivables (b)	451,906	372,658
Other receivables (c)	905,598	864,151
Due from related parties (d)	288,893	289,397
	8,940,665	8,569,559

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

	2016 RMB'000	2015 RMB'000
RMB	6,853,956	7,048,775
US$	1,480,951	1,028,597
HK$	412,155	355,180
JPY	41,572	44,977
Others	152,031	92,030
	8,940,665	8,569,559

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

There is no concentration of credit risk with respect to trade receivables and bills receivables as the Group has a large number of customers, both locally and internationally dispersed.

The normal credit period for trade receivables generally ranges from 1 to 6 months. As at 31 December 2016 and 2015, the following trade and other receivables were impaired. The factors considered by the management in determining the impairment are described in Note 3. The aging of these receivables is as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	39,365	28,001
Between 6 and 12 months	95,815	104,315
Between 1 and 2 years	118,283	68,469
Between 2 and 3 years	51,806	49,278
Over 3 years	42,905	10,885
	348,174	260,948
Less: Provision for impairment of receivables	(219,000)	(140,950)
	129,174	119,998

As at 31 December 2016 and 2015, the following trade and other receivables were past due but not impaired, because there has not been a significant change in credit quality and the amount are still considered recoverable. The aging analysis of these receivables is as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	223,536	228,941
Between 6 and 12 months	17,525	5,267
Between 1 and 2 years	4,952	1,148
	246,013	235,356

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

	2016 RMB'000	2015 RMB'000
At beginning of year	140,950	138,804
Allowance for impairment	86,192	14,604
Receivables written off as uncollectible	(8,142)	(12,458)
At end of year	219,000	140,950

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

(a) Trade receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	7,483,278	7,164,127
Less: Allowance for impairment of receivables	(189,010)	(120,774)
Trade receivables, net	7,294,268	7,043,353

The invoice dates at the end of each reporting period approximate the respective revenue recognition dates. Aging analysis of the above trade receivables is as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	7,165,092	6,923,355
Between 6 and 12 months	70,708	78,640
Between 1 and 2 years	54,062	38,863
Between 2 and 3 years	4,119	2,192
Over 3 years	287	303
	7,294,268	7,043,353

(b) The Group has transferred bills receivables amounted to RMB317,299,000 (2015: RMB329,765,000) to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivables under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considers the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant, and the issuing banks have never failed to settle the bills on maturity date.

The maximum exposure to loss, which is the same as the amount payable by the Group to the suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date amounted to RMB317,299,000 (2015: RMB329,765,000).

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

At 31 December 2016, the carrying amount of the short-term receivables which have been pledged as security for the borrowing, is RMB137,175,000 (2015: RMB149,547,000). The carrying amount of the associated liability is RMB137,175,000 (2015: RMB149,547,000).

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Other receivables

	2016 RMB'000	2015 RMB'000
Deposits receivables	407,343	312,686
Receivables from payments on behalf of customers	383,491	388,892
Proceed receivables from the disposal of property, plant and equipment and land use rights	45,023	113,525
Compensation receivables	15,046	12,983
Interest receivables	16,202	10,641
Others	68,483	45,580
	935,588	884,307
Less: Allowance for impairment of other receivables	(29,990)	(20,156)
	905,598	864,151

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	2016 RMB'000	2015 RMB'000
Trade receivables:		
Ultimate holding company and fellow subsidiaries	92,013	70,397
Joint ventures	62,410	72,207
Associates	6,197	3,513
	160,620	146,117
Other receivables:		
Ultimate holding company and fellow subsidiaries	22,155	18,433
Joint ventures	67,776	118,826
Associates	38,342	6,041
	128,273	143,300
Less: Allowance for impairment of other receivables	–	(20)
	128,273	143,280
	288,893	289,397

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Due from related parties (continued)

The aging of these amounts due from ultimate holding company and fellow subsidiaries, joint ventures and associates, which are trading in nature based on invoice date, is summarised as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	160,508	141,724
Between 6 and 12 months	112	4,388
Over 3 years	–	5
	160,620	146,117

Other receivables due from related parties are generally unsecured and repayable on demand.

The amounts due from related parties are described in Note 43(b).

24. RESTRICTED CASH

	2016 RMB'000	2015 RMB'000
Deposits denominated in RMB in banks restricted for		
– guaranteed deposit	138,559	124,344
– bank borrowings	–	61,948
– other purposes	89,580	73,920
	228,139	260,212

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

The weighted average effective interest rate of the Group on restricted cash was 0.57% (2015: 0.83%) per annum.

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25. TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

The Group's term deposits with initial terms of over three months are deposited in banks in the PRC, which the management believes are of high credit quality and does not expect high credit risks in this aspect. As at 31 December 2016 and 2015, the Group's term deposits with initial terms of over three months are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	1,327,047	782,254
US$	–	120,000
HK$	–	251
Others	3,131	552
	1,330,178	903,057

As at 31 December 2016, the weighted average effective interest rate on term deposits with initial terms of over three months of the Group was 2.19% (2015: 2.39%) per annum.

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

26. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at bank and in hand	6,204,772	5,514,710
Short-term bank deposits	913,818	618,598
	7,118,590	6,133,308

(a) As at 31 December 2016 and 2015, the Group's cash and cash equivalents are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	4,658,122	4,181,467
US$	2,119,266	1,654,479
HK$	210,096	178,678
JPY	56,979	50,984
Others	74,127	67,700
	7,118,590	6,133,308

(b) The weighted average effective interest rate of the Group on short term bank deposits was 2.62% (2015: 1.64%) per annum.

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27. ASSET CLASSIFIED AS HELD FOR SALE

	2016 RMB'000	2015 RMB'000
Asset classified as held for sale	–	26,875

On 23 December 2015, the Company announced Sinotrans (Hong Kong) Logistics Limited ("Sinotrans HKL"), a wholly owned subsidiary of the Company, had given irrevocable undertakings to dispose the 35.26% shareholding in InterBulk. The directors of Sinotrans HKL had approved the transaction. On the same day, InterBulk and Den Hartogh Holding B.V. ("Den Hartogh") have reached an agreement on terms of a recommended cash acquisition by Den Hartogh of the entire issued share capital of InterBulk at 9 pence per share and the total consideration for disposal of the Group's 35.26% shareholding was approximately RMB 135,022,000. The Group's interest in InterBulk was classified as an asset held for sale as at 31 December 2015.

The above transaction was completed on 1 April 2016. Upon completion of the transaction, cumulative exchange losses of RMB25,629,000 which was previously recognised in other comprehensive income was recycled in the consolidated statement of profit or loss, and a gain on disposal of interest in an associate of RMB82,518,000 was recognised during the year ended 31 December 2016.

28. BORROWINGS

(a) Borrowings represent bank borrowings and borrowings from Sinotrans & CSC Finance Co., Ltd. ("Finance Company"), which are analysed as follows:

	2016 RMB'000	2015 RMB'000
Current		
Bank borrowings denominated in		
– RMB		
Fixed interest rate	160,078	154,547
Floating interest rate	–	30,000
– US$		
Fixed interest rate	28,812	37,862
Floating interest rate	–	63,375
– HK$		
Floating interest rate	84,977	43,976
Borrowings from Finance Company		
– US$		
Fixed interest rate	51,264	194,808
	325,131	524,568
Non-current		
Borrowings from Finance Company repayable between 2-5 years		
– RMB		
Fixed interest rate	1,000,000	–
Bank borrowings repayable over 5 years		
– RMB		
Fixed interest rate	124,000	40,000
	1,124,000	40,000
Total fixed rate borrowings	1,364,154	427,217
Total floating rate borrowings	84,977	137,351
Total borrowings	1,449,131	564,568

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28. BORROWINGS (CONTINUED)

(a) Borrowings represent bank borrowings and borrowings from Finance Company, which are analysed as follows: (continued)

	2016 RMB'000	2015 RMB'000
Borrowings		
– Secured	142,175	200,471
– Unsecured		
– Bank borrowings	147,980	169,289
– Borrowings from Finance Company (Note 43(d))	1,051,264	194,808
– Guaranteed	107,712	–
	1,449,131	564,568

The floating interest rate above is based on the loan interest rate published by the People's Bank of China or the London Interbank Offered Rate ("LIBOR").

(b) The weighted average effective interest rate of the borrowings for the Group was 3.30% (2015: 2.53%) per annum for bank borrowings denominated in RMB, 2.37% (2015: 2.14%) per annum for bank borrowings denominated in US$, and 1.89% (2015: 1.97%) per annum for bank borrowings denominated in HK$ for the year ended 31 December 2016.

(c) Securities and guarantees

	2016 RMB'000	2015 RMB'000
Account receivables pledged	137,175	149,547
Carrying amount of property, plant and equipment pledged	62,418	65,540
Carrying amount of land use rights pledged	18,369	18,841
Restricted cash pledged	–	61,948

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29. BONDS

	2016 RMB'000	2015 RMB'000
Non-current		
Long-term bonds (a)	3,494,630	996,418
	3,494,630	996,418
Current		
Long-term bonds (b)	998,726	1,999,858
Short-term bonds (c)	–	2,042,008
	998,726	4,041,866

(a) On 3 March 2016, the Company received the approval from the China Securities Regulatory Commission to issue unsecured corporate bonds with par value of RMB100 each totalling RMB2 billion. The corporate bonds are of 5-year term with fixed annual coupon and effective interest rate of 3.20% and 3.24%, respectively.

On 24 August 2016, the Company received the approval from the China Securities Regulatory Commission to issue unsecured corporate bonds with par value of RMB100 each totalling RMB1.5 billion. The corporate bonds are of 5-year term and with fixed annual coupon and effective interest rate of 2.94% and 2.98%, respectively.

(b) In June 2014, a subsidiary of the Company issued unsecured offshore corporate bonds with par value of RMB100 each totalling RMB1 billion. The corporate bonds are of 3-year term and with fixed annual coupon and effective interest rate of 4.50% and 4.76%, respectively.

On 8 November 2013, the Company received the approval from China Securities Regulatory Commission to issue the unsecured corporate bonds amounting up to RMB4 billion by tranches. The issuance of the first tranche of corporate bonds with par value of RMB100 each totalling RMB2 billion was completed on 8 November 2013. The first tranche of corporate bonds are of 3-year term and with fixed annual coupon and effective interest rate of 5.70% and 5.71%, respectively. The bonds were paid when due in 2016.

(c) In May 2015, the Company received the approval from the National Association of Financial Market Institutional Investors to issue short-term bonds with par value of RMB100 each totalling RMB2 billion. The short-term bonds are of 270-day term and with fixed annual coupon and effective interest rate of 3.60% and 3.81%, respectively. The bonds were paid when due in 2016.

In January 2016, the Company received the approval from the National Association of Financial Market Institutional Investors to issue short-term bonds with par value of RMB100 each totalling RMB1.5 billion. The short-term bonds are of 270-day term and with fixed annual coupon and effective interest rate of 2.60% and 2.81%, respectively. The bonds were paid when due in 2016.

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30. PROVISIONS

	One-off cash housing subsidies RMB'000 (a)	Guarantees RMB'000 (Note 39)	Litigation claims RMB'000 (b)	Others RMB'000	Total RMB'000
2016					
As at 1 January 2016	27,207	12,241	265,523	35,368	340,339
Addition	–	15,460	44,021	35,380	94,861
Paid during the year	(2,061)	–	(61,506)	(34,550)	(98,117)
As at 31 December 2016	25,146	27,701	248,038	36,198	337,083
2015					
As at 1 January 2015	27,984	40,544	129,239	36,546	234,313
(Reverse)/addition	–	(8,716)	173,262	34,550	199,096
Paid during the year	(777)	(19,587)	(36,978)	(35,728)	(93,070)
As at 31 December 2015	27,207	12,241	265,523	35,368	340,339

(a) One-off cash housing subsidies represent the Group's provision made prior to the 2002 Reorganisation. Sinotrans & CSC 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 2002 Reorganisation. The Group does not expect to provide such one-off cash housing subsidies to its employees in the foreseeable future.

(b) Provision for litigation claims as at the end of each reporting periods relates to certain legal claims brought against the Group by customers and vendors.

31. OTHER NON-CURRENT LIABILITIES

	2016 RMB'000	2015 RMB'000
Government grants (a)	255,098	255,755
Due to related parties (b)	91,938	97,226
Long-term payables	3,374	3,602
	350,410	356,583

(a) As at 31 December 2016 and 2015, other non-current liabilities mainly consist of deferred income arising from government grants.

Such government grants mainly represent the grants from government for the development of logistics related assets. There is no unfulfilled condition relating to those grants. Such grants are deferred and released to profit or loss in accordance with the useful lives of the related assets.

(b) Among the amounts due to related parties, RMB47,034,000 (2015: RMB54,696,000) are loans from the ultimate holding company and fellow subsidiaries, and the loans are unsecured with weighted average effective interest rate of 4.86% (2015: 4.43%) per annum.

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32. TRADE PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables (a)	6,304,967	5,845,142
Due to related parties (b)	222,669	156,190
	6,527,636	6,001,332

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	5,198,533	5,120,267
US$	975,317	648,630
HK$	190,179	112,834
JPY	65,420	72,808
Others	98,187	46,793
	6,527,636	6,001,332

(a) Trade payables

The normal credit period for trade payables generally ranges from 1 to 6 months. Aging analysis of trade payables based on invoice date at the end of each reporting period is as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	5,562,301	5,337,064
Between 6 and 12 months	322,000	135,241
Between 1 and 2 years	202,624	170,368
Between 2 and 3 years	121,127	171,297
Over 3 years	96,915	31,172
	6,304,967	5,845,142

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32. TRADE PAYABLES (CONTINUED)

(b) Due to related parties

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

	2016 RMB'000	2015 RMB'000
Ultimate holding company and fellow subsidiaries	183,929	137,518
Joint ventures	24,436	9,281
Associates	14,304	9,391
	222,669	156,190

The normal credit period for trade payables due to related parties generally ranges from 1 to 6 months. The aging of these amounts due to the ultimate holding company and fellow subsidiaries, joint ventures, and associates based on invoice date is as follows:

	2016 RMB'000	2015 RMB'000
Within 6 months	207,843	154,176
Between 6 and 12 months	11,748	598
Between 1 and 2 years	1,862	694
Between 2 and 3 years	607	335
Over 3 years	609	387
	222,669	156,190

The amounts due to related parties are described in Note 43(b).

33. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	2016 RMB'000	2015 RMB'000
Other payables and accruals (a)	979,969	850,267
Due to related parties (b)	206,277	198,118
	1,186,246	1,048,385

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33. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

(a) Other payables and accruals

	2016 RMB'000	2015 RMB'000
Customers' deposits	413,519	410,792
Other tax liabilities	150,168	115,373
Payables for property, plant and equipment	141,357	157,755
Accrued expenses	79,704	59,354
Interest payable	71,518	19,907
Temporary receipts	61,564	42,244
Dividends payable to non-controlling shareholders of subsidiaries	32,729	12,798
Others	29,410	32,044
	979,969	850,267

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	2016 RMB'000	2015 RMB'000
Ultimate holding company and fellow subsidiaries*	175,227	182,101
Joint ventures	30,486	15,233
Associates	564	784
	206,277	198,118

* Among the amounts due to the ultimate holding company and fellow subsidiaries, RMB14,569,000 (2016: nil) are unsecured and repayable in 12 months with weighted average effective interest rate of 1.52% per annum as at 31 December 2015.

Other amounts due to related parties are generally unsecured, non-interest bearing, and without fixed repayment terms.

34. RECEIPTS IN ADVANCE FROM CUSTOMERS

	2016 RMB'000	2015 RMB'000
Amount collected on behalf of others	1,612,614	1,161,874
Receipts in advance from customers	607,204	786,729
	2,219,818	1,948,603

The amounts of receipts in advance from related parties are described in Note 43(b).

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35. SHARE CAPITAL

	2016 RMB'000	2015 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	2,144,887	2,144,887
	4,606,483	4,606,483

As at 31 December 2016 and 31 December 2015, the registered and issued share capital of the Company comprises 2,461,596,200 domestic state-owned ordinary shares ("domestic shares") and 2,144,887,000 H shares, representing 53.44% and 46.56% of the issued share capital, respectively.

All domestic 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$.

36. RESERVES

Capital reserve of the Group mainly represents:

(a) Premium received from issuance of shares and revaluation surplus during the privatisation in 2002 and 2007.

(b) Reserves generated from transactions accounted for as business combinations involving entities under common control that the Group acquired the equity interests of various entities from Sinotrans & CSC and fellow subsidiaries("Sinotrans & CSC Group") in 2015 and 2014.

(c) Premium received from share issuance that an aggregate of 357,481,000 H shares of RMB1.00 each at an issue price of HK$4.80 per share were allotted and issued by the Company in 2014.

(d) Gain or loss on equity transaction with non-controlling shareholders for disposal and acquisition of shares in Sinoair.

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 2016, the Company transferred 10% of the Company's profit after tax determined under the PRC accounting standards, of RMB62,546,000 (2015:RMB122,646,000) to the statutory surplus reserve fund.

As at 31 December 2016, the statutory surplus reserve fund provided by PRC subsidiaries which was included in the Group's retained earnings amounted to RMB2,409,151,000 (2015: RMB2,210,378,000).

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37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 RMB'000	2015 RMB'000
Profit before income tax	2,471,259	2,575,089
Interest income	(132,405)	(49,809)
Interest expenses	278,843	287,187
Gains on disposal of property, plant and equipment and land use rights	(35,062)	(483,253)
Impairment loss of receivables	86,192	14,604
Impairment loss of property, plant and equipment	3,833	9,645
Impairment loss of inventory	445	530
Impairment loss of investment in a joint venture	4,020	–
Depreciation of property, plant and equipment	614,584	598,752
Depreciation of investment properties	5,859	2,523
Amortisation of intangible assets	26,935	24,005
Operating lease charges on other non-current assets	20,397	16,573
Operating lease charges on land use rights	67,743	63,928
Share of profit of associates, net of tax	(45,575)	(30,726)
Share of profit of joint ventures, net of tax	(828,391)	(962,088)
Dividend income on available-for-sale financial assets	(31,766)	(33,831)
Interest income on available-for-sale financial assets	(801)	–
Reversal of provision for the loan guarantee to a joint venture	–	(8,716)
(Gain)/ losses on disposal of associates	(82,504)	69
Gains on deemed disposal of subsidiaries	–	(14,438)
Gains on disposal of available-for-sale financial assets	(358,537)	(127,430)
Write off of trade payable	(7,662)	(2,925)
Deferred income arising from government grants	(7,018)	(4,896)
Exchange (gains)/losses	112	405
Operating profit before working capital changes	2,050,501	1,875,198

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37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	2016 RMB'000	2015 RMB'000
(Increase)/decrease in prepayments and other current assets	(479,895)	199,894
(Increase)/decrease in inventories	(5,367)	4,878
Increase in trade and other receivables	(480,371)	(79,117)
(Decrease)/increase in provisions	(3,256)	134,329
Increase in trade payables	533,966	154,763
Increase in other payables, accruals and other current liabilities	135,448	245,901
Increase in receipts in advance from customers	271,215	143,769
Increase in salary and welfare payables	150,345	169,133
Cash generated from operations	2,172,586	2,848,748

38. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits arising from the ordinary course of business. Where the management can reasonably estimate the outcome of the lawsuits taking into account of the legal advices, provisions have been made for the probable losses which are included in Note 30. Where the 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 2016, the maximum exposure of such lawsuits of the Group amounted to approximately RMB83,371,000 (2015: RMB241,663,000).

39. GUARANTEES

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

	2016 RMB'000	2015 RMB'000
Loan guarantees provided by the Group for the benefit of a joint venture (Note (a))	75,801	82,764
Guarantee provided by the Group in respect of finance lease obligation of a joint venture	75,617	137,960

Notes:

(a) A provision of RMB27,701,000 (2015: RMB12,241,000) has been recognised in respect of loan guarantees provided to a joint venture.

(b) The Group provided performance guarantee for a fellow subsidiary regarding container services of national marine transportation. The letter of guarantee contains no specific amount and has been terminated on 31 March 2016.

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40. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following contractual capital commitments not provided for in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Contracted for but not provided	955,316	576,577
An analysis of the above capital commitments by nature is as follows:		
– Acquisition of property, plant and equipment	70,256	66,089
– Construction commitments	876,231	480,181
– Investments in joint ventures/associates	5,970	29,536
– Acquisition of land use rights	2,859	771
	955,316	576,577

41. 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 consolidated statement of profit or loss during the year is disclosed in Note 9.

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

	2016 RMB'000	2015 RMB'000
Land use rights and buildings		
– Not later than one year	249,758	204,604
– Later than one year but not later than five years	347,197	407,429
– Later than five years	124,500	172,108
Plant and equipment		
– Not later than one year	81,473	153,678
– Later than one year but not later than five years	48,326	2,122
	851,254	939,941

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41. OPERATING LEASE COMMITMENTS (CONTINUED)

(b) The Group as lessor

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

	2016 RMB'000	2015 RMB'000
Land use rights and buildings		
– Not later than one year	45,889	33,117
– Later than one year but not later than five years	35,846	38,252
– Later than five years	141	3,616
Plant and equipment		
– Not later than one year	102,796	91,938
– Later than one year but not later than five years	142,730	160,379
– Later than five years	7,819	9,302
	335,221	336,604

42. FINANCIAL INSTRUMENTS

42a. Categories of financial instruments

The classification of the financial instruments of the Group is set out below:

	Loans and receivables RMB'000	Available-for-sale at fair value RMB'000	Available-for-sale at cost RMB'000	Total RMB'000
Financial assets				
As at 31 December 2016				
Available-for-sale financial assets	–	1,991,624	279,798	2,271,422
Trade and other receivables	8,940,665	–	–	8,940,665
Restricted cash	228,139	–	–	228,139
Term deposits with initial terms of over three months	1,330,178	–	–	1,330,178
Cash and cash equivalents	7,118,590	–	–	7,118,590
Total	17,617,572	1,991,624	279,798	19,888,994
As at 31 December 2015				
Available-for-sale financial assets	–	2,466,245	373,390	2,839,635
Prepayments and other current assets	126,480	–	–	126,480
Trade and other receivables	8,569,559	–	–	8,569,559
Restricted cash	260,212	–	–	260,212
Term deposits with initial terms of over three months	903,057	–	–	903,057
Cash and cash equivalents	6,133,308	–	–	6,133,308
Total	15,992,616	2,466,245	373,390	18,832,251

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42. FINANCIAL INSTRUMENTS (CONTINUED)

42a. Categories of financial instruments (continued)

	Measured at amortised cost RMB'000
Financial liabilities	
As at 31 December 2016	
Trade payables	6,527,636
Other payables, accruals and other current liabilities	622,559
Salary and welfare payables	914,637
Borrowings	1,449,131
Long-term bonds (Including those due within one year)	4,493,356
Total	14,007,319
As at 31 December 2015	
Trade payables	6,001,332
Other payables, accruals and other current liabilities	522,220
Salary and welfare payables	763,992
Borrowings	564,568
Short-term bonds	2,042,008
Long-term bonds (Including those due within one year)	2,996,276
Total	12,890,396

42b. Financial risk management objectives and policies

The Group's activities expose to a variety of financial risks: market risk (including currency risk, equity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets, optimising the level of financial risks the Group can bear, and minimising any potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the Group's finance department, following the overall directions determined by the 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 Directors provide directions on overall risk management and make key decisions on matters which may give rise to significant financial risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

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42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Market risk

Currency risk

The Group has cash and cash equivalents, trade and other receivables, borrowings and trade payables which are denominated in foreign currencies. The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	2016 RMB'000	2015 RMB'000
US$		
Assets	3,600,217	2,803,076
Liabilities	1,055,393	944,675
HK$		
Assets	454,590	338,967
Liabilities	264,985	149,453
JPY		
Assets	16,619	12,512
Liabilities	4,001	5,803

Analyses of these assets and liabilities by currency are disclosed in Note 23, Note 25, Note 26, Note 28 and Note 32, respectively.

Sensitivity analysis

The Group is mainly exposed to the currency risk of US$, HK$ and JPY.

The following table details the Group's sensitivity to a 5% (2015:5%) increase and decrease in RMB against US$, HK$ and JPY. 5% (2015:5%) is the sensitivity rate used when reporting foreign currency risk internally to the management and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for a 5% (2015:5%) change in foreign currency rates. A negative number below indicates a decrease in profit before tax where RMB strengthens 5% against US$, HK$ and JPY. For a 5% (2015:5%) weakening of RMB against US$, HK$ and JPY, there would be an equal and opposite impact on the profit before tax, and the balances below would be positive.

	2016 RMB'000	2015 RMB'000
Profit or loss related to US$	(127,241)	(92,920)
Profit or loss related to HK$	(9,480)	(9,476)
Profit or loss related to JPY	(631)	(335)

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42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Market risk (continued)

Equity price risk

The Group is exposed to equity price risk in respect of equity investments held by the Group classified as available-for-sale financial assets.

Sensitivity analysis

The Group has monitored the performance of the equity securities and reported regularly to the Directors. As at 31 December 2016, with all other variables held constant, if the average market price of equity securities goes by 10% higher/lower, the Group's other comprehensive income after taxation would have increased/decreased by RMB59,372,000 (2015: RMB107,718,000). A decrease in market price of equity investments may also lead to indicator of impairment losses.

Interest rate risk

The Group's exposures to changes in interest rates is mainly attributable to term deposits with initial terms of over three months, borrowings and bonds. Borrowings at variable rates expose the Group to cash flow interest rate risks; term deposits with initial terms of over three months, borrowings and bonds at fixed rates expose the Group to fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of loan interest published by the People's Bank of China and LIBOR arising from the Group's RMB, HK dollar and US dollar denominated borrowings.

The Group maintain a mixed portfolio of borrowings and bonds 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. The management of the Group did not consider it necessary to use interest rate swaps to hedge its exposure to interest rate risk.

Sensitivity analysis

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, finance costs of the Group would have increased/decreased by RMB425,000 (2015: RMB687,000).

Credit risk

The aggregate carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, available-for-sale financial assets and term deposits with initial terms of over three months and financial guarantee disclosed in Note 39 represent the Group's maximum exposure to credit risk in relation to financial assets and other commitments.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Substantially all of the Group's cash and cash equivalents, term deposits with initial terms of over three months and restricted cash are held in major financial institutions located in the PRC, which the management believes are of high credit quality and expects insignificant credit risks in this aspect. These financial institutions mainly comprise Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of Communications, China Merchants Bank and certain foreign banks such as Hong Kong and Shanghai Banking Corporation Limited.

In general, the Group do not require collaterals from trade debtors, while the Group have policies in place to ensure that services are rendered to customers with appropriate credit history, and the management of the Group monitor the credit risks on an on-going 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 trade and other receivables generally range from 1 to 6 months. The Group have transactions with a large number of customers, both locally and internationally dispersed, so the Directors consider that the Group do not have a significant concentration of credit risk.

Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve comprises cash and cash equivalents on the basis of expected cash flows. This is generally carried out at the operating companies' level in accordance with the practice and budget set by the Group. These budgets 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 necessary level of liquid assets; monitoring liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The maturity analysis of borrowings is disclosed in Note 28.

The table below analyses the Group's financial liabilities based on the remaining period from the end of the reporting period to the contractual maturity date. The spot rate as at the end of the reporting period is used for the cash flow calculation in relation to the amounts settled with foreign currencies. The interest rate as at the end of the reporting period is used for the cash flow calculation in relation to variable rate interest bearing financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts, as the impact of discounting is not significant.

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42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group	Weighted Average interest rate	On demand or 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	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2016							
Borrowings	2.98%	359,558	31,738	1,030,243	136,959	1,558,498	1,449,131
Long-term bonds (including those due within one year)	3.40%	1,130,600	108,100	3,868,400	–	5,107,100	4,493,356
Salary and welfare payables		914,637	–	–	–	914,637	914,637
Trade payables		6,527,636	–	–	–	6,527,636	6,527,636
Other payables, accruals and other current liabilities		622,559	–	–	–	622,559	622,559
Financial guarantee contracts*		151,418	–	–	–	151,418	27,701
As at 31 December 2015							
Borrowings	2.29%	527,995	480	1,440	46,720	576,635	564,568
Long-term bonds (including those due within one year)	5.30%	2,142,759	1,019,973	–	–	3,162,732	2,996,276
Salary and welfare payables		763,992	–	–	–	763,992	763,992
Short-term bonds	3.60%	2,042,008	–	–	–	2,042,008	2,042,008
Trade payables		6,001,332	–	–	–	6,001,332	6,001,332
Other payables, accruals and other current liabilities		522,220	–	–	–	522,220	522,220
Financial guarantee contracts*		220,724	–	–	–	220,724	12,241

* The amounts included in the above financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that except for an amount of RMB27,701,000 (2015: RMB12,241,000) recognised as provision (Note 30), no additional amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Fair value measurements

The following table presents the Group's assets that are measured at fair value at 31 December 2016 and 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 December 2016							
Assets							
Available-for-sale financial assets							
– Equity securities	791,624	–	–	791,624	Quoted bid price in an active market.	N/A	N/A
– Other current assets*	–	1,200,000	–	1,200,000	Discounted cash flow. Future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.	N/A	N/A
	791,624	1,200,000	–	1,991,624			

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 December 2015							
Assets							
Available-for-sale financial assets							
– Equity securities	1,436,245	–	–	1,436,245	Quoted bid price in an active market.	N/A	N/A
– Other current assets*	–	–	1,030,000	1,030,000	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at a rate that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
	1,436,245	–	1,030,000	2,466,245			

* Other current assets are wealth management products issued by banks (Note 22).

There is no transfer between level 1 and level 2 during both years.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Fair value measurements (continued)

The following table presents reconciliation of Level 3 fair value measurements of available-for-sale financial assets.

	2016 RMB'000	2015 RMB'000
Opening balance	1,030,000	150,000
Purchase	16,840,000	11,110,000
Income recognised in profit or loss	64,528	47,552
Settlements	(17,934,528)	(10,277,552)
	–	1,030,000

At the end of each reporting period, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at cost or amortised cost in the financial statements approximate to their fair values.

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. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 28, bonds disclosed in Note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group monitors capital on the basis of maintaining the net cash/debt position. The net cash/debt position is calculated as total cash and cash equivalents as shown in the consolidated statement of financial position less total borrowings and bonds.

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	7,118,590	6,133,308
Less: Total borrowings	(1,449,131)	(564,568)
Bonds	(4,493,356)	(5,038,284)
Net cash position	1,176,103	530,456

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under China Merchants, which is controlled by the PRC government.

Related parties include China Merchants (including its subsidiaries, joint ventures and associates), other government-related entities, other entities and corporations in which the Group is able to control, jointly control, or exercise significant influence and key management personnel of the Group, China Merchants and Sinotrans & CSC as well as their close family members.

On 6 November 2014, the Company entered into a business service agreement with Sinotrans & CSC, which regulates the provision of transportation and logistics services and ancillary services. The business service agreement contemplates that the relevant members of the Group and Sinotrans & CSC Group will enter into contracts for specific services and when necessary, in compliance with the terms of the business service agreement. The business service agreement is for 3 years, commencing on 1 January 2015 and ending on 31 December 2017.

On 6 November 2014, the Company entered into a master lease agreement with Sinotrans & CSC providing for the lease of certain office premises, warehouses, container yards, freight stations and other properties. The lease agreement is for 3 years, commencing on 1 January 2015 and ending on 31 December 2017.

On 14 November 2012, the Company entered into a financial services agreement with Finance Company, a subsidary of Sinotrans & CSC, which provides a series of financial services including deposit services, loan services and other financial services. The financial services agreement was effective with a term of three years. On 16 April 2015, the Company entered into a new financial services agreement with Finance Company, which replaced the former agreement. The new financial services agreement commenced on 16 April 2015 and will end on 31 December 2017.

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

(a) Significant transactions with related parties

	2016 RMB'000	2015 RMB'000
Transactions with ultimate holding company including fellow subsidiaries, joint ventures and associates		
Revenue from provision of transportation and logistics services	1,141,248	1,100,385
Expenses – Service fees	(1,533,631)	(1,257,669)
Expenses – Rental expenses for office buildings, warehouses and depots	(43,301)	(26,994)
Gains on disposal of property, plant and equipment and land use rights (Note)	4,687	473,693
Transactions with associates of the Group		
Revenue from provision of transportation and logistics services	61,396	68,250
Expenses – Service fees	(87,848)	(77,666)
Transactions with joint ventures of the Group		
Revenue from provision of transportation and logistics services	586,036	560,924
Expenses – Service fees	(420,194)	(409,091)
Transactions with other government-related entities		
Interest income from bank deposits	149,393	129,377

Note: In 2015, the Group disposed a piece of land and properties to the fellow subsidiaries of the ultimate holding company.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	2016 RMB'000	2015 RMB'000
Balances with the ultimate holding company including fellow subsidiaries, joint ventures and associates		
Cash and cash equivalents	236,000	793,833
Term deposits with initial terms of over three months	50,000	69,171
Trade and other receivables	114,168	88,830
Prepayments and other current assets	89,654	127,622
Trade payables	183,929	137,518
Other payables, accruals and other current liabilities	175,227	182,101
Receipts in advance from customers	3,624	5,687
Other non-current liabilities	91,938	97,226
Balances with joint ventures of the Group		
Trade and other receivables	130,186	191,013
Prepayments and other current assets	681	7,303
Other non-current assets	105,040	–
Trade payables	24,436	9,281
Other payables, accruals and other current liabilities	30,486	15,233
Receipts in advance from customers	2,620	1,254
Balances with associates of the Group		
Trade and other receivables	44,539	9,554
Prepayments and other current assets	3,842	120
Trade payables	14,304	9,391
Other payables, accruals and other current liabilities	564	784
Receipts in advance from customers	79	456
Balances with other government-related entities		
Restricted cash	228,039	207,112
Terms deposits with initial terms of over three months	940,402	759,472
Cash and cash equivalents	6,290,376	5,009,656

(c) Operating lease commitment with related parties

The operating lease commitments with related parties are included in Note 41.

(d) Borrowings

For the year ended 31 December 2016, the Group obtained another loan of RMB297,457,000 and repaid RMB319,688,000 to the ultimate holding company and fellow subsidiaries (2015: obtained another loan of RMB17,422,000 and repaid RMB161,228,000) (Notes 31(b) and 33(b)).

Notes to The Consolidated Financial Statements

For the year ended 31 December 2016

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Borrowings (continued)

	2016 RMB'000	2015 RMB'000
Borrowings from Finance Company		
At beginning of year	194,808	–
Proceeds from borrowings	1,351,629	364,808
Repayments of borrowings	(495,173)	(170,000)
At end of year	1,051,264	194,808
Interest charged	13,972	2,284
Interest paid	(13,972)	(2,284)

As at 31 December 2016, the weighted average effective interest rate of the above borrowings was 2.96% (2015: 1.42%) per annum.

	2016 RMB'000	2015 RMB'000
Borrowings from other government-related entities		
At beginning of the year	332,340	300,552
Proceeds from borrowings	995,353	489,723
Repayments of borrowings	(929,826)	(457,935)
At end of the year	397,867	332,340
Interest charged	4,614	8,316
Interest paid	(4,674)	(24,275)

As at 31 December 2016, the weighted average effective interest rate of the bank above borrowings was 2.92% (2015: 2.96%) 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:

	2016 RMB'000	2015 RMB'000
Basic salaries, housing allowances and other allowances	2,518	2,682
Discretionary bonuses	6,051	6,332
Contributions to pension plans	356	386

Notes to The Consolidated Financial Statements

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44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries as at 31 December 2016:

Name	Country/place of operation & incorporation/legal status	Issued share capital/ paid up capital	Proportion of ownership interest and voting rights held by the Group 2016	2015	Principal activities
Sinotrans Guangdong Company Limited	Guangzhou, the PRC Limited liability company	RMB1,249,668,932	100%	100%	Freight forwarding, logistics, storage and terminal services
Sinotrans Eastern Company Limited	Shanghai, the PRC Limited liability company	RMB1,120,503,439	100%	100%	Freight forwarding, logistics, storage and terminal services
Sinoair	Beijing, the PRC Joint stock company with limited liability	RMB905,481,720	60.95%	60.95%	Air freight forwarding, logistics and express services
Sinotrans Changjiang Company Limited	Nanjing, the PRC Limited liability company	RMB650,000,000	100%	100%	Freight forwarding, and logistics
Sinotrans Shandong Company Limited	Qingdao, the PRC Limited liability company	RMB645,339,942	100%	100%	Freight forwarding, trucking, storage and terminal services, and logistics
Sinotrans Fujian Company Limited	Xiamen, the PRC Limited liability company	RMB223,257,966	100%	100%	Freight forwarding, trucking and storage and terminal services
Sinotrans Logistics Development Company Limited	Beijing, the PRC Limited liability company	RMB120,000,000	100%	100%	Logistics
Sinotrans Heavy-lift Logistics Company Limited	Jinan, the PRC Limited liability company	RMB103,600,000	100%	100%	Hoisting and transporting
Sinotrans Hubei Company Limited	Wuhan, the PRC Limited liability company	RMB120,000,000	100%	100%	Freight forwarding and logistics
Sinotrans Landbridge Transportation Company Limited	Lianyungang, the PRC Limited liability company	RMB59,382,238	100%	100%	Freight forwarding
Sinotrans Tianjin Company Limited	Tianjin, the PRC Limited liability company	RMB140,193,048	100%	100%	Freight forwarding
Sinotrans Liaoning Company Limited	Dalian, the PRC Limited liability company	RMB48,966,940	100%	100%	Freight forwarding and logistics
China Marine Shipping Agency Company Limited	Beijing, the PRC Limited liability company	RMB30,000,000	100%	100%	Freight forwarding
Sinotrans Chongqing Company Limited	Chongqing, the PRC Limited liability company	RMB15,869,000	100%	100%	Freight forwarding
Sinotrans HKL	Hong Kong, the PRC Limited liability company	HK$500,000	100%	100%	Freight forwarding and logistics
Wide Shine Development Limited	Hong Kong, the PRC Limited liability company	HK$1,000,000	100%	100%	Container leasing
Sinotrans Japan Company Limited	Tokyo, Japan Limited liability company	JPY50,000,000	100%	100%	Freight forwarding
Sinotrans Korea Shipping Company Limited	Seoul, South Korea Limited liability company	Korea Won300,000,000	100%	100%	Freight forwarding

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group.To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length. 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.

None of the subsidiaries had issued any debt securities at the end of the year except for Sinotrans HKL which had issued unsecured offshore corporate bonds of 3-year term and with par value of RMB100 each totalling RMB1 billion in 2014 to external investors (Note 29 (b)).

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45. DETAIL OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

In the opinion of the Directors, Sinoair (together with its subsidiaries), a non-wholly owned subsidiary of the Group, has material non-controlling interests. The proportion of ownership interest and voting right held by the non-controlling interest is 39.05% as at 31 December 2016 (39.05% as at 31 December 2015). Detailed information is set out below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Sinoair	Beijing, the PRC	39.05%	39.05%	387,941	388,998	2,906,226	2,850,146
Individually immaterial subsidiaries with non-controlling interests						651,395	487,310
						3,557,621	3,337,456

Summarised financial information in respect of Sinoair (together with its subsidiaries) is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 RMB'000	2015 RMB'000
Sinoair		
Current assets	4,851,273	3,850,268
Non-current assets	3,994,141	4,571,516
Current liabilities	(1,328,027)	(1,007,506)
Non-current liabilities	(83,645)	(125,247)
Equity attributable to owners of Sinoair	7,428,246	7,282,831
Non-controlling interests	5,496	6,200

45. DETAIL OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	2016 RMB'000	2015 RMB'000
Revenue	4,949,582	4,352,795
Expenses	(3,955,035)	(3,342,900)
Profit attributable to owners of Sinoair	995,252	1,010,290
Loss attributable to the non-controlling interests	(705)	(395)
Profit for the year	994,547	1,009,895
Other comprehensive (expense)/income attributable to owners of Sinoair	(397,987)	111,578
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive (expense)/income for the year	(397,987)	111,578
Total comprehensive income attributable to owners of Sinoair	597,265	1,121,868
Total comprehensive expense attributable to the non-controlling interests	(705)	(395)
Total comprehensive income for the year	596,560	1,121,473
Dividends paid to non-controlling interests	176,800	141,440
Net cash (outflow)/inflow from operating activities	(93,438)	54,316
Net cash inflow from investing activities	1,026,004	681,845
Net cash outflow from financing activities	(312,340)	(336,811)
Net cash inflow	631,518	404,110

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 RMB'000	2015 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	31,710	33,306
Intangible assets	44,862	46,646
Investments in subsidiaries	7,070,067	6,936,955
Investments in joint ventures	515,288	493,213
Investments in associates	155,368	143,453
Available-for-sale financial assets	50,000	143,692
Other non-current assets	1,792,198	1,472,957
	9,659,493	9,270,222
Current assets		
Prepayments and other current assets	1,298,212	1,288,499
Inventories	4,485	3,686
Trade and other receivables	5,081,848	4,701,074
Cash and cash equivalents	928,249	941,611
	7,312,794	6,934,870
Total assets	16,972,287	16,205,092
EQUITY		
Equity attributable to owners of the Company		
Share capital	4,606,483	4,606,483
Reserves	4,601,707	4,459,168
Total equity	9,208,190	9,065,651

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46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	2016 RMB'000	2015 RMB'000
LIABILITIES		
Non-current liabilities		
Long-term bonds	3,494,630	–
Borrowings	1,124,000	40,000
	4,618,630	40,000
Current liabilities		
Trade payables	303,917	326,066
Other payables, accruals and other current liabilities	2,654,307	2,339,170
Receipts in advance from customers	21,440	20,630
Borrowings	–	196,051
Short-term bonds	–	2,042,008
Long-term bonds due within one year	–	1,999,858
Provisions	4,787	7,026
Salary and welfare payables	161,016	168,632
	3,145,467	7,099,441
Total liabilities	7,764,097	7,139,441
Total equity and liabilities	16,972,287	16,205,092
Net current assets	4,167,327	(164,571)
Total assets less current liabilities	13,826,820	9,105,651

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46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2016	2,893,911	545,580	349	1,019,328	4,459,168
Profit for the year	–	–	–	625,457	625,457
Other comprehensive income for the year	–	–	763	–	763
Total comprehensive income for the year	–	–	763	625,457	626,220
Transactions with owners					
– 2015 final dividends	–	–	–	(322,454)	(322,454)
– 2016 interim dividends	–	–	–	(161,227)	(161,227)
Total transactions with owners	–	–	–	(483,681)	(483,681)
Transfer to statutory reserve	–	62,546	–	(62,546)	–
As at 31 December 2016	2,893,911	608,126	1,112	1,098,558	4,601,707

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at 1 January 2015	2,893,911	422,934	(361)	353,135	3,669,619
Profit for the year	–	–	–	1,226,454	1,226,454
Other comprehensive income for the year	–	–	710	–	710
Total comprehensive income for the year	–	–	710	1,226,454	1,227,164
Transactions with owners					
– 2014 final dividends	–	–	–	(299,421)	(299,421)
– 2015 interim dividends	–	–	–	(138,194)	(138,194)
Total transactions with owners	–	–	–	(437,615)	(437,615)
Transfer to statutory reserve	–	122,646	–	(122,646)	–
As at 31 December 2015	2,893,911	545,580	349	1,019,328	4,459,168

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For the year ended 31 December 2016

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves (continued)

Capital reserve of the Company mainly represents:

(a) Premium received from issuance of shares and revaluation surplus during the privatisation in 2002 and 2007.

(b) Premium received from share issuance that an aggregate of 357,481,000 H shares of RMB1.00 each at an issue price of HK$4.80 per share were allotted and issued by the Company in 2014.

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 2016, the Company transferred 10% of the Company's profit after tax determined under the PRC accounting standards, of RMB62,546,000 (2015: RMB122,646,000) to the statutory surplus reserve fund.

中國外運股份有限公司
SINOTRANS LIMITED

Stock Code : 598