中國外運股份有限公司
SINOTRANS LIMITED

Stock Code : 598

CUSTOMERS' SUCCESS
OUR ACHIEVEMENT

ANNUAL REPORT 2017

Corporate Positioning

To be the constructor of the ecosphere of supply chain logistics, the leader of the development of intelligent logistics and the promoter of logistics industry in China, with the capabilities of designing and operating comprehensive solutions which integrate flows of logistics, trade capital and information.

Corporate Vision

To become a world-class intelligent logistics platform corporation starting from an integrated logistics integrator.

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.

Chapter 1
Corporate Information

LEGAL NAME OF THE COMPANY:
SINOTRANS LIMITED

DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:
20 November 2002

REGISTERED ADDRESS OF THE COMPANY:
Sinotrans Plaza A
A43, Xizhimen Beidajie
Haidian District
Beijing 100082
People's Republic of China

HEADQUARTERS ADDRESS OF THE COMPANY:
Building 10/Sinotrans Tower B,
No. 5 Anding Road
Chaoyang District
Beijing 100029
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

COMPANY SECRETARY:
Mr. Li Shichu and Ms. Hui Wai Man, Shirley

INVESTOR AND MEDIA RELATIONS:
Investor Relationship Department
Tel: (86) 10 5229-6667
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

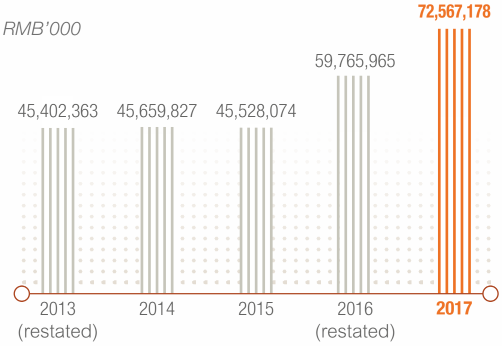
PRC Auditor:
Deloitte Touche Tohmatsu
Certified Public Accountants LLP
30/F, Bund Center
222 Yan An Road East
Shanghai 200002
People's Republic of China

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

Chapter 2
Key Financial Performance

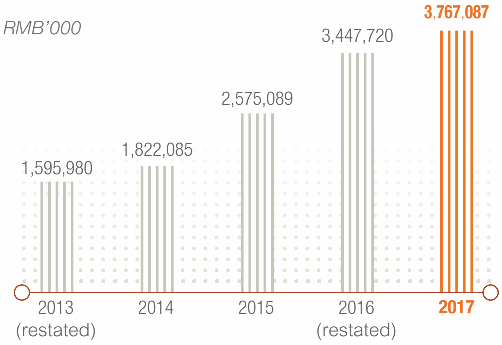
REVENUE

RMB'000



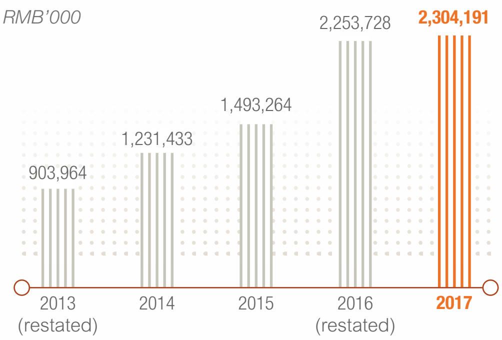
PROFIT BEFORE INCOME TAX

RMB'000



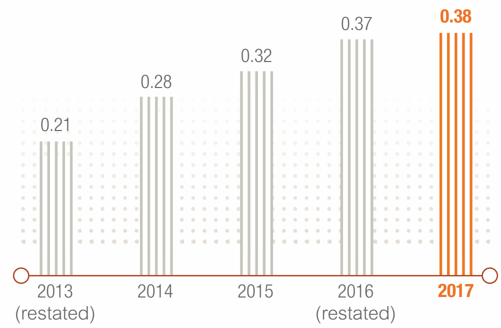
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

RMB'000



BASIC EARNINGS PER SHARE

RMB yuan



As at 31 December	2017 RMB'000	2016 (restated) RMB'000	2015 RMB'000	2014 RMB'000	2013 (restated) RMB'000
Total Assets	**62,128,432**	57,614,355	35,084,861	32,709,339	30,950,761
Total Liabilities	**36,551,434**	34,386,419	16,625,058	16,404,220	16,898,816
Non-controlling interests	**4,409,106**	3,951,409	3,337,456	2,882,626	2,515,909
Equity attributable to owners of the Company	**21,167,892**	19,276,527	15,122,347	13,422,493	11,536,036

Note 1: Basic earnings per share for 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 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 in 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 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. In 2017, the Company acquired 100% issued share capital of China Merchants Logistics by the issuance and allotment of up to 1,442,683,444 Domestic Shares, and the total number of shares of the Company increased to 6,049,166,644 shares. As this acquisition is a business combination under common control, the profits attributable to owners of the Company and the ordinary shares issued for the two years ended 31 December 2016 and 2017 have been restated. Basic earnings per share for 2006 and 2017 were calculated by dividing the profit attributable to owners of the company by 6,049,166,644 shares of the ordinary shares restated. As there is no potential dilutive securities, diluted earnings per share is not presented.

Note 2: The figures in 2013 have been restated as a result of acquisition of the equity interests of various entities from Sinotrans & CSC. The figures in 2016 have been restated as a result of acquisition of the China Merchants Logistics.

Chapter 3

Highlights of 2017

Revenue
(RMB)
72.57 billion
+21.4%

Freight Forwarding
(Revenue in RMB)
45.72 billion
+21.8%

Express Services
(Volume)
+693.7%

Logistics
(Revenue in RMB)
18.67 billion
+18.9%

Profit attributable to Owners of the Company
(RMB)
2.3 billion

Operating profit
+19.7%

Dividend payout ratio
31.6%

Pallet Leasing
(Volume)
+13.5%

2017

January

- The Company passed the national integrated logistics enterprise 5A-grade on-site assessment, which highlighted the overall strength of the Company in terms of operating performance, asset facilities and capabilities in management and services.

February

- The Company launched a visualization platform an end-to-end service, which formed a visual support service capacity of tracking, controlling and warehouse management in logistics.

March

- The Company announced 2016 annual results. The Group's revenue increased by approximately 2.8% year-on-year to RMB46.784 billion (before restatement) in 2016.
- The Company launched container O2O project online, which strengthened the capability of integrating regional container business resources, constructing a structure of "small front end, strong back stage" and conducting integrated marketing with a substantial increase in online booking.

April

- The Company entered into a cooperation agreement with Tencent, which identified three key areas of cooperation, namely "Internet - IT Infrastructure", "Internet - Intelligent Logistics" etc..
- The Company's controlling shareholder, Sinotrans & CSC, completed the change of business registration procedures, and became a wholly-owned subsidiary of China Merchants, upon which, the Company officially became a listed subsidiary of China Merchants.

May

- The Company set up regional headquarter in Northeast China, and launched the integration of Northeastern China.

June

- The Company, as the designated logistics provider for China Pavilion at Astana Expo 2017, successfully transported the building material and exhibition supplies for the China Pavilion.

July

- The Company practiced the "Belt and Road" Initiative and jointly launched a sea-rail intermodal container train on the route "Incheon-Jiaozhou-Pingxiang" with China Railway Corporation, opening a new chapter in logistics channels linking Northeast Asia with ASEAN countries.
- The Company put into the use of "Tele-eye", the hardware positioning equipment of Internet of Things for logistics monitoring of containers.

August

- The Company announced 2017 interim results. The Group's revenue for the first half of 2017 increased by approximately 27.4% to RMB27.615 billion (before restatement).
- The Company constructed the intelligent documents identification online platform, which applied AI technologies to promote the efficiencies of document processing and business operating.
- The Company created the "iLOG" premium trucking routes, which opened routes such as Tianjin - Guangzhou, Beijing - Jinan, Shanghai - Changsha.

September

- The Company opened a China Railway Express on the route of "Shenyang-Erenhot-Duisburg" with the cooperation with Shenyang Municipal Government. The Group actively expanded the international logistics marketing, opened 7 new China-Europe and Central Asia trains and 24 routes in aggregate throughout the year.

October

- The Company announced the "Logistics Bridge" platform jointly with China (Hangzhou) Cross-Border E-Commerce Comprehensive Pilot Area Management Office, which represented the strength development in cross-border e-commerce business and become the pioneer in the intelligent logistics within the industry.
- The Company held the 2017 Global Agency Conference, which had more than 240 strategic partners from more than 50 countries and regions attending the conference.

November

- The Company completed the acquisition of China Merchants Logistics with 1,442,683,444 consideration domestic shares issued and registered in the name of China Merchants.
- The Company developed intelligent logistics based on Huawei's business scenarios and was awarded the "Gold Supplier" and "Service Benchmark" of Huawei again.
- The Company's Intelligent Logistics Cloud Platform for the Cloud Chain won the First Prize in the 2017 Innovation and Creation of Central Enterprises Star Contest.

December

- The Company set up regional headquarter in Northern China, and launched the integration of resources in Northern China.
- The Company was ranked as the third biggest freight forwarding company in the world and topped the list of China according the latest list of the top 50 global freight forwarding companies, which was published by Transport Magazine, an authoritative in the logistics industry.

Chapter 4
Chairman's Statement

To the shareholders,

I am pleased to present the annual report of Sinotrans Limited for the financial year ended 31 December 2017 for your review.

Zhao Huxiang
Chairman

4.1 REVIEW OF OPERATIONS

In 2017, the world economy showed a strong sign of recovery exemplified by the rising prices of bulk commodities and the soaring growth of international trade; while the growth of international direct investment remained slow. In China, the overall economy kept a steady growth with the constant optimization of economic structure and enhanced quality of economy growth, which played a role to push up the various indexes of business climate to new high points in the recent five years. China's GDP recorded a year-on-year growth of 6.9%, representing an increase of 0.2 percentage points as compared to 2016, which was a rebound of growth rate for the first time since 2011. In 2017, the growth of imports and exports of commodity trade in China reversed the sluggish tide of the past two years with its total value increased by 14.2% year-on-year. The imports and exports in China recouped quarter-on-quarter with its total value denominated in US dollar increased by 11.4% year-on-year, of which, exports and imports increased by 7.9% and 15.9% respectively.

Chapter 4
Chairman's Statement

2017 was an important year and marked a milestone for the Group, reflecting on outstanding performance achieved in all aspects. By leveraging on the positive growth in business operation and continuous improvement in operation quality, the Group made a remarkable progress in business innovation with a good start of intelligent logistics; recorded distinguished achievements of enhancement in both quality and efficiency. In-depth promotion was made through strategic implementation by the Group while accomplishing a breakthrough in the reform of organizational system. For the year ended 31 December 2017, the Group achieved revenue of approximately RMB72.57 billion, representing an increase of 21.4% as compared to 2016, profits attributable to owners of the Company amounted to approximately RMB2.3 billion, representing an increase of 2.2% as compared to 2016. Earnings per share was RMB0.38 (2016: RMB0.37).

4.2 DIVIDENDS

The Board has proposed to recommend a final dividend of RMB0.080 per share at the forthcoming annual general meeting to reward shareholders for their continuous support to the Group.

4.3 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 of the Group 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 in the previous year. For more information on the Group's performance of environmental and social responsibilities in 2017, please refer to the "Environmental, Social and Governance Report" to be published by the Company subsequently.

4.4 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.

4.5 PROSPECTS

International Monetary Fund forecasted that the global GDP growth rate in 2018 would be 3.8%, among which, the growth rate for developed economies would be 2.0%, including growth rates of 2.3%, 1.9% and 0.7% for the US, Eurozone and Japan respectively; the growth rate for other developed economies would be 2.2%; and the growth rate for emerging and developing economies would be 4.9%, including growth rates of 6.5% and 7.4% for China and India respectively. The growth rate of emerging and developing economies in Asia would remain the fastest growth rate around the world. On the whole, International Monetary Fund is in view that the world economic growth rate for 2018 will be slightly higher when compared with 2017. Due to the recovery of the world economy in a stable pace and the moderate growth of China's economy, it is expected the overall favorable demand environment and development conditions will be generally favorable for China's foreign trade in 2018. Meanwhile, the China's foreign trade development will meet with both new opportunities and many challenges, however, its long-term positive momentum will remain for the time being and certain in period of time in the future.

In 2018, the Group will seize the moment with a long-term perspective and speed up the reform development, so as to promote the early formation of a new and higher structure. Keeping on the improvement in quality and efficiency, we will ensure to fulfil various duties for operations, deepen restructuring and enhance the ability to create value, while refining the transformation path to embark on a new structure and achieve new developments with emphasis on production safety and risk control. The Group will deeply push forward the integration of logistics resources, stay true to our original aspiration and keep our responsibilities in heart for receiving great trust. By virtue of enhancing competence in implementation of strategy with concentration and sticking to innovative development, we will strive for becoming a world-class enterprise with global competitiveness.

4.6 APPRECIATION

Shareholders, customers and employees are our valuable resources and fortunes, which lead to our success. In spite of fierce competition, the Group can still continue to develop and expand due to the endeavours or and supports from all staff and various parties. I would like to express my deepest gratitude to the continuous support from shareholders, customers and others over the past years and to the extraordinary efforts made by all the directors, supervisors and staff in the last year. Your trust and support to our Group will drive us ever further for greater success in the future.

Zhao Huxiang
Chairman
Hong Kong, the PRC
26 March 2018

Chapter 5
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 detailed in other sections of the annual report of the Company.

Li Guanpeng
Executive Director and President

5.1 BUSINESS OVERVIEW

The group is a leading integrated logistics services provider in the PRC whose principal businesses include freight forwarding, logistics, storage and terminal services, logistics equipment leasing, and other services mainly engaged in shipping, trucking 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, Hebei, Beijing 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 omni channel integrated logistics services and become our customers' professional collaborative partner in logistics, maintaining its leading position amidst market competition.

5.2 REVIEW OF OPERATION

The year of 2017 was crucial for the reform and development of the Group. Concentrating on "13th Five-Year" Plan, and focusing on "Exploration, Integration, Transition, Innovation, Transformation, and Management", we have made positive progress and scaled new heights in all fields through the following requirement of "clear thoughts, concrete measures, realistic focus, and solid results".

- Focusing on both quality and efficiency, further improvement was achieved in operation. The Group registered double-digit growth in a number of business indicators in 2017. Business structuring scored remarkable progress, freight forwarding and relevant business increased substantially through seizing the opportunities brought by the recovering market; logistics service made steady progress and realized growth in both revenue and profit; as expected, e-commerce related business maintained fast growth in business volume. With more contribution from key customers and new accounts, the customer structure was continuously improved.

- Guiding by the corporate strategies, the implementation of planning entered into a new stage. The Group adjusted the strategic goal into "forging a world-class intelligent logistics platform corporation". The Company further refined and liberated the "13th Five-Year" Plan, illustrating a clearer blueprint of development. The Group also strengthened supervision and assessment of the implementation of the strategies, and further made clear the positioning and direction of business transformation.

- Deepening the integration, the network operation showed a new layout. The unified operation platform for logistics business has been established, and the integration plans of businesses such as contract logistics and cold chain logistics were made according to market-oriented and performance-based principle, and such plans would be implemented in the year 2018. Regional integration was being advanced, i.e. the integration of Northeast China and North China was launched, and under the premise of optimizing the organizational structure, the South China and Central China regions further improved the construction of channels and product lines.

- Restructuring the models, business transformation made new progress. The boundary between shipping agency and freight forwarding was broken down in freight forwarding and relevant business, and the end-to-end service products were further developed. The logistics sector integrated supply chain and value chain to further improve the capability of serving customers and creating value. E-commerce related business accelerated the transformation towards platform and ecosphere operation, and significant progresses were made in online business, cross-border e-commerce logistics and logistics e-commerce platforms construction.

Chapter 5

Management Discussion and Analysis of Results of Operations and Financial Position

- Promoting whole-network operation and new breakthroughs were made in channel construction. In shipping channel, main lines were deepened, branch lines were improved, and brand-name lines were forged; in road channel, five regions and three passages were fully covered, eight freight trains achieved normal operation to improve overseas layout of road transportation and strengthen the overseas capability; in air channel, the construction of main lines was strengthened, the "intensive and network-based" operation system was advanced, the chartered airplane operation mode to America was adjusted to build whole-chain cross-border e-commerce air channel; in trucking channel, the brand-name lines were built, and non-vehicle transport platform was advanced; in overseas channel, overseas network layout was improved, overseas network was diversified and overseas talents were cultivated.

- Driving by innovation, intelligent logistics became the new engine. The value model of intelligent logistics was introduced, i.e. the value creation of intelligent logistics was directly proportional to digitalized level and coordination level, demonstrating the value creation landscape of point-line-plane layout, and such model was highly recognized among the industry. Promoted the application of document identification projects, building a mixed cloud service architecture and other intelligent logistics practices. In addition, the Group also acquired a batch of technical patents and innovation awards, which enhanced core competitiveness.

- Further advancing in deepening, new efficiency was stimulated by continues reform. In organizational system, the Group optimized organizational structure; in talent system, established the examination and evaluation system that matching the strategic planning.

5.3 OPERATING STATISTICS

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

	For the year ended 31 December	
	2017	2016 (Restated)
Freight forwarding		
Sea freight forwarding (in ten thousand TEUs)	**1,168.2**	1,025.8
Air freight forwarding (in million kilograms)	**533.3**	492.5
Shipping agency (in ten thousand TEUs)	**2,436.5**	2,349.2
Shipping agency (in million tonnes)	**338.7**	285.4
Logistics (in million tonnes)	**48.5**	43.2
Storage and terminal services		
Warehouse and yard operation		
Containers (in ten thousand TEUs)	**881.5**	794.7
Bulk cargo (in million tonnes)	**17.3**	13.9
Terminal service (in ten thousand TEUs)	**401.9**	378.2
Logistics equipment leasing		
Pallet leasing (in ten thousand units per day)	**2,293.2**	2,019.8
Container leasing (in ten thousand TEUs per day)	**8.2**	6.7
Other services		
Shipping (in ten thousand TEUs)	**246.6**	245.1
Trucking		
Full-truck-load (in ten thousand TEUs)	**88.8**	80.4
Less-truck-load (in ten thousand tonnes)	**47.1**	45.9
Express services (in ten thousand units)	**6,134.4**	772.9

Chapter 5
Management Discussion and Analysis of Results of Operations and Financial Position

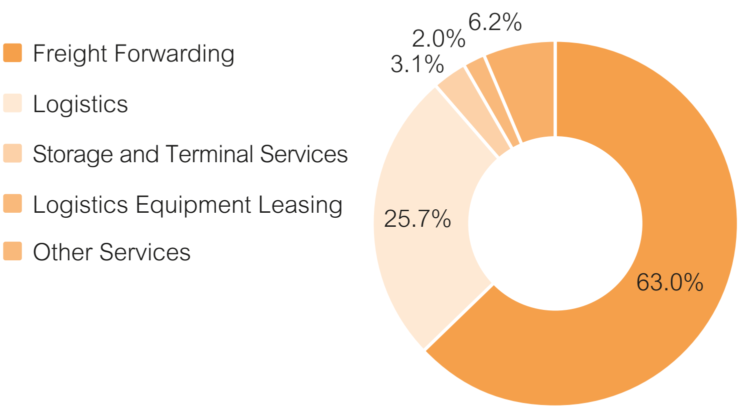
5.4 OPERATING RESULTS

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:

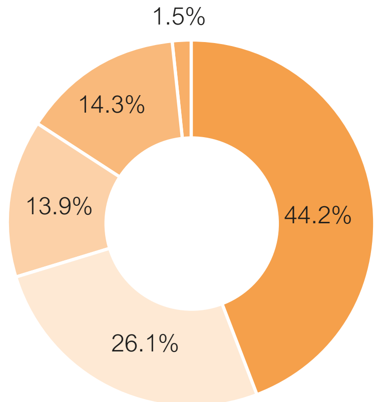
	For the year ended 31 December			
	2017		2016 (Restated)	
Freight forwarding	45,718.7	63.0%	37,548.7	62.8%
Logistics	18,669.2	25.7%	15,705.6	26.3%
Storage and terminal services	2,276.3	3.1%	1,948.9	3.2%
Logistics equipment leasing	1,456.1	2.0%	1,288.7	2.2%
Other services	4,446.9	6.2%	3,274.1	5.5%

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

	For the year ended 31 December			
	2017		2016 (Restated)	
Freight forwarding	1,101.9	44.2%	836.4	40.7%
Logistics	649.7	26.1%	616.5	30.0%
Storage and terminal services	346.2	13.9%	246.5	12.0%
Logistics equipment leasing	355.4	14.3%	318.1	15.5%
Other services	37.6	1.5%	35.9	1.8%



Revenue Contribution in 2017



Segment Profit Contribution in 2017

5.5 COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017

The Group acquired 100% interests of China Merchants Logistics from China Merchants in 2017. The acquisition shall be treated as business combination under common control in accordance with relevant requirements of IFRS, and shall be accounted through equity method. Accordingly, China Merchants Logistics' data for 2017 together with comparative figures in 2016 have been combined into the consolidated financial statements of the Group, and the Group's results in 2016 has been restated. The data of China Merchants Logistics has been consolidated in this report.

Revenue

In 2017, the Group's revenue amounted to RMB72.57 billion, up by 21.4% from RMB59.77 billion in 2016, which was mainly attributable to the combined effect of growth in both business volume and freight rates.

Freight Forwarding

External revenue from the Group's freight forwarding business increased by 21.8% to RMB45.72 billion during 2017, compared to RMB37.55 billion in 2016; and the segment profit amounted to RMB1.10 billion, up by 31.7% from RMB0.84 billion in 2016. The increase rate of segment profit being higher than that of the segment revenue was because the Group extended the service chain, optimized business model and forged end-to-end service products.

Volume of sea freight forwarding was 11.682 million TEUs in 2017, representing an increase of 13.9% from 10.258 million TEUs in 2016, which was mainly because the Company seized the opportunity of market recovery and enhanced the sales and marketing towards major customers. Cargo tonnage handled by the air freight forwarding increased by 8.3% to 533,300 tonnes in 2017 from 492,500 tonnes in 2016, which was mainly because the Group strengthened the business cooperation with airline companies and made more efforts in developing import related business. The number of containers handled by the shipping agency rose by 3.7% to 24.365 million TEUs in 2017 from 23.492 million TEUs in 2016. The volume of bulk cargo handled by the shipping agency increased by 18.7% to 338.70 million tonnes in 2017 from 285.40 million tonnes in 2016, which was mainly attributable to the Group's tightened business cooperation with shipping companies as well as the enhanced exploration of commodity products including crude oil and ore sand.

Logistics

In 2017, external revenue from the Group's logistics services amounted to RMB18.67 billion, representing an increase of 18.9% from RMB15.71 billion in 2016, and the segment profit amounted to RMB0.65 billion, representing an increase of 5.4% from RMB0.62 billion in 2016, which were mainly driven by the increase in business volume.

Chapter 5

Management Discussion and Analysis of Results of Operations and Financial Position

The business volume handled by the Group's logistics services increased by 12.3% to 48.50 million tonnes in 2017 from 43.20 million tonnes in 2016, which was mainly because the Group actively developed new customers, put more efforts in exploring the international market and the "Belt and Road" Initiative related business volume increased rapidly.

Storage and Terminal Services

In 2017, external revenue from the Group's storage and terminal services amounted to RMB2.28 billion, representing an increase of 16.8% from RMB1.95 billion in 2016, which was mainly attributable to the growth in business volume. Segment profit from the Group's storage and terminal services amounted to RMB0.35 billion, representing an increase of 40.4% from RMB0.25 billion in 2016, which was mainly attributable to the narrower loss from certain warehouses newly operated in 2016 and dividend received from certain jointly invested terminal company.

In 2017, the number of containers handled in the Group's warehouse and yard operation increased by 10.9% to 8.815 million TEUs from 7.947 million TEUs in 2016, which was mainly attributable to the Group's enhancement in centralized marketing and sales towards shipping companies. The volume of bulk cargo handled in warehouses and yards increased by 24.5% to 17.30 million tonnes from 13.90 million tonnes in 2016, which was mainly attributable to the Group's efforts in exploring the commodity market. The number of containers handled through terminals increased by 6.3% to 4.019 million TEUs from 3.782 million TEUs in 2016, which was mainly attributable to the Group's deepened business cooperation with key customers including shipping companies and hub ports.

Logistics Equipment Leasing

External revenue from the Group's logistics equipment leasing business increased by 13.0% to RMB1.46 billion during 2017, compared to RMB1.29 billion in 2016, and the segment profit was RMB0.36 billion, increased by 11.7% from RMB0.32 billion in 2016, which were mainly attributable to the growth in business volume.

In 2017, the business volume of pallet leasing increased by 13.5% to 22.932 million per day from 20.198 million, and the business volume of container leasing increased by 22.4% to 82,000 TEUs per day from 67,000 TEUs, which were mainly attributable to the increase in the number of related assets as well as the service provided to other parties within the same group.

Other Services

In 2017, the Group's external revenue from other services (mainly from shipping, trucking and express service) amounted to RMB4.45 billion, representing an increase of 35.8% from RMB3.27 billion in 2016, which was mainly attributable to the fast increase of e-commerce logistics business. Segment profit from the Group's other services amounted to RMB37.65 million, representing an increase of 4.8% from RMB35.93 million in 2016.

Chapter 5

Management Discussion and Analysis of Results of Operations and Financial Position

In 2017, the number of containers handled by shipping increased by 0.6% to 2.466 million TEUs from 2.451 million TEUs in 2016. The business volume of full-truck-load increased by 10.4% to 888,000 TEUs from 804,000 TEUs in 2016, which was mainly driven by the increase of freight forwarding business. The volume of less-truck-load increased by 2.6% to 471,000 tonnes from 459,000 tonnes in 2016. The number of documents and parcels handled by the express services increased by 693.7% to 61.344 million units from 7.729 million units in 2016, which was mainly attributable to fast increase of business cooperation with e-commerce customers.

The Group's express service related joint ventures recorded an investment gain of RMB0.90 billion, representing a year-on-year increase of 10.9%. The business volume of international express service of the joint ventures was up by 4.9% from 23.15 million units in 2016 to 24.29 million units in 2017.

Transportation and Related Charges

Transportation and related charges was up by 23.3% to RMB62.52 billion in 2017, as compared to RMB50.73 billion in 2016.

Staff Costs

Staff costs increased by 12.0% to RMB5.62 billion in 2017, as compared to RMB5.02 billion in 2016.

Depreciation and Amortisation

Depreciation and amortisation increased by 1.1% to RMB1.18 billion in 2017, as compared to RMB1.17 billion in 2016.

Office and Related Expenses

In 2017, office and related expenses amounted to RMB0.58 billion, representing an increase of 1.5% from RMB0.57 billion in 2016.

Other Gains and Losses, Net

Other gains and losses, net increased by 18.3% to a gain of RMB0.94 billion in 2017, as compared to a gain of RMB0.80 billion in 2016, primarily due to the increased gain from disposing available-for-sale financial assets.

Other Operating Expenses

Other operating expenses increased by 11.6% to RMB0.72 billion in 2017, as compared to RMB0.65 billion in 2016, which was mainly because of the increase in the consulting fees and auditing fees from acquisition transactions in 2017.

Chapter 5
Management Discussion and Analysis of Results of Operations and Financial Position

Operating Profit

The Group's operating profit was RMB3.18 billion in 2017, representing an increase of 19.7% from RMB2.66 billion in 2016. Operating profit as a percentage of total revenue was 4.4%, and operating profit as a percentage of net revenue (total revenue less transportation and related charges) increased to 30.1% in 2017 from 28.1% in 2016.

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures was RMB0.97 billion in 2017, representing an increase of 10.3% from RMB0.88 billion in 2016, which was mainly attributable to the increase in the results of DHL Sinotrans International Air Courier Ltd..

Income Tax Expense

The Group's income tax expense increased by 21.2% from RMB0.65 billion in 2016 to RMB0.79 billion in 2017. Such increase of income tax expense was caused by the increased gains from disposing available-for-sale financial assets.

Profit for the Year

The Group's profit for the year was RMB2.98 billion in the year ended 31 December 2017, representing an increase of 6.5% from RMB2.80 billion in 2016.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests increased by 24.1% from RMB0.55 billion in 2016 to RMB0.68 billion in 2017. This was mainly attributable to the increase of the profit from the non-wholly owned subsidiary of the Company for the reporting year.

Profit Attributable to Owners of the Company

The Group's profit attributable to shareholders of the Company for the year ended 31 December 2017 amounted to RMB2.30 billion, representing an increase of 2.2% from RMB2.25 billion in 2016.

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 2017 and 2016:

	For the year ended 31 December	
	2017 In RMB million	2016 In RMB million (Restated)
Net cash generated from operating activities	**3,005.6**	2,372.9
Net cash used in investing activities	**(2,441.7)**	(1,506.6)
Net cash used in financing activities	**(153.0)**	2,258.6
Exchange gains on cash and cash equivalents	**(25.5)**	65.7
Net increase in cash and cash equivalents	**385.4**	3,190.6
Cash and cash equivalents at the end of the period	**9,709.4**	9,324.0

Operating Activities

Net cash inflows generated from operating activities increased by 26.7% from RMB2,373 million in 2016 to RMB3,006 million in 2017, which was mainly due to the increase of RMB86 million in prepayments and other current assets (2016: increase of RMB1,834 million), the increase of RMB1,829 million in trade payables (2016: increase of RMB1,084 million), partly offset by the decrease of RMB477 million in other payables, accruals and other current liabilities (2016: increase of RMB579 million), and the decrease of RMB101 million in receipts in advance from customers (2016: increase of RMB482 million), as well as RMB732 million payment of income tax expense (2016: RMB584 million).

The average age of trade receivables in 2017 was 51 days (2016: 59 days).

Investing Activities

For the year ended 31 December 2017, net cash used in investing activities amounted to RMB2,442 million, and mainly comprised RMB3,249 million for purchase of property, plant and equipment, RMB800 million for the purchase of available-for-sale financial assets, as well as an increase in over-three-month time deposit of RMB879 million, partly offset by RMB889 million of dividends received from joint ventures, RMB971 million received from the disposal of available-for-sale financial assets, and RMB567 million cash inflow from disposal of property, plant and equipment, intangible assets and land use right.

For the year ended 31 December 2016, net cash used in investing activities amounted to RMB1,507 million, and mainly comprised RMB2,947 million for purchase of property, plant and equipment, RMB288 million for the purchase of available-for-sale financial assets, as well as an increase in over-three-month time deposit of RMB443 million, partly offset by RMB958 million of dividends received from joint ventures, RMB902 million received from the disposal of available-for-sale financial assets and RMB377 million cash inflows from disposal of property, plant and equipment intangible assets and land use right.

Financing Activities

Net cash used in financing activities in 2017 amounted to RMB153 million, and mainly comprised RMB1,000 million of repayment of long-term bonds and short-term bonds, RMB4,529 million for the repayment of the borrowings, RMB2,870 million for the repayment of other payables to the ultimate holding company, RMB830 million for the payment of dividend and RMB391 million for the payment of interest of borrowings and bonds, partly offset by RMB9,380 million of new borrowings.

Net cash used in financing activities in 2016 amounted to RMB2,259 million, and mainly comprised RMB4,991 million of new long-term and short-term bonds, RMB4,588 million new borrowings, and RMB1,703 million net cash flows from the acquisition of subsidiaries, partly offset by RMB5,500 million repayment of long-term bonds and short-term bonds, RMB2,745 million for the repayment of the borrowings, and RMB783 million for the payment of dividend.

Capital Expenditure

In 2017, the Group's capital expenditure amounted to RMB3,435 million, consisting primarily of RMB3,249 million for purchase of property, plant and equipment, RMB69 million for purchase of intangible assets, RMB37 million for purchase of land use rights and RMB80 million for purchase of other non-current assets, among which RMB2,192 million were used for construction of terminals, warehouses, logistics centers and container yards, RMB793 million were used for purchase of vehicles, vessels, plant and equipment, RMB199 million were used for IT investment and refurbishment and purchase of office equipment, and RMB250 million were used for purchase of property and others.

Securities Investment

As at 31 December 2017, the listed equity investments hold by the Group was RMB0.55 billion, the details of which are set out in Note 21 to the financial statement.

Contingent Liabilities and Guarantees

As at 31 December 2017, contingent liabilities mainly comprised outstanding lawsuits of the Group arising from its ordinary course of business amounting to RMB46.9 million (31 December 2016: RMB83.4 million).

As at 31 December 2017, the amount of guarantees provided by the Group in favor of its joint ventures was RMB0.08 billion (31 December 2016: RMB0.15 billion).

Borrowings and Bonds

As at 31 December 2017, the Group's total borrowings amounted to RMB8.11 billion (31 December 2016: RMB5.11 billion), which comprised RMB3.24 billion denominated in Renminbi, RMB0.54 billion in US dollars and RMB4.33 billion in Hong Kong dollars. Of the above bank borrowings, RMB1.499 billion shall be payable within a year.

As at 31 December 2017, the Group's total bonds amounted to RMB3.50 billion (31 December 2016: RMB4.50 billion). Of the above bonds, none shall be payable within a year.

The details of the Group's borrowing and bonds as at 31 December 2017 are set out in Notes 27 and 28 to the financial statements.

Secured and Guaranteed Borrowings

As at 31 December 2017, the Group pledged property, plant and equipment (with net book value of approximately RMB2.08 billion) and land use rights (with net book value of approximately RMB1.16 billion) for borrowings.

Debt-to-asset Ratio

As at 31 December 2017, the debt-to-asset ratio of the Group was 58.8% (2016: 59.7%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2017.

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 and Hong Kong dollars. 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 2017, the Group had 40,053 (2016: 39,681) 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. 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. At the same time, the Group has also attached greater importance to training and development of staff's integrated capabilities to ensure opportunities for individual growth of employees.

The Group believes 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.

5.6 OUTLOOK OF BUSINESS DEVELOPMENT

According to the forecast of the International Monetary Fund (IMF), the world economy is expected to enter into a fast growth period after 2018. Thus, the IMF raised its estimate for global economy growth in 2018 and 2019 to 3.9%, up by 0.2 percentage point. Its estimate for developed economies in 2018 and 2019 is over 2.0%; it adjusted the growth estimation of the United States from 2.3% to 2.7% in 2018, and from 1.9% to 2.5% in 2019. According to the IMF, the America will not slow its growth until 2020. China will continuously maintain the economic growth rate of about 6.5%, which makes China still serves as the major engine for the world economy. Despite of a short-term improvement, the global economy still confronts with risks, including changing trade policies, worsening global financial environment, and increasing tension in the geopolitical situation. In addition, the global economy also confronts with long-term challenges. But the improved macroeconomic conditions provide favorable opportunities to address such challenges.

The year of 2018 witnesses the new era of Sinotrans and it will be decisive in fulfilling the goals of "13th Five-Year" Plan. Through grasping well the current situation, the Group will concentrate on "13th Five-Year" Plan and adhere to the principles of "Quality, Transformation, Integration, Innovation, Reform and Empowerment" to earnestly implement the strategies, accelerate mode reconstruction, improve capability, quality and efficiency, cultivate new growth points, and strive to build the world-class enterprise with the intelligent logistics platform.

- Concentrate on coordinated development and improve quality growth. Prioritize annual operation, improve the profitability and significantly improve quality and efficiency; make efforts in lowering costs and expenditures and strengthening efficiency and risk control; work hard to expand business, innovate and reform business modes, and optimize customer experience. Focus on coordinated development, improve quality, advance the synergetic development of three business segments, and establish synergies among business sectors; promote the coordinated development of "domestic and overseas business, offline and online business, organic growth and external M&As", and cultivate new growth points; boost the coordinated development among logistics provider, logistics integrators and logistics platform, and build the unified development pattern.

- Detail implementation paths, and restructure business mode. Focus on increasing more products of freight forwarding and other relevant businesses, accelerate the transformation of whole-process supply chain, and strive to improve the capability of creating differentiated value for customers. Logistics should provide solutions, accelerate the transformation of value chain integration, and improve the capability of creating new value for the industrial chain. Transform the e-commerce related business to three-dimensional profit-making mode, and accelerate platform and ecosphere transformation. In the five channels, the project of "last mile + five channels" will be implemented to upgrade five channels construction and achieve the whole-network operation.

- Optimize resource allocation and improve integration efficiency. Promote the logistics resource integration from the stage of organizational structure adjustment to the stage of integration efficiency emergence. Complete full coverage of regional integration, and make progress in the implementation of "driving the inland through ports". Complete the task of reducing loss and depressing, and make progress in improving quality and efficiency. Launch the integration of specialized subsidiaries, and achieve initial success in professional operation.

- Lead intelligent logistics, normalize innovation and accelerate digitalized transformation. Focusing on intelligent logistics, the Group will establish long-term mechanism for innovation and make it more digitalized and technology-driven.

- Deepen reform and improve organizational and cultural efficiency. Improve organizational driving force, accelerate strategically oriented organizational optimization; construct the organizational structure of "small front end but strong backstage".

- Strengthen management empowerment, build quality and increase efficiency. Forward the upgrade into empowerment driven from fundamental management in all around with the goal of higher efficiency and better performance and the principal theme of value creation.

Strategic Reorganisation and Resources Integration

On 22 August 2017, the Board announced that, the Company entered into the Acquisition Agreement with China Merchants under which the Company conditionally agreed to acquire 100% interests of China Merchants Logistics from China Merchants at an aggregate consideration of RMB5,450,000,000, which is to be satisfied by the issuance and allotment of up to 1,442,683,444 consideration shares at the initial issue price of HK$4.43 per Domestic Share. The acquisition transactions were approved by the shareholders at the extraordinary general meeting and H shares class meeting held on 16 October 2017. And as of the date of 3 November 2017, business registration in relation to the transfer of China Merchants Logistics under the Acquisition Agreement has been effected and 1,442,683,444 consideration shares have been issued and allotted to China Merchants. For details of the Acquisition Agreement, please refer to the announcements of the Company dated 22 August 2017, 16 October 2017 and 3 November 2017, the circular dated 6 September 2017 and the supplemental circular dated 26 September 2017.

For the year ended 31 December 2017, China Merchants Logistics' revenue increased approximately by 14.3% to RMB15.08 billion as compared to that in 2016, and the net profit attributable to the owners of China Merchants Logistics amounted to RMB574 million. China Merchants Logistics met the guaranteed profit undertaken by China Merchants in favour of the Company for 2017. Details of such profit undertaking are set out in the circular of the Company dated 26 September 2017.

Chapter 5

Management Discussion and Analysis of Results of Operations and Financial Position

On 28 February 2018, the Board announced that Company enters into a Merger Agreement with Sinoair. According to the Merger Agreement, the Company is to apply to the relevant regulatory authorities in the PRC for the issue and listing of A Shares on the Shanghai Stock Exchange and merger of Sinoair. The Board approved that the Company issue 1,371,191,329 A Shares as Consideration Shares at the initial Issue Price of RMB5.32 per Consideration Share in exchange at the initial Exchange Ratio for 353,600,322 Sinoair Shares. The Consideration Shares and the existing domestic shares of the Company are to be listed on the Shanghai Stock Exchange as A shares. Sinoair is to be delisted from Shanghai Stock Exchange, and it will be deregistered, its asset and liabilities are to be transferred to/assumed by the Group. Pleases refer to the Company announcement dated 28 February 2018 for more details about the transaction.

The Company will continue to negotiate with Sinoair to proceed merger and implement terms under the Merger Agreement. The Company will comply with the disclosure, and seek for shareholders' and relevant regulatory authorities' approval under the requirements of related Rules and Regulations including the Listing Rules.

Chapter 6
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, the Listing Rules, the Articles of Association 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.

6.1 OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

The Company has reviewed and adopted the principles and provisions of the CG Code, and has devised 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, the Company continued to improve corporate governance, amended the Articles of Association, and optimized the composition of the Board members; strictly reviewed material connected transactions, and timely disclosed the transactions as required. In addition, the general meetings, Board meetings and Supervisory meetings and the committee meetings under the Board have been convened in compliance with the laws and regulations, to promote scientific decision.

However, the Company deviated from Provisions A.1.1 and E.1.2 of CG Code in 2017.

Provision A.1.1 of CG Code 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. Considering the efficiency of approving resolutions and the content of the proposals, the Board held only three regular meetings during the reporting period. However, the most of other resolutions were approved through extraordinary meetings, and the Company generally gave the notice at least 7 days before the extraordinary meetings to ensure that all directors are given the opportunity to attend. In the meanwhile, the related materials were submitted to all directors at least 3 days before the meeting to leave some time for all directors to review in general.

Provision E.1.2 of CG Code 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 chairman of the Company, also being the chairman of nomination committee of the Company, did not invite the chairmen of audit committee and the remuneration committee during the reporting period. 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 for the above deviation, the Company confirmed that it has complied with all the other code provisions throughout the reporting period for the year of 2017.

6.2 SHAREHOLDERS' GENERAL MEETING

The Company organizes shareholders' general meetings and strictly implement the poll procedure in compliance with the rules and regulations including the Articles of Association, to safeguard the legitimate rights and interests of shareholders. 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 relationships.

6.2.1 General Meetings

During the reporting period, the Company convened one annual general meeting, three extraordinary general meetings, two H Shares Class meetings and one Domestic Shares Class meeting, the poll results announcement of which were published by the Company on 9 March 2017, 12 May 2017, 16 October 2017 and 28 December 2017 respectively.

An extraordinary general meeting of the Company was held on 9 March 2017, in which resolutions, including considering and approving the re-appointment of Mr. Li Guanpeng, Mr. Wang Lin and Mr. Yu Jianmin as executive directors of the Company, as well as authorizing the Board to determine the remuneration of the directors, were proposed.

An annual general meeting of the Company was held on 12 May 2017, in which resolutions, including reviewing and approving 2016 report of the Board of the Company, 2016 report of the Supervisory Committee of the Company, 2016 audited financial statements of the Company and the auditors' report, 2016 profit distribution proposal and final dividend of the Company, amendment to the Articles of Association of the Company, general mandate to issue shares and so on, were proposed to be passed by way of poll. On the same day, H Shares Class Meeting and Domestic Shares Class meeting of the Company were held on 12 May 2017 sequentially, in which resolutions in relation to reviewing and approving a general mandate to repurchase H Shares in the capital of the Company was proposed.

An extraordinary general meeting and H Shares Class meeting were held on 16 October 2017 sequentially, in which resolutions, regarding to approving the transactions contemplated under the acquisition agreement dated 22 August 2017 entered into between the Company (as purchaser) and China Merchants (as vendor) in respect of the proposed acquisition of the entire equity interest in China Merchants Logistics at an aggregate consideration of RMB5,450,000,000, to be satisfied by the issuance and allotment of not more than 1,442,683,444 Domestic Shares of RMB1.00 each in the share capital of the Company at an initial issue price of HK$4.43 each (subject to adjustment); and relevant authorization, were proposed.

An extraordinary general meeting was held on 28 December 2017, in which resolutions including approving the appointment of Mr. Wang Taiwen being appointed as an independent non-executive director of the Company, the re-appointment of Mr. Zhou Fangsheng as a supervisor of the Company, the terms of and the annual caps in relation to the transactions contemplated under the master services agreement entered into between the Company and China Merchants dated 10 November 2017, amendment to the Articles of Association of the Company and so on, were proposed.

The chairman of general meeting (Chairman of the Board or the authorized Director), the Company Secretary and external auditor as poll scrutineer attended the general meetings of the Company. All the resolutions in the general meetings in 2017 were duly passed by the way of poll.

6.2.2 Shareholders' Interests

The Company always attaches great importance to the protection of shareholders' interests with an ultimate goal to improve shareholders' value. To ensure the shareholders' interests, the Company has cleared the procedures for shareholders to submit motions at the annual general meeting and to convene extraordinary general meetings or class meetings in the Articles of Association of the Company, the details of which is set up as follows:

(i) Article 61 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.

(ii) Article 80 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.

In the meanwhile, pursuant to Article 97 of the PRC Company Law, the Company should provide materials, including 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, to the shareholders for review, if required. The Company has also established a contact channel to receive 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 contact Investment Relationship Department of the Company, which contact information is shown on the website of the Company at http://www.sinotrans.com/col/col3980/index.html.

6.3 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.

During 2017, the Board carried out the following corporate governance functions including: 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..

For the working related to the Board, please refer to Chapter 8 "Report of the Board of Directors", and for the related to the senior management, please refer to the Chapter 5 "Management Discuss and Analysis of Results of Operations and Financial Position" of this annual report.

6.3.1 Composition of the Board of Directors

As at 31 December 2017, the Board of the Company comprised eleven Directors, including the Chairman, five executive Directors, one non-executive Director and four independent non-executive Directors.

The Board members have the appropriate experience, competence and skills relevant to the business and the management 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, while their points of view maintain independent and diversity, which ensures that the decision making process of the Board is scientific.

As reference to the announcement released by the Company on 24 October 2017, Mr. Han Xiaojing has ceased to be an independent non-executive director of the Company with effect from 24 October 2017 as a result of the expiration of his term of office on 23 October 2017. Accordingly, the Board had only three independent non-executive directors, the number of which had fallen below the minimum number required under Rule 3.10A of the Listing Rules. The Board actively identified the suitable candidate, and has filled the vacancy within the time limit. Mr. Wang Taiwen was newly appointed as the independent non-executive directors of the Company on 28 December 2017. Save for the aforementioned, the Company has complied with the requirement about the constitution of the Board under the Listing Rules that the number of independent non-executive Directors must reach at least one-third of the number of the board members.

The titles and 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 Company has uploaded the most updated list of the Board members with their role and position on the websites of the 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.

6.3.2 Board Meetings

During the reporting period, the Company organized and convened Board meeting in compliance with the Company Law, the Articles of Association, Listing Rules, and the provisions of the Rules of Procedure of the Board. The Company convened eight Board meetings in 2017, including three regular meetings, four extraordinary meetings, and one meeting through written resolutions.

For the regular meetings, the Directors generally receive written notice of the meeting fourteen days in advance. As regards the extraordinary 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, and the Directors generally receive written notice of the meeting seven days in advance. Materials of the Board meetings are generally provided to the Directors not less than three days in advance. The Directors may, where he or she considers necessary, at any time obtain information of the Group and independent professional advice, and recommend appropriate items to be added to the Board meeting agenda. In addition, 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.

In accordance with rules and regulations including 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. Even though none of the Directors have a material interest in the transactions, but for the Directors concurrently holding positions in such connected party under the transaction, he or she will abstain from voting at the Board meeting of the Company in respect of the proposed resolution to approve the proposal and the transactions in accordance with the relevant PRC laws and regulations. The Company has arranged appropriate insurance for the Director's possible involvement in legal action.

Between the Board meetings, the management of the Company will prepare regular monthly update reports to the Directors about the financial and operational performance of the Group. With more dynamic operating and development information of the Company, more scientific decision could be made by the Board.

6.3.3 Attendance, Training and Professional Development of Directors

(i) The attendance of Board meetings and general meetings by the Directors during the term of their office in 2017 is set out below:

	Attendance Rate in the Board Meetings	Attendance Rate in the General Meetings
Current Directors		
Mr. Zhao Huxiang *(Note 1)*	100%	29%
Mr. Song Dexing *(Note 2)*	100%	42%
Mr. Li Guanpeng *(Note 3)*	100%	29%
Mr. Wang Lin	100%	0
Mr. Yu Jianmin	100%	0
Mr. Wu Xueming	100%	0
Mr. Jerry Hsu	100%	0
Mr. Guo Minjie	100%	0
Mr. Lu Zhengfei	100%	0
Mr. Liu Junhai	100%	0
Mr. Wang Taiwen *(Note 4)*	–	–
Director Ceased to Act		
Mr. Han Xiaojing	100%	0

Notes:

1. Mr. Zhao Huxiang attended and conducted the extraordinary general meeting and H Shares Class Meeting held on 16 October 2017 respectively;

2. Mr. Song Dexing attended and conducted the annual general meeting, H Shares Class Meeting and Domestic Shares Class Meeting held on 12 May 2017 respectively;

3. Mr. Li Guanpeng attended and conducted the extraordinary meetings held on 9 March 2017 and 28 December 2017 respectively;

4. Mr. Wang Taiwen was appointed as independent non-executive Director of the Company on 28 December 2017. The Company did not convene a Board meeting or general meeting in 2017 after Mr. Wang Taiwen's appointment, so there is no attendance rate of Mr. Wang Taiwen.

(ii) All Directors of the Company actively participated in continuous 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.

The Company also took various measures to help and support the Directors in continuous professional development. Each new Director has been provided with 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 2017 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. Liu Junhai	✓	✓	✓	✓	✓
Mr. Wang Taiwen	✓	✓	✓	✓	✓

6.3.4 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.

6.3.5 Chairman and President

In 2017, 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.

6.3.6 Non-Executive Directors (Including Independent Non-Executive Directors)

In accordance with CG Code and Article 95 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 members 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 other mandatory reports to high standards, and maintain an appropriate system to protect the interests of shareholders and the Company.

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 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 election or re-election in the papers of the general meeting.

6.4 THE COMMITTEES OF THE BOARD

As at 31 December 2017, 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 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 in the Board meetings.

6.4.1 Executive Committee

The Company has set up the Executive Committee of the Board. As at 31 December 2017, 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.

Chapter 6
Corporate Governance Report

With the authorization by the Board, the Executive Committee is able to exercise part of the power and authority of the Board during the adjournment of Board meetings. The Executive Committee should report its exercise of power to the Board in 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 subject to applicable laws, the Articles of Association of the Company and the Listing Rules, other authorizations conferred by the Board; and

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

6.4.2 Audit Committee

The Company has set up the Audit Committee of the Board, which is composed of all the Independent Non-executive Directors of the Company. As at 31 December 2017, the Audit Committee comprises Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Junhai and Mr. Wang Taiwen, 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, corporate management and business. 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 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.

The Audit Committee held three meetings in 2017, on 16 March, 16 August and 6 December respectively, and mainly reviewed the Company's operating and financial performance, 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. The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

The attendance rate of the members of Audit Committee during the term of their office in 2017 is set out below:

	Attendance Rate in Audit Committee
Current Members	
Mr. Guo Minjie	100%
Mr. Lu Zhengfei	100%
Mr. Liu Junhai	100%
Mr. Wang Taiwen *(Note 1)*	–
Members Ceased to Act	
Mr. Han Xiaojing	100%

Note 1: Mr. Wang Taiwen was appointed as a member of Audit Committee of the Board on 28 December 2017. The Company did not convene Audit Committee Meeting in 2017 after Mr. Wang Taiwen's appointment, so there is no attendance rate of Mr. Wang Taiwen.

6.4.3 Remuneration Committee

The Company has set up the Remuneration Committee of the Board, which is composed of all the independent non-executive Directors and one executive Director of the Company. As at 31 December 2017, the Remuneration Committee comprises Mr. Lu Zhengfei, Mr. Guo Minjie, Mr. Liu Junhai and Mr. Wang Taiwen, being independent non-executive Directors, and executive Director Mr. Wang Lin. Mr. Lu Zhengfei is the Chairman of the 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.

The Remuneration Committee held a meeting on 16 March 2017, and mainly reviewed the report of the implementation of performance appraisal, the payment of remuneration of senior management of the Company in 2016, 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 attendance rate of the members of Remuneration Committee during the term of their office in 2017 is set out below:

	Attendance Rate in Remuneration Committee
Current Members	
Mr. Guo Minjie	100%
Mr. Lu Zhengfei	100%
Mr. Liu Junhai	100%
Mr. Wang Taiwen *(Note 1)*	–
Mr. Wang Lin	100%
Members Ceased to Act	
Mr. Han Xiaojing	100%

Note 1: Mr. Wang Taiwen was appointed as a member of Remuneration Committee of the Board on 28 December 2017. The Company did not convene Remuneration Committee Meeting in 2017 after Mr. Wang Taiwen's appointment, so there is no attendance rate of Mr. Wang Taiwen.

6.4.4 Nomination Committee

The Company has set up the Nomination Committee of the Board, which is composed of the Chairman, all the Independent Non-executive Directors and one Executive Director of the Company. As at 31 December 2017, the Nomination Committee comprises the Chairman Mr. Zhao Huxiang, and Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Junhai and Mr. Wang Taiwen, being independent non-executive Directors, and executive Director Mr. Li Guanpeng. Mr. Zhao Huxiang is the Chairman of the 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 non-executive Directors, etc. The Company has provided sufficient resources for the Nomination Committee to perform its duties.

The Nomination Committee held a meeting on 7 November 2017, mainly to review and adjust 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 2017 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. 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 attendance rate of the members of Nomination Committee during the term of their office in 2017 is set out below:

	Attendance Rate in Nomination Committee
Current Members	
Mr. Zhao Huxiang	100%
Mr. Guo Minjie	100%
Mr. Lu Zhengfei	100%
Mr. Liu Junhai	100%
Mr. Wang Taiwen *(Note 1)*	–
Mr. Li Guanpeng	100%
Members Ceased to Act	
Mr. Han Xiaojing	100%

Note 1: Mr. Wang Taiwen was appointed as a member of Nomination Committee of the Board on 28 December 2017. After Mr. Wang Taiwen's appointment, the Company did not convene Nomination Committee Meeting, so there is no attendance rate of Mr. Wang Taiwen presented.

6.5 SUPERVISORY COMMITTEE

The Company has set up the Supervisory Committee, which comprises one Shareholder-representative Supervisor, one independent supervisory and one Staff-representative Supervisor. As at 31 December 2017, the Supervisory Committee comprises Mr. Wu Dongming, Mr. Zhou Fangsheng and Ms. Ren Dongxiao, with Mr. Wu Dongming being the Chairman of the Supervisory Committee.

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 three meetings in 2017, respectively on 16 March, 16 August and 7 November, mainly to review and approve the proposals including 2016 Report of the Supervisory Committee, the 2016 annual audited financial statements, the proposal of 2016 profit distribution, the 2017 interim financial statements and the interim dividend of 2017.

6.6 MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code 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 2017.

6.7 AUDITOR'S REMUNERATION

At the annual general meeting of the Company held on 12 May 2017, a resolution was passed 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 2017 respectively, and to authorize the Board to fix their remuneration.

For the year ended 31 December 2017, audit and audit-related and other service fees amounted to RMB5.80 million and RMB4.25 million 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.

6.8 COMPANY SECRETARY

During the reporting period, there is no change in the Company Secretary of the Company.

Mr. Li Shichu and Ms. Hui Wai Man, Shirley are the Joint Company Secretary of the Company.

6.9 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the reporting period, there were twice amendments to the Articles of Association of the Company, which were approved in the annual general meeting held on 12 May 2017 and the extraordinary general meeting held on 28 December 2017 respectively.

After the annual general meeting was convened on 12 May 2017, the amendment to the Articles of Association of the Company was approved. As to the details of the amendment, please refer to the circular published on 27 March 2017. Major amendments are summarized as follows:

(i) In order to meet the operational needs of the Company in the long run, the Company will include packaging service, import and export of goods, import and export agency; organization of cultural and arts exchange activities (excluding performances for business) and organization for exhibition as part of its business scope in its business license; and

(ii) To make clear references that chief IT officer as a member of the senior management team.

After the extraordinary general meeting was convened on 28 December 2017, the amendment to the Articles of Association of the Company was approved. As to the details of the amendment, please refer to the circular published on 30 November 2017. Major amendments are summarized as follows:

(i) to bring up to date the unified social credit code of the Company as stated in the Articles of Association;

(ii) to bring up to date the number of ordinary shares of the Company in issue and make other changes consequential upon the issue and allotment of 1,442,683,444 Domestic Shares to China Merchants on 3 November 2017 as consideration shares for the acquisition of China Merchants Logistics by the Company;

(iii) to change the Chinese title of the president and vice-president of the Company as stated in the Articles of Association; and

(iv) to add a new Chapter and new articles relating to the construction work of the Communist Party of China within the Company in line with the requirements of the Central Committee of the Communist Party of China and adapted for the actual circumstances of the Company. Under such requirement, a new Article 97 was added to provide that the Board is to seek the opinions of the Party Committee within the Company before making decisions on material issues of the Company. Notwithstanding the foregoing, the decision making power with respect to such issues remains vested in the Board.

6.10 FINANCIAL CALENDAR

Announcement of 2017 annual results	26 March 2018
Announcement of 2018 interim results	21 August 2018

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 and payment of 2017 final dividend and issues related to the Annual General Meeting, please refer to the notice of annual general meeting to be published on the websites of Hong Kong Stock Exchange and the Company for further details.

6.11 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 annual/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
Email:	ir@sinotrans.com

6.12 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 2017, 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 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.

- 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 2017, 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.

Chapter 7
Directors, Supervisors & Senior Management

7.1 DIRECTORS

Chairman of The Board

Zhao Huxiang, age 62, is the Chairman of the Company, the Chairman of the Executive Committee and the Nomination Committee of the Board. 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) from September 2015 to October 2017. Mr. Zhao was then appointed as the Immediate Past President of FIATA to participate in the daily management and decision-making of the FIATA Senior Bureau. In March 2006, Mr. Zhao was appointed as a Director and the Chairman of the Doard of the Company. In June 2016, Mr. Zhao was appointed as the Vice Chairman of the board of China Merchants and Deputy Secretary of the Communist Party Committee of China Merchants.

Executive Director

Song Dexing, age 54, is the executive Director of the Company and the Member of the Executive Committee of the Board. 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 Secretary of the Youth League Committee and 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 and Member of the Standing Committee of Party Committee of SINOTRANS & CSC Holdings Co., Ltd., and thereafter successively held the posts of Deputy Party Secretary and Secretary of Discipline Inspection Commission of SINOTRANS & CSC Holdings Co., Ltd.. In June 2016, Mr. Song was appointed as the General Manger of SINOTRANS & CSC Holdings Co., Ltd. and the Head of Integrated Logistics Department of China Merchants Group Limited. In June

2017, Mr. Song was appointed as the Head of Logistics and Shipping Department of China Merchants Group Limited. In November 2017, Mr. Song was appointed as the Secretary of the Communist Party Committee of Sinotrans & CSC Holdings Co., Ltd.. In November 2017, Mr. Song was appointed as the chairman of Nanjing Port (Group) Co., Ltd.. Mr. Song was appointed as a Director of the Company in December 2016.

Li Guanpeng, age 51, is the executive Director and the President of the Company, and also the member of the Executive Committee and the Nomination Committee of the Board. 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. 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. Mr. Li was appointed as the Chairman of the board 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 and Deputy Secretary of the Communist Party Committee of the Company. Mr. Li was appointed as a Director of the Company in March 2014.

Wang Lin, age 58, is the executive Director and the Vice President of the Company, and also the member of the board of the Executive Committee and the Remuneration Committee of the Board. 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 and General Manager of Sinotrans Jiangsu Company. Mr. Wang was appointed as the Vice President of the Company and the General Manager of Sinotrans Eastern Company Limited in November 2002 and in April 2003, he also acted as Chairman of Sinotrans Eastern Company Limited. Mr. Wang was appointed as a Director of the Company in March 2014.

Yu Jianmin, age 52, is the executive Director and 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 August 2002 to October 2008, Mr. Yu become Assistant President of the Company. Mr. Yu was appointed as the Vice President and the member of the Communist Party Committee of the Company in October 2008. Mr. Yu was appointed as a Director of the Company in March 2014.

Wu Xueming, age 54, is the executive Director and 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 and the member of the Communist Party Committee of the Company. Mr. Wu was appointed as a Director of the Company in June 2015.

Non-Executive Director

Jerry Hsu*, age 67, 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 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.

Independent Non-Executive Director

Guo Minjie, age 71, is the independent non-executive Director of the Company and the Chairman of the Audit Committee and the member of the Remuneration Committee and the Nomination Committee of the Board, 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 as the independent non-executive Director of the Company in August 2012.

Chapter 7

Directors, Supervisors & Senior Management

Lu Zhengfei, age 54, is the independent non-executive Director of the Company and the Chairman of the Remuneration Committee and the member of the Audit Committee and the Nomination Committee of the Board. 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 non-executive director of 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 and also serving as an independent director of Beijing Turenscape city planning Tsukito design Inc. which is a non-listed company. Mr. Lu obtained his Master degree in Accounting and Financial Management in the Renmin University in 1988, and then obtained his Ph.D. in Business Management in 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.

Liu Junhai, age 48, is the independent non-executive Director of the Company and the member of the board 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. Now 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 Consumers' Protection Law Society of China 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 a 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.

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Directors, Supervisors & Senior Management

Wang Taiwen, age 71, is the independent non-executive Director of the Company and the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Mr. Wang is the independent non-executive director of China Automation Group Limited (a company listed in Hong Kong with stock code 00569) and the Independent Director of Guangdong Huatie Tongda High-speed Railway Equipment Corporation (a company listed in Shen Zhen with stock code 000976). Mr. Wang started his career in Ziyang Internal Combustion Locomotive Co. Ltd. of China Ministry of Railway and worked successively as an engineer, Branch Factory Manager, General Manger and the Secretary of Communist Party Committee. Then he acted as President, Chairman and Secretary of Communist Party Committee of China Railway Locomotive and Rolling Stock Industry Corporation, and later as Chairman and Secretary of Communist Party Committee of China Southern Locomotive and Rolling Stock Industry (Group) Corporation. He also acted as an independent non-executive director in China Railway Group Limited. From October 2006 to December 2012, Mr. Wang served successively as an external director of China National Foreign Trade Transportation (Group) Corporation and an external director of SINOTRANS & CSC. Mr. Wang graduated from Dalian Railway Institute in 1962. Mr. Wang was appointed as the independent non-executive director of the Company in December 2017.

7.2 SUPERVISOR

Wu Dongming, age 54, 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.

Zhou Fangsheng, age 68, is the 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. 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), an independent non-executive director of China National Building Material Company Limited (a company listed in Hong Kong with stock code 03323) and an independent director of Chenguang Biotech Group Co.,Ltd. (a company listed in Shen Zhen with stock code 300138). 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 supervisor of the Company in December 2011.

Ren Dongxiao, age 52, 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, 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.

7.3 SENIOR MANAGEMENT

Song Rong, age 45, 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 Sinotrans 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. In June 2012, Mr. Song was appointed 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 and the member of the Communist Party Committee of the Company in December 2015. In September 2017, he was also served as the General Manager of China Merchants Logistics Group Co., Ltd.

Chapter 7

Directors, Supervisors & Senior Management

Wang Jiuyun, age 51, is the Chief Financial Officer 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. From April 2013 to December 2017, 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, aged 47, is the Joint Company Secretary 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. From 2012 to 2017, Mr. Li was appointed as 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 45, is the Chief IT 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 and Secretary of the Communist Party committee of research and development center. Mr. Gao graduated from Nankai University in 1995. In September 2016, Mr. Gao was appointed as the Chief IT Officer of the Company.

Chapter 8
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 2017.

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.

8.1 PRINCIPAL BUSINESSES

The principal businesses of the Group include freight forwarding, logistics, storage and terminal services, logistics equipment leasing and other services (mainly engaged in shipping, trucking and express services). The group completed merger with China Merchants Logistics with a new business segment named as logistics equipment leasing for the Group in 2017. However, 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.

8.2 FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the financial statements on pages 77 to 184. The summary of results and assets and liabilities of the Group for the preceding five years are set out on page 3.

8.3 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Particulars of the subsidiaries, joint ventures and associated companies of the Company are set out in Notes 19, 20, 46 and 47 to the financial statements.

8.4 FINAL DIVIDEND AND BOOK CLOSURE PERIODS

The Board has recommended the payment of a final dividend of RMB0.080 per share, subject to passing of the resolution to declare and pay the final dividend for 2017 by shareholders at the Annual General Meeting to be held on 31 May 2018 (the "AGM"). The recommended final dividend will be paid on or before 27 July 2018 to the shareholders as registered at the close of business on 11 June 2018. 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 30 April 2018 to 31 May 2018, 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 27 April 2018, for registration.

The record date for the recommended final dividend is at the close of business on 11 June 2018. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 6 June 2018 to 11 June 2018, 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 5 June 2018, 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 (19 March 2018 to 25 March 2018) 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=RMB0.80662. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.09918.

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.

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 signed 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 Shenzhen-Hong Kong Stock Market (關於深港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.

8.5 MAJOR CUSTOMERS AND SUPPLIERS

For the year of 2017, 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 2017, 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.

Relationship with Customers

The Group maintains long-standing, healthy and cooperative relationships with the Company's major customers, follow the general commercial terms and shares consistent credit terms with other customers. The Group settles its major customers in accordance with the contract payment terms, combining judgment on recoverable amount, adopts provision for bad debts of receivables that are specifically classified by similar credit risk. The Group monitors and assesses the information of major customers on an on-going and timely basis, and boosts communication and relationship with major customers.

Relationship with Suppliers

In selecting suppliers to purchase from, the Group has been applying a standard of high quality and high integrity, and has established relevant systems to ensure that the purchase process remains open, fair and just. Aiming to improve purchase quality, critical assessment and guidelines are utilized by the Group to measure the sustainability of the suppliers in terms of labor, health and safety and environmental influences. Relevant departments of the Group conduct performance assessments to the suppliers on a regular basis in order to manage the suppliers in a more efficient manner and reduce potential risks in supplier, which boosts communication and relationship with the suppliers.

8.6 CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group for the year ended 31 December 2017 are disclosed in Note 45 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*	**2017** *RMB'000*
Transactions with Sinotrans & CSC Group	*1*	
Provision of transportation and logistics services		813,081
Service fees for transportation and logistics services		2,004,752
Rental expenses		64,435
Receiving services from Finance Company		
Receiving deposit services – maximum daily balance	*2*	892,099
– Including receiving deposit services by Sinoair		95,440
Transactions with Connected Non-Wholly-Owned Subsidiaries	*3*	
Provision of transportation and logistics services		109,268
Service fees for transportation and logistics services		56,211

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 Connected Parties".

Note 2: On 16 April 2015, the Company signed a Financial Services Agreement with the Finance Company under which expanded the annual caps of maximum daily outstanding balance of deposits (including accrued interests) placed by the Group with the Finance Company was RMB900 million, including RMB100 million of the annual cap of the maximum daily outstanding balance of deposits (including accrued interests) placed by Sinoair with the Finance Company.

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.

8.7 BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 27 to the financial statements.

8.8 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.

8.9 TAXATION

Details of taxation of the Group as at 31 December 2017 are set out in Note 11 to the financial statements.

8.10 RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the financial statements on Page 183 of this Annual Report and Note 35 to the financial statements.

8.11 DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017 amounted to approximately RMB1,288.20 million.

8.12 SHARE CAPITAL STRUCTURE

Share capital structure of the Company as at 31 December 2017 was as follows:

Nature of shares	Number of shares	As a % of total issued share capital
Domestic shares	3,904,279,644	64.54%
H shares	2,144,887,000	35.46%

8.13 ISSUE OF SHARES AND DEBENTURES

During the reporting period, the Company completed the merger with China Merchants Logistics through issuance and allotment of 1,442,683,444 Domestic shares as consideration. Accordingly, the number of Domestic shares of the Company increased from 2,461,596,200 shares to 3,904,279,644. Please refer to the announcement released by the Company on 3 November 2017 for more details.

Details about the debentures issued by the Company during the year are set out in Note 28 to the financial statements.

8.14 EQUITY-LINKED AGREEMENT

During the year ended 31 December 2017, as far as the directors of the Company were aware, the Company was not involved in any equity-linked agreement.

8.15 SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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 *(Note 1)*	2,461,596,200 (L)	Domestic Shares	40.69%	–
	107,183,000 (L)	H shares	1.77%	4.997%
China Merchants *(Note 2)*	1,442,683,444 (L)	Domestic Shares	23.85%	–
FIL Limited *(Note 3)*	193,175,000 (L)	H shares	3.19%	9.01%
BlackRock, Inc. *(Note 4)*	151,059,352 (L)	H shares	2.50%	7.04%
Citigroup Inc. *(Note 5)*	127,065,255 (L)	H shares	2.10%	5.92%
	183,000 (S)	H shares	0.003%	0.01%
	124,473,988 (P)	H shares	2.06%	5.80%
FIDELITY FUNDS *(Note 6)*	110,089,000 (L)	H shares	1.82%	5.13%

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

Notes:

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. held 106,683,000 H shares, and Sinotrans Shipping Inc. held 500,000 H shares as at 31 December 2017.

2. As Sinotrans & CSC is a wholly-owned subsidiary of China Merchants, China Merchants had 66.31% interests of the total issued shares of the Company in aggregate, including 3,904,279,644 Domestic shares in aggregated and 107,183,000 H shares through indirect holding.

3. FIL Limited held these shares through its wholly-owned subsidiaries.

4. According to the disclosure of interests form filed by BlackRock, Inc. on 2 November 2017, BlackRock Inc. held long positions in 151,059,352 H shares through its controlled corporations, among which long positions in: (i) 104,289,543 H shares were held through its indirectly wholly-owned subsidiaries; (ii) 31,280,810 H shares were held indirectly by BR Jersey International Holdings L.P. ("BR Jersey"), a 86% owned subsidiary of BlackRock, Inc.; and (iii) 15,488,999 H shares were held indirectly by BlackRock Group Limited, a 90% owned subsidiary of BR Jersey. Of the 151,059,352 long positions of H shares held by BlackRock, Inc., 3,340,000 H shares were cash-settled unlisted derivatives.

5. According to the disclosure of interests form filed by Citigroup Inc. on 15 December 2017, Citigroup Inc. was interested in (i) long positions in 435,000 H shares through its controlled corporation Citigroup Global Markets Limited ("Citigroup Global", which was 92.00% owned by Citigroup Global Markets Holdings Bahamas Limited, which in turn was 49.50% owned by Citigroup Financial Products Inc., a wholly owned subsidiary of Citigroup Global Markets Holdings Inc., which in turn was wholly owned by Citigroup Inc.) in the capacity as a person having a security interest in shares; (ii) long positions in 2,156,267 H shares and short positions in 183,000 H shares through Citigroup Global; and (iii) long positions in 124,473,988 H shares through its indirect wholly owned subsidiary Citibank. N.A. in the capacity as approved lending agent. The abovementioned short positions in 183,000 H shares had also been reported as cash-settled unlisted derivatives.

6. These shares were held by FIDELITY FUNDS directly.

Save as disclosed above, based on the register maintained by the Company as required under Section 336 of the SFO, as at 31 December 2017, 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.

8.16 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 2017.

Chapter 8
Report of the Board of Directors

8.17 DIRECTORS AND SUPERVISORS

As at 31 December 2017, the directors and supervisors of the Company were as follows:

Name	Latest Date of Appointment
Directors:	
Zhao Huxiang *(Chairman)*	11 June 2015
Song Dexing *(Executive Director)*	15 December 2016
Li Guanpeng *(Executive Director)*	31 March 2017
Wang Lin *(Executive Director)*	31 March 2017
Yu Jianmin *(Executive Director)*	31 March 2017
Wu Xueming *(Executive Director)*	4 June 2015
Jerry Hsu *(Non-Executive Director)*	11 June 2015
Guo Minjie *(Independent Non-executive Director)*	31 August 2015
Lu Zhengfei *(Independent Non-executive Director)*	18 October 2016
Liu Junhai *(Independent Non-executive Director)*	28 December 2015
Wang Taiwen *(Independent Non-executive Director)*	28 December 2017
Supervisors:	
Wu Dongming *(Chairman of the Supervisory Committee)*	31 March 2014
Zhou Fangsheng *(Supervisor)*	28 December 2017
Ren Dongxiao *(staff representative Supervisor)*	14 January 2017

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.

8.18 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Li Guanpeng, Mr. Wang Lin and Mr. Yu Jianmin were re-elected as executive directors of the Company with effect from 31 March 2017.

Mr. Han Xiaojing ceased to be an independent non-executive director of the Company as a result of the expiration of his term of office on 23 October 2017.

Mr. Wang Taiwen was appointed as an independent non-executive director of the Company with effect from 28 December 2017.

Mr. Zhang Rui was appointed as vice president of the Company with effect from 21 September 2017, and had ceased to act as the vice president of the Company with effect from 6 December 2017 due to a change of his position.

Mr. Zhou Fangsheng was re-elected as a supervisor of the Company with effect from 28 December 2017.

8.19 BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of directors, supervisors and senior management of the Company are set out on pages 45 to 52.

8.20 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.

8.21 DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2017, 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 Issuers (the "Model Code").

8.22 DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended 31 December 2017, 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.

8.23 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.

8.24 DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR BONDS

At no time during the year ended 31 December 2017 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).

8.25 MATERIAL CONTRACTS WITH CONNECTED PARTIES

The controlling shareholder of the Company, is Sinotrans & CSC, which was allocated to China Merchants for no consideration and became a wholly-owned subsidiary of China Merchants on 29 December 2015. Accordingly, China Merchants has become the ultimate holding company of the Company. Agreements in relation to the continuing connected transactions entered into between Company and the connected parties are as follows:

(i) 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.

On 10 November 2017, the Company and China Merchants entered into the Master Services Agreement and the Master Lease Agreement that govern the provision or receipt of logistics services and the leasing arrangements between the Group and China Merchants and its associates (including Sinotrans & CSC) with effect from 1 January 2018 to 31 December 2020. Please refer to the announcement of the Company dated 10 November 2017 for details.

(ii) 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.

(iii) Financial Services Agreement

Since 14 November 2012, the Company and the Finance Company consecutively entered into the Financial Services Agreement with the term of three years, in which the Finance Company agreed to provide a series of financial services to the Group within the caps agreed under the agreements.

During the reporting period, the Company and the Finance Company had been performing the agreement which was entered into on 16 April 2015.

On 10 November 2017, the Company and the Finance Company entered into a new Finance Services Agreement, under which the Finance Company agreed to provide deposit services and other financial services with effect from 1 January 2018 to 31 December 2020.

For the details of such agreement, please refer to the announcements of the Company dated 14 November 2012, 25 March 2014, 16 April 2015 and 10 November 2017.

8.26 MANAGEMENT CONTRACTS

No contract 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 reporting year.

8.27 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..

8.28 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Details of the Group's litigation and contingent liabilities as at 31 December 2017 are set out in Note 38 to the financial statements.

8.29 PENSION SCHEMES

Details of the Group's pension schemes for the year ended 31 December 2017 are set out in Note 3 and Note 7 to the financial statements.

8.30 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.

8.31 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.

8.32 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.

8.33 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 2017 to 31 December 2017 as our code on corporate governance, details of which are set out in Report on Corporate Governance on pages 25 to 44 in this annual report.

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. 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 2017, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Junhai and Mr. Wang Taiwen 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.

8.34 SIGNIFICANT POST BALANCE SHEET EVENTS

On 28 February 2018, the Board announced that Company enters into a Merger Agreement with Sinoair. According to the Merger Agreement, the Company is to apply to the relevant regulatory authorities in the PRC for the issue and listing of A Shares on the Shanghai Stock Exchange and merger of Sinoair. The Board approved that the Company issue 1,371,191,329 A Shares as Consideration Shares at the initial Issue Price of RMB5.32 per Consideration Share in exchange at the initial Exchange Ratio for 353,600,322 Sinoair Shares. The Consideration Shares and the existing domestic shares of the Company are to be listed on the Shanghai Stock Exchange as A shares. Sinoair is to be delisted from Shanghai Stock Exchange, and it will be deregistered, its asset and liabilities are to be transferred to/assumed by the Group.

8.35 DONATIONS

During the reporting year, the Group made charitable and other donations amounted to about RMB0.41 million.

8.36 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 2017, the Audit Committee comprised four independent non-executive directors, namely Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Junhai and Mr. Wang Taiwen, with Mr. Guo Minjie as the Chairman of the Audit Committee.

The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

8.37 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 2017.

The Group's annual results for the year ended 31 December 2017 have been audited by the auditors.

8.38 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Group believes 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 of the Group 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 in the previous year. For more information on the Group's performance of environmental and social responsibilities in 2017, please refer to the "Environmental, Social and Governance Report" to be published by the Company subsequently.

By Order of the Board
Zhao Huxiang
Chairman

Hong Kong, the PRC
26 March 2018

Chapter 9
Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2017, 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 abide the Company Law, the Listing Rules, the Articles of Association and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2017, the major duties of the Committee are to convene Supervisory Committee meeting; to attend Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings etc.; to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the PRC, the Listing Rules and the Articles of Association of the Company and are in the interest of the shareholders. In addition, 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.

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 2017 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 has obvious signs of recovery and China's economic growth is generally stable.

The Committee is satisfied with the performance and results achieved by the Company for 2017 and is fully confident about the Company's future prospects and development.

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
22 March 2018

Chapter 10
Definitions

Articles of Association	the articles of association of the Sinotrans Limited
Board	the board of Directors of the Company
CG Code	code provisions of Corporate Governance Code as set out in Appendix 14
China Merchants	招商局集團有限公司 (China Merchants Group Limited), a state wholly-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, the ultimate holding company of the Company, which holds approximately 66.31% of the issued share capital of the Company
China Merchants Group or CMG	招商局集團有限公司 (China Merchants Group Limited) and its subsidiaries
China Merchants Logistics	招商局物流集團有限公司 (China Merchants Logistics Holdings Company Limited), a company incorporated in the PRC, being acquired by the Company in 2017 and become a wholly-owned subsidiary of the Company in 2017
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	中國外運股份有限公司 (Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Stock Exchange of Hong Kong Limited
Company Law	the Company Law of the People's Republic of China
Director(s)	Director(s) of the Company
Domestic Share(s)	domestic invested share(s) of RMB1.00 each in the share capital of the Company
Ethics Code	the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants
Finance Company	招商局集團財務有限公司 (China Merchants Group Finance Co., Ltd.) formerly known as 中外運長航財務有限公司 (Sinotrans & CSC Finance Co., Ltd.), a Company owned as to 51% by China Merchants and 49% by Sinotrans & CSC
Group	Sinotrans Limited and its subsidiaries
HK$	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC

Chapter 10
Definitions

H Share(s)	overseas listed foreign invested share(s) of RMB1.00 each in the share capital of the Company
IFRS	financial reporting standards and interpretations approved by the International Accounting Standards Board ("IASB")
ISA	standards and interpretations issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Management	The Group's chief operating decision-maker
Model Code	the Model Code for Securities Transactions by Directors contained in Appendix 10 to the Listing Rules
PRC	the People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SFO	the Securities and Futures Ordinance(Chapter 571 of the Laws of Hong Kong)
Share(s)	H Share(s) and Domestic Share(s)
Shareholder(s)	holder(s) of the Shares
Shenzhen-Hong Kong Stock Connect	the Program of the Shenzhen-Hong Kong Stock Connect
Sinoair	Sinotrans Air Transportation Development Co., Ltd., a joint stock limited liability company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (Share Code: 600270), a subsidiary of the Company

Chapter 10
Definitions

Sinotrans & CSC	Sinotrans & CSC Holdings Co., Ltd., a wholly-owned subsidiary of China Merchants Group Limited established under the laws of the PRC, the controlling shareholder of the Company which holds approximately 42.46% of the issued Share capital of the Company
Sinotrans & CSC Group	Sinotrans & CSC Holdings Co., Ltd. and its subsidiaries
Sinotrans Group Company	China National Foreign Trade Transportation (Group) Corporation
Stock Exchange	The Stock Exchange of Hong Kong Limited
subsidiary	have the meaning given by Listing Rules
Takeovers Code	The Hong Kong Code on Takeovers and Mergers the Supervisory Committee the Supervisory Committee of the Company

Chapter 11

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 77 to 184, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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.

Chapter 11
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, storage and other 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 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.

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

The directors of the Company 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 Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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 of the Company.

- Conclude on the appropriateness of The directors' of the Company 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.

Chapter 11

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

26 March 2018

Chapter 12

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	5	72,567,178	59,765,965
Other income		506,123	417,921
Tax and other surcharges		(215,197)	(195,728)
Transportation and related charges		(62,521,442)	(50,725,122)
Staff costs	7	(5,618,557)	(5,018,411)
Depreciation and amortisation		(1,180,528)	(1,167,750)
Office and other expenses		(580,932)	(572,160)
Other gains and losses, net	8	943,258	797,505
Other operating expenses		(720,381)	(645,419)
Operating profit	9	3,179,522	2,656,801
Finance income	10	207,602	184,709
Finance costs	10	(641,705)	(322,904)
		2,745,419	2,518,606
Share of profit of joint ventures	19	973,884	882,774
Share of profit of associates	20	47,784	46,340
Profit before income tax		3,767,087	3,447,720
Income tax expense	11	(785,699)	(648,174)
Profit for the year		2,981,388	2,799,546
Profit attributable to			
– Owners of the Company		2,304,191	2,253,728
– Non-controlling interests		677,197	545,818
		2,981,388	2,799,546
Earnings per share, basic and diluted (RMB)	13	0.38	0.37

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

Chapter 13
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000 (Restated)
Profit for the year	2,981,388	2,799,546
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available-for-sale financial assets		
– Gains/(losses) arising during the year	422,640	(167,946)
– Reclassification adjustments to profit or loss during the year upon disposal of available-for-sale financial assets	(605,458)	(315,880)
Currency translation differences	342,356	(107,492)
Income tax relating to items that may be reclassified subsequently	43,789	78,495
Share of other comprehensive (expense)/income of joint ventures and associates	(10,102)	81,034
Reclassification adjustments to profit or loss upon disposal of an associate	–	25,629
Other comprehensive income/(expense) for the year, net of income tax	193,225	(406,160)
Total comprehensive income for the year	3,174,613	2,393,386
Total comprehensive income attributable to		
– Owners of the Company	2,557,163	2,014,166
– Non-controlling interests	617,450	379,220
	3,174,613	2,393,386

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

Chapter 14

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
ASSETS			
Non-current assets			
Land use rights	14	5,027,101	4,052,523
Prepayments for acquisition of land use rights	15	38,513	79,914
Property, plant and equipment	16	17,238,004	17,495,855
Investment properties	17	963,664	167,595
Intangible assets	18	2,892,091	2,835,709
Investments in joint ventures	19	3,321,365	3,221,808
Investments in associates	20	1,262,418	902,606
Deferred income tax assets	11	328,129	307,667
Available-for-sale financial assets	21	553,257	1,072,997
Other non-current assets		405,267	300,921
		32,029,809	30,437,595
Current assets			
Financial assets designated as fair value through profit or loss ("FVTPL")	42	381,912	396,710
Prepayments and other current assets	22	4,416,124	3,567,525
Inventories		314,624	177,276
Trade and other receivables	23	12,807,113	12,136,682
Restricted cash	24	217,754	228,339
Term deposits with initial terms of over three months	25	2,225,183	1,346,273
Cash and cash equivalents	26	9,709,382	9,323,955
		30,072,092	27,176,760
Total assets		62,101,901	57,614,355
EQUITY			
Equity attributable to owners of the Company			
Share capital	34	6,049,167	4,606,483
Reserves	35	15,118,725	14,670,044
		21,167,892	19,276,527
Non-controlling interests		4,409,106	3,951,409
Total equity		25,576,998	23,227,936

Chapter 14
Consolidated Statement of Financial Position (Continued)

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	11	232,563	270,437
Borrowings	27	6,609,292	4,768,003
Long-term bonds	28	3,495,827	3,494,630
Other non-current liabilities	30	1,201,182	1,489,906
Long-term salary payables		45,419	27,216
		11,584,283	10,050,192
Current liabilities			
Trade payables	31	9,931,218	8,250,048
Other payables, accruals and other current liabilities	32	9,014,303	10,389,747
Receipts in advance from customers	33	2,388,885	2,489,902
Current income tax liabilities		339,918	271,329
Borrowings	27	1,499,248	339,252
Long-term bonds due within one year	28	–	998,726
Provisions	29	366,324	393,795
Salary and welfare payables		1,400,724	1,203,428
		24,940,620	24,336,227
Total liabilities		36,524,903	34,386,419
Total equity and liabilities		62,101,901	57,614,355
Net current assets		5,131,472	2,840,533
Total assets less current liabilities		37,161,281	33,278,128

The consolidated financial statements on pages 85 to 184 were approved and authorised for issue by the Board on 26 March 2018 and are signed on its behalf by:

Chairman *Executive Director and President* *Chief Financial Officer*

Chapter 15

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000 (Note 35)	Statutory surplus reserve RMB'000 (Note 35)	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 2017, as restated	4,606,483	5,183,364	619,647	191,228	(119,491)	8,795,296	19,276,527	3,951,409	23,227,936
Profit for the year	–	–	–	–	–	2,304,191	2,304,191	677,197	2,981,388
Other comprehensive (expense)/income for the year	–	–	–	(84,738)	337,710	–	252,972	(59,747)	193,225
Total comprehensive (expense)/income for the year	–	–	–	(84,738)	337,710	2,304,191	2,557,163	617,450	3,174,613
Dividends recognised as distribution (Note 12)	–	–	–	–	–	(529,745)	(529,745)	–	(529,745)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(300,318)	(300,318)
Capital injection from non-controlling interests of subsidiaries	–	14,832	–	–	–	–	14,832	187,898	202,730
Capital reduction from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	(14,453)	(14,453)
Disposal of a subsidiary	–	–	–	–	–	–	–	(6,051)	(6,051)
Acquisition of additional equity interests in subsidiaries from non-controlling interests	–	–	–	–	–	(2,411)	(2,411)	(23,885)	(26,296)
Share issue cost	–	(33,376)	–	–	–	–	(33,376)	–	(33,376)
Consideration share issued for acquisition of a subsidiary under common control	1,442,684	(1,442,684)	–	–	–	–	–	–	–
Dividends declared by subsidiaries acquired through business combinations under common control	–	–	–	–	–	(115,098)	(115,098)	–	(115,098)
Capital reduction due to liquidation of subsidiaries	–	–	–	–	–	–	–	(2,944)	(2,944)
Total transactions with owners	1,442,684	(1,461,228)	–	–	–	(647,254)	(665,798)	(159,753)	(825,551)
Transfer to statutory reserve (Note 35)	–	–	79,932	–	–	(79,932)	–	–	–
As at 31 December 2017	6,049,167	3,722,136	699,579	106,490	218,219	10,372,301	21,167,892	4,409,106	25,576,998

Chapter 15

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000 (Note 35)	Statutory surplus reserve RMB'000 (Note 35)	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, as previously reported	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, as restated	–	–	–	–	–	2,253,728	2,253,728	545,818	2,799,546
Other comprehensive income/(expense) for the year, as restated	–	5,655	–	(247,049)	1,832	–	(239,562)	(166,598)	(406,160)
Total comprehensive income/(expense) for the year, as restated	–	5,655	–	(247,049)	1,832	2,253,728	2,014,166	379,220	2,393,386
Dividends recognised as distribution (Note 12)	–	–	–	–	–	(483,681)	(483,681)	–	(483,681)
Dividends paid to non-controlling interests, as restated	–	–	–	–	–	–	–	(308,101)	(308,101)
Capital injection from non-controlling interests of subsidiaries, as restated	–	–	–	–	–	–	–	299,548	299,548
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, as restated	–	(867)	–	–	–	–	(867)	(5,026)	(5,893)
Effect of business combinations under common control	–	2,467,315	–	–	–	–	2,467,315	270,318	2,737,633
Contribution from the shareholders of subsidiaries acquired through business combinations under common control, as restated	–	194,000	–	–	–	–	194,000	–	194,000
Total transactions with owners, as restated	–	2,623,695	–	–	–	(483,681)	2,140,014	234,733	2,374,747
Transfer to statutory reserve (Note 35)	–	–	62,546	–	–	(62,546)	–	–	–
As at 31 December 2016, as restated	4,606,483	5,183,364	619,647	191,228	(119,491)	8,795,296	19,276,527	3,951,409	23,227,936

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

Chapter 16

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
OPERATING ACTIVITIES			
Cash generated from operations	37	3,737,397	2,956,625
Income tax paid		(731,669)	(583,723)
NET CASH FROM OPERATING ACTIVITIES		3,005,728	2,372,902
INVESTING ACTIVITIES			
Net cash inflow from acquisition of subsidiaries not under common control		–	2,792
Cash paid for capital injection/purchase of joint ventures		(44,000)	(123,827)
Cash paid for capital injection/purchase of associates		(199,636)	(46,053)
Government grants received for acquisition of non-current assets		115,575	150,559
Repayments of loans due from subsidiaries disposed		–	126,480
Net cash inflow from liquidation of subsidiaries		318	–
Net cash inflow from disposal of subsidiaries		186,644	29,786
Proceeds from liquidation/disposal of joint ventures		22,311	–
Proceeds from disposal of associates		–	135,022
Proceeds from disposal of available-for-sale financial assets		971,284	901,994
Interest income received from available-for-sale financial assets		133,274	64,528
Proceeds from disposal of property, plant and equipment, intangible assets and land use rights		566,907	376,501
Purchase of property, plant and equipment		(3,248,992)	(2,946,606)
Tax paid for disposal of land use right		–	(230,449)
Purchase of intangible assets		(68,614)	(31,095)
Purchase of land use rights		(37,179)	(141,847)
Purchase of available-for-sale financial assets		(800,250)	(287,789)
Purchase of other non-current assets		(79,888)	(19,966)
Deposits paid for acquisition of land use rights		–	(58,522)
Increase in term deposits with initial terms of over three months		(878,910)	(443,216)
Interest income received from term deposit		19,960	72,385
Dividends received from associates		30,303	22,539
Dividends received from joint ventures		889,218	957,997
Dividend income on available-for-sale financial assets		15,451	32,074
Dividend from equity investment		25,573	25,184
Loan to joint ventures		(38,281)	(120,040)
Loan to associates		(45,160)	–
Repayments of loans due from joint ventures		21,000	45,000
Repayments of loans due from an associate		1,360	–
NET CASH USED IN INVESTING ACTIVITIES		(2,441,732)	(1,506,569)

Chapter 16

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
FINANCING ACTIVITIES			
Net cash (outflow)/inflow from acquisition of subsidiaries under common control		(33,719)	1,702,796
New bank borrowings		4,587,255	2,939,275
Repayments of bank borrowings		(1,381,926)	(1,929,808)
Repayment of obligations under finance leases		(4,424)	(13,344)
Repayment of short-term bonds		–	(3,500,000)
Repayment of long-term bonds		(1,000,000)	(2,000,000)
Cash received from short-term bonds issued		–	1,497,750
Cash received from long-term bonds issued		–	3,493,000
Loan from the ultimate holding company and fellow subsidiaries		4,792,804	1,649,086
Repayments of loan to ultimate holding company and fellow subsidiaries		(3,147,292)	(814,861)
Repayments of other payables to ultimate holding company and fellow subsidiaries		(2,870,337)	–
Interest paid for borrowings		(260,432)	(222,345)
Interest paid for short-term bonds		–	(82,110)
Interest paid for long-term bonds		(130,168)	(159,739)
Dividends paid to the Company's shareholders		(529,745)	(483,681)
Dividends paid to non-controlling shareholders of subsidiaries		(300,286)	(299,088)
Contributions from non-controlling shareholders of subsidiaries		202,730	299,548
Contribution from then shareholders of subsidiaries acquired through business combinations under common control		–	194,000
Capital reduction from non-controlling shareholders of subsidiaries		(14,453)	(22,006)
Disposal of equity interests in subsidiaries to non-controlling interests without losing control		–	15,993
Business tax paid on disposal of equity interests in a subsidiary to non-controlling interests		(36,753)	–
Acquisition of additional equity interests in subsidiaries from non-controlling interests		(26,296)	(5,893)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(153,042)	2,258,573
Exchange gains on cash and cash equivalents		(25,527)	65,741
Net increase in cash and cash equivalents		385,427	3,190,647
Cash and cash equivalents as at 1 January		9,323,955	6,133,308
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	9,709,382	9,323,955

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

Chapter 17

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company was established in the PRC on 20 November 2002 as a joint stock company with limited liability as a result of a group reorganisation of Sinotrans Group Company in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange (the "2002 Reorganisation"). In 2009, the former Sinotrans Group Company changed its name to Sinotrans & CSC after it merged with China Changjiang National Shipping (Group) Corporation.

On 29 December 2015, the SASAC has approved the reorganisation between Sinotrans & CSC and China Merchants. Sinotrans & CSC was thereby administratively allocated (for no consideration) to, and became a wholly-owned subsidiary of China Merchants after 1 January 2016 and as a result, China Merchants obtained control over Sinotrans & CSC. The company's ultimate holding company became China Merchants.

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 Group include freight forwarding, logistics, storage and terminal services, logistics equipment leasing and other services. The Group has operations mainly in the PRC.

These consolidated financial statements are presented in thousands of RMB unless otherwise stated, which is the same as the functional currency of the Company.

2A. RESTATEMENTS

On 22 August 2017, the Company entered into an acquisition agreement with China Merchants (the "Acquisition Agreement") under which the Company conditionally agreed to acquire the entire issued share capital of the China Merchants Logistics from China Merchants at an aggregate consideration of RMB5,450,000,000 (equivalent to approximately HK$6,391,087,658), which is to be satisfied by the issuance and allotment of up to 1,442,683,444 Domestic Shares at the initial Issue Price of HK$4.43 (equivalent to approximately RMB3.78) per Domestic Share (the "Acquisition").

On 3 November 2017, business registration in relation to the transfer of the entire issued share capital of China Merchants Logistics under the Acquisition Agreement had been effected and 1,442,683,444 Domestic Shares had been issued and allotted to China Merchants. Therefore, China Merchants Logistics became a wholly-owned subsidiary of the Company.

Both the Company and China Merchants Logistics are controlled by China Merchants prior to and after the Acquisition, therefore this Acquisition is accounted for as business combinations involving entities under common control. The principles of merger accounting have therefore been applied, pursuant to which, the consolidated financial statements of the Group are restated as if the Group and China Merchants Logistics had been combined after 1 January 2016, when the combining entities first came under the control of China Merchants.

Chapter 17
Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2A. RESTATEMENTS (CONTINUED)

Assets and liabilities of China Merchants Logistics are combined with the Group starting from 1 January 2016, and the amount of net assets of RMB2,467,315,000 is recorded in capital reserve as an common control business combination adjustment. Upon insurance of 1,442,683,444 Domestic Shares on 3 November 2017 with a par value of RMB1.00, the par value of the Domestic Shares issued is recorded in share capital and the amount is adjusted in capital reserve as there's no addition of net assets from the view point of the restated consolidated group financial statement view point. Issuance cost of RMB33,376,000 is capitalized in capital reserve which is directly attributable to the issuance of Domestic shares. Respective notes to the consolidated financial statements have also been restated.

The effects of business combinations involving entities under common control, together with certain elimination adjustments on the result of the Group for the year ended 31 December 2016, and the financial position of the Group as at 31 December 2016 are summarised below:

	2016 RMB'000 (Previously reported)	Add: Business combinations involving entities under common control RMB'000	Inter group elimination RMB'000	2016 RMB'000 (Restated)
Revenue	46,784,192	13,126,741	(144,968)	59,765,965
Other income	333,745	84,176	–	417,921
Tax and other surcharges	(124,984)	(70,744)	–	(195,728)
Transportation and related charges	(40,653,645)	(10,216,445)	144,968	(50,725,122)
Staff costs	(3,544,921)	(1,473,490)	–	(5,018,411)
Depreciation and amortisation	(647,378)	(520,372)	–	(1,167,750)
Office and other expenses	(492,855)	(79,305)	–	(572,160)
Other gains and losses, net	407,813	389,692	–	797,505
Other operating expenses	(487,636)	(157,783)	–	(645,419)
Operating profit	1,574,331	1,082,470	–	2,656,801
Finance income	166,899	17,810	–	184,709
Finance costs	(143,937)	(178,967)	–	(322,904)
	1,597,293	921,313	–	2,518,606
Share of profit of joint ventures	828,391	54,383	–	882,774
Share of profit of associates	45,575	765	–	46,340
Profit before income tax	2,471,259	976,461	–	3,447,720
Income tax expense	(384,749)	(263,425)	–	(648,174)
Profit for the year	2,086,510	713,036	–	2,799,546
Profit attributable to				
– Owners of the Company	1,629,472	624,256	–	2,253,728
– Non-controlling interests	457,038	88,780	–	545,818
	2,086,510	713,036	–	2,799,546

2A. RESTATEMENTS (CONTINUED)

The effect of the above business combination under common control on the Group's basic and diluted earnings per share for the current and prior year are as follows:

	Impact on basic earnings per share year ended		Impact on diluted earnings per share year ended	
	December 31 2017	December 31 2016	December 31 2017	December 31 2016
Figures before adjustment	0.38	0.35	0.38	0.35
Effect arising from business combination under common control	–	0.02	–	0.02
Figure after adjustment	0.38	0.37	0.38	0.37

The effect of business combinations involving entities under common control, together with certain elimination adjustments on comprehensive income of the Group as at 31 December 2016, are summarised below:

	31 December 2016 RMB'000 (Previously reported)	Business combinations involving entities under common control RMB'000	Inter group elimination RMB'000	31 December 2016 RMB'000 (Restated)
Profit for the year	2,086,510	713,036	–	2,799,546
Items that may be reclassified subsequently to profit or loss:				
Fair value gains losses on available-for-sale financial assets				
– Losses arising during the year	(167,946)	–	–	(167,946)
– Reclassification adjustments to profit or loss during the year upon disposal of available-for-sale financial assets	(315,880)	–	–	(315,880)
Currency translation differences	59,040	(166,532)	–	(107,492)
Income tax relating to items that may be reclassified subsequently	78,495	–	–	78,495
Share of other comprehensive income of joint ventures and associates	6,986	74,048	–	81,034
Reclassification adjustments to profit or loss upon disposal of an associate	25,629	–	–	25,629
Other comprehensive income expense for the year, net of income tax	(313,676)	(92,484)	–	(406,160)
Total comprehensive income for the year	1,772,834	620,552	–	2,393,386
Total comprehensive income attributable to				
– Owners of the Company	1,471,211	542,955	–	2,014,166
– Non-controlling interests	301,623	77,597	–	379,220
	1,772,834	620,552	–	2,393,386

Chapter 17

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2A. RESTATEMENTS (CONTINUED)

The effects of business combinations involving entities under common control, together with certain elimination adjustments on the financial position of the Group as at 31 December 2016, are summarised below:

	31 December 2016 RMB'000 (Previously reported)	Business combinations involving entities under common control RMB'000	Inter group elimination RMB'000	31 December 2016 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	2,703,664	1,348,859	–	4,052,523
Prepayments for acquisition of land use rights	79,914	–	–	79,914
Property, plant and equipment	8,235,742	9,260,113	–	17,495,855
Investment properties	160,716	6,879	–	167,595
Intangible assets	122,692	2,713,017	–	2,835,709
Investments in joint ventures	3,180,654	41,154	–	3,221,808
Investments in associates	873,035	29,571	–	902,606
Deferred income tax assets	159,343	148,324	–	307,667
Available-for-sale financial assets	1,071,422	1,575	–	1,072,997
Other non-current assets	174,841	126,080	–	300,921
	16,762,023	13,675,572	–	30,437,595
Current assets				
Financial assets designated as FVTPL	–	396,710	–	396,710
Prepayments and other current assets	2,833,722	734,190	(387)	3,567,525
Inventories	153,628	23,648	–	177,276
Trade and other receivables	8,940,665	3,220,219	(24,202)	12,136,682
Restricted cash	228,139	200	–	228,339
Term deposits with initial terms of over three months	1,330,178	16,095	–	1,346,273
Cash and cash equivalents	7,118,590	2,205,365	–	9,323,955
	20,604,922	6,596,427	(24,589)	27,176,760
Total assets	37,366,945	20,271,999	(24,589)	57,614,355
EQUITY				
Equity attributable to owners of the Company				
Share capital	4,606,483	1,444,000	(1,444,000)	4,606,483
Reserves	11,465,774	1,760,270	1,444,000	14,670,044
	16,072,257	3,204,270	–	19,276,527
Non-controlling interests	3,557,621	393,788	–	3,951,409
Total equity	19,629,878	3,598,058	–	23,227,936

2A. RESTATEMENTS (CONTINUED)

The effects of business combinations involving entities under common control, together with certain elimination adjustments on the financial position of the Group as at 31 December 2016, are summarised below: (continued)

	31 December 2016 RMB'000 (Previously reported)	Business combinations involving entities under common control RMB'000	Inter group elimination RMB'000	31 December 2016 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	70,314	200,123	–	270,437
Borrowings	1,124,000	3,644,003	–	4,768,003
Long-term bonds	3,494,630	–	–	3,494,630
Other non-current liabilities	350,410	1,139,496	–	1,489,906
Long-term salary payables	–	27,216	–	27,216
	5,039,354	5,010,838	–	10,050,192
Current liabilities				
Trade payables	6,527,636	1,746,614	(24,202)	8,250,048
Other payables, accruals and other current liabilities	1,186,246	9,203,501	–	10,389,747
Receipts in advance from customers	2,219,818	270,471	(387)	2,489,902
Current income tax liabilities	188,436	82,893	–	271,329
Borrowings	325,131	14,121	–	339,252
Long-term bonds due within one year	998,726	–	–	998,726
Provisions	337,083	56,712	–	393,795
Salary and welfare payables	914,637	288,791	–	1,203,428
	12,697,713	11,663,103	(24,589)	24,336,227
Total liabilities	17,737,067	16,673,941	(24,589)	34,386,419
Total equity and liabilities	37,366,945	20,271,999	(24,589)	57,614,355
Net current assets/(liabilities)	7,907,209	(5,066,676)	–	2,840,533
Total assets less current liabilities	24,669,232	8,608,896	–	33,278,128

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For the year ended 31 December 2017

2B. APPLICATION OF NEW AND REVISED 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 IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRSs – As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Except as described below, 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.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised 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 and the related Amendements[1]
- IFRS 16 – Leases[2]
- IFRS 17 – Insurance Contracts[4]
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration[1]
- IFRIC 23 – Uncertainty over Income Tax Treatments[2]
- 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]

2B. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

New and revised IFRSs in issue but not yet effective (continued)

- IFRS 9 (Amendments) – Prepayment Features with Negative Compensation[2]
- IFRS 10 (Amendments), IAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
- IAS 19(Amendments) – Plan Amendment, Curtailment or Settlement[2]
- IAS 28(Amendments) – Long-term Interests in Associates and Joint Ventures[2]
- IAS 28(Amendments) – As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
- IAS 40 (Amendments) – Transfers of Investment Property[1]
- Amendments to IFRSs – Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

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 2021

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.

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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair values at subsequent accounting 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.

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2B. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

IFRS 9 Financial Instruments (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipates the following potential impact on initial application of IFRS 9:

Classification and measurement:

Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 21: these securities qualified for designation as measured at FVTOCI under IFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investments revaluation reserve of RMB106,490,000 related to these available-for-sale investments will be transferred to retained profits at 1 January 2018.

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 21: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, the fair value gain relating to these equity investments would be adjusted to investment revaluation reserve as at 1 January 2018.

Wealth management products issued by banks classified as available-for-sale investments carried at fair value as disclosed in note 22: these wealth management products qualified for designation as measured at FVTOCI under IFRS 9, however, the Group plans not to elect the option for the designation and will measure these wealth management products at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investments revaluation reserve will be transferred to retained profits at 1 January 2018.

Bills receivable are held within a business model whose objective is achieved by both collecting contractual cash flows and endorsing the bills receivable to suppliers or discounting to banks, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly bills receivable will be subsequently measured at FVTOCI upon the application of IFRS 9, with the fair value gains or losses accumulated in reserve subsequently reclassified to profit or loss upon derecognition. However, the Directors do not anticipate this will have a material impact on the amounts recognised in other comprehensive income as the fair value of bills receivable is close to its carrying amounts given all bills receivable will mature within one year.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

In general, the Directors anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would not be significant increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables, amount due from associates/joint ventures. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

2B. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which 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

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 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 has preliminarily assessed the performance obligations in respect of the different types of contracts with customers, in particular, the identification of performance obligations under IFRS 15 for freight forwarding services, and assessment on satisfaction of performance obligation. Currently revenue from freight forwarding service is recognized at a point of time upon rendering of service, while under IFRS 15, revenue from freight forwarding service will be recognized over time. The Directors intends to apply the limited retrospective method with cumulative effect of initial application recognized in opening balance of equity at 1 January 2018, and apply this Standard retrospectively only to contracts that are not completed at 1 January 2018. Based on the current assessment on the existing contracts, the Directors does not anticipate the change resulting from the application of IFRS 15 will have a material impact on the opening balance of equity.

For other revenue from contracts with customers, the Directors does not anticipate that the application of IFRS 15 will have a material impact on the amount or timing of revenue recognized in the respective periods.

In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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2B. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

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 and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB1,929,201,000 as disclosed in Note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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. Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

2B. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

IFRIC-Int 22 Foreign Currency Transactions and Advance Consideration

IFRIC-Int 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Directors anticipates that the application of IFRIC-Int 22 has no material impact upon application.

IFRIC-Int 23 Uncertainty over Income Tax Treatments

IFRIC-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The Directors anticipates that the application of IFRIC-Int 23 has no material impact upon application.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipates that the Amendments to IFRS 10 and IAS 28 has no material impact upon application.

2B. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

The Directors anticipates that the application of these amendments will result in early recognition of such transfers on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

The Directors anticipates that the Amendments to IAS 40 has no material impact upon application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

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*.

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.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 generally 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 are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for Business combinations involving business 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 bargain purchase gain at the time of common control combination.

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 businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the 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. Upon 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. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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.

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) upon disposal/partial disposal of the relevant associate or joint venture.

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.

Logistics equipment leasing

The Group's accounting policy for recognition of revenue from logistics equipment leasing is described in the accounting policy for leasing below.

Other services

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

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.

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.

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Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	10 – 50 years
Leasehold improvements	Over the shorter of the remaining term of the leases and the estimated useful lives
Port and rail facilities	8 – 50 years
Containers	8 – 15 years
Plant and machinery	5 – 10 years
Motor vehicles and vessels	3 – 25 years
Furniture and office equipment	3 – 20 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.

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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, if any.

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 or any of the CGU within group of CGUs in which the Group monitors goodwill.

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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset individually, 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 for 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 or a cash-generating unit 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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group classifies its financial assets as loans and receivables, available-for-sale financial assets and financial assets at FVTPL. 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 42b.

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.

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For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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.

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.

The group as 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.

The group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Borrowing costs

Interest costs on borrowings incurred to finance the construction of 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 deferred tax 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.

Chapter 17

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

Current and deferred tax are 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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

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.

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 on identifiable assets acquired 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.

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Notes to the Consolidated Financial Statements

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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 income that are receivable as compensation for expenses or losses already incurred are recognised in profit or loss in the period in which they become receivable.

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.

The benefit of government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors is 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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.

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.

Impairment for goodwill and intangible assets with indefinite useful life

Determining whether goodwill or intangible assets with indefinite useful life is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Significant judgment and assumptions were required by management of the Group in assessing the impairment recoverable amounts of cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates, in order to derive the net present value of the discounted future cash flow analysis. Where there is a downward revision of discounted future cash flow analysis or when the actual cash flows are less than expected, there will be a change of recoverable amount, a material 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 29.

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For the year ended 31 December 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

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 29 (one-off housing subsidies, guarantees and related provisions, and others).

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 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.

During the current year, the Group acquired China Merchants Logistics which including the logistics equipment leasing business, details are set out in note 2A, and changed the Group's internal organisation structure. The nature of the logistics equipment leasing business is different from other segment and it is material to the Group. Accordingly, the Logistics Equipment Leasing business has been added as a new operating segment. The composition of its operating segments has been revised and the segment information for the year ended 31 December 2016 has been restated due to the effect of merger accounting as disclosed in Note 2A, as well as to conform with current year's presentation.

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.

– Logistics equipment leasing: primarily involve providing services of logistics equipment leasing.

– 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.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Logistics equipment leasing RMB'000	Other services RMB'000	Segment total RMB'000	Inter-group elimination RMB'000	Total RMB'000
For the year ended 31 December 2017								
Revenue – external	45,718,723	18,669,238	2,276,298	1,456,055	4,446,864	72,567,178	–	72,567,178
Revenue – inter-segment	939,269	97,364	319,151	128	551,564	1,907,476	(1,907,476)	–
Total revenue	46,657,992	18,766,602	2,595,449	1,456,183	4,998,428	74,474,654	(1,907,476)	72,567,178
Segment results	1,101,859	649,654	346,181	355,418	37,647	2,490,759	–	2,490,759
Other gains and losses, net								943,258
Corporate expenses								(254,495)
Operating profit								3,179,522
Finance income								207,602
Finance costs								(641,705)
Share of profit/(loss) of joint ventures	30,379	(1,822)	48,521	–	896,806	973,884	–	973,884
Share of profit of associates								47,784
Profit before income tax								3,767,087
Income tax expense								(785,699)
Profit for the year								2,981,388

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Logistics equipment leasing RMB'000	Other services RMB'000	Segment total RMB'000	Inter-group elimination RMB'000	Total RMB'000
For the year ended 31 December 2016 (Restated)								
Revenue – external	37,548,748	15,705,561	1,948,864	1,288,656	3,274,136	59,765,965	–	59,765,965
Revenue – inter-segment	600,270	176,893	324,383	–	459,899	1,561,445	(1,561,445)	–
Total revenue	38,149,018	15,882,454	2,273,247	1,288,656	3,734,035	61,327,410	(1,561,445)	59,765,965
Segment results	836,378	616,505	246,507	318,100	35,925	2,053,415	–	2,053,415
Other gains and losses, net								797,505
Corporate expenses								(194,119)
Operating profit								2,656,801
Finance income								184,709
Finance costs								(322,904)
Share of profit/(loss) of joint ventures	45,007	(9,152)	26,498	–	820,421	882,774	–	882,774
Share of profit of associates								46,340
Profit before income tax								3,447,720
Income tax expense								(648,174)
Profit for the year								2,799,546

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5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	For the year ended 31 December 2017						
	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Logistics equipment leasing RMB'000	Other services RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	317,333	2,397,722	305,088	204,186	67,557	142,787	3,434,673
Depreciation	145,698	351,913	224,024	353,683	61,636	9,036	1,145,990
Amortisation	5,609	4,595	1,141	3,243	1,649	18,301	34,538
Operating lease charges on land use rights	17,855	33,757	43,505	–	1,440	1,504	98,061
Provision for impairment loss of receivables	59,793	41,434	146	11,334	155	–	112,862
Impairment loss of property, plant and equipment	–	–	–	–	–	6,262	6,262
Gain on disposal of property, plant and equipment and land use rights	–	–	–	–	–	161,198	161,198

	For the year ended 31 December 2016 (Restated)						
	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Logistics equipment leasing RMB'000	Other services RMB'000	Corporate RMB'000	Group RMB'000
Capital expenditure*	367,452	1,562,109	582,221	428,713	81,821	175,720	3,198,036
Depreciation	154,714	343,879	219,405	327,252	81,358	10,278	1,136,886
Amortisation	8,056	2,471	1,211	3,192	1,543	14,391	30,864
Operating lease charges on land use rights	20,901	29,439	39,331	–	1,371	–	91,042
Provision for impairment loss of receivables	60,076	38,156	(694)	12,196	18,838	–	128,572
Impairment loss of property, plant and equipment	–	–	–	–	–	9,952	9,952
Gain on disposal of property, plant and equipment and land use rights	–	–	–	–	–	293,010	293,010

* The capital expenditure represents the total cash paid for purchase of non-current assets for the year ended 31 December 2017 and 2016.

The Company is domiciled in the PRC. The Group's revenue from external customers in the PRC for the year ended 31 December 2017 is RMB61,537,288,000 (2016: RMB51,716,617,000), and the Group's revenue from external customers from other regions is RMB11,029,890,000 (2016: RMB8,049,348,000).

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

6. DIRECTORS', SUPERVISORS', PRESIDENT'S AND SENIOR MANAGEMENT'S EMOLUMENTS

Emoluments of directors, supervisors and president

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

	2017 RMB'000	2016 RMB'000
Directors:		
Fees	638	664
Other emoluments		
– Basic salaries, housing allowances, and other allowances	1,545	1,415
– Discretionary bonuses	4,319	3,145
– Contributions to pension plans	504	183
Supervisors:		
Fees	107	107
Other emoluments		
– Basic salaries, housing allowances, and other allowances	269	198
– Discretionary bonuses	383	300
– Contributions to pension plans	76	47

Directors' fees disclosed above include RMB638,000 (2016: RMB664,000) paid to independent non-executive Directors.

The emoluments of the Directors, supervisors and the President for the year ended 31 December 2017 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 2017					
Directors					
Li Guanpeng (1)	–	420	1,292	129	1,841
Wang Lin (2)	–	323	1,145	151	1,619
Yu Jianmin (3)	–	401	987	114	1,502
Wu Xueming (3)	–	401	895	110	1,406
Guo Minjie	166	–	–	–	166
Lu Zhengfei	166	–	–	–	166
Liu Junhai	166	–	–	–	166
Han Xiaojing	139	–	–	–	139
As at 31 December 2017					
Supervisors					
Zhou Fangsheng	107	–	–	–	107
Ren Dongxiao	–	269	383	76	728

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

Emoluments of directors, supervisors and president (continued)

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

(2) Wang Lin, director, Vice President of the Company, is also Chairman of Sinotrans Eastern Company Limited, a wholly owned subsidiary of the Company. His emoluments disclosed above include those for services rendered by him as these positions.

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

The emoluments of the Directors, supervisors and the President 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					
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					
Supervisors					
Zhou Fangsheng	107	–	–	–	107
Ren Dongxiao	–	198	300	47	545

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

(2) Wang Lin, director, Vice President 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 2016.

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

No directors, supervisors, or the president of the Company waived any remuneration in 2017 (2016: Nil).

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

Emoluments of directors, supervisors and president (continued)

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

	2017 RMB'000	2016 RMB'000
Salaries and other employee benefits	5,292	3,367

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

	2017	2016
RMB1,000,001 to RMB1,500,000	4	2
Below RMB1,000,000	–	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 2017	 2016
Director	4	3
Senior management	1	2

The five individuals whose emoluments were the highest in the Group during the year include four (2016: three) directors who are also the President or the Vice President 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:

	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances and other allowances	402	671
Discretionary bonuses	1,145	1,850
Contributions to pension plans	122	94

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 (2016: Nil).

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7. STAFF COSTS

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

	2017 RMB'000	2016 RMB'000 (Restated)
Wages and salaries	4,271,053	3,761,635
Housing benefits (a)	245,469	218,619
Contributions to pension plans (b)	482,507	431,494
Termination benefits	31,410	20,282
Welfare and other expenses	588,118	586,381
	5,618,557	5,018,411

(a) These include the Group's defined contributions to government sponsored housing funds at rates ranging from 5% to 12% (2016: 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% (2016: 5% to 22%), dependent upon the applicable local regulations, of the employees' basic salaries for the year. As at 31 December 2017, contributions totalling RMB9,462,000 (2016: RMB8,245,000) were payable to these plans.

8. OTHER GAINS AND LOSSES, NET

	2017 RMB'000	2016 RMB'000 (Restated)
Gain on disposal of available-for-sale financial assets	578,520	366,972
Gain on disposal of investments in associates	–	82,504
Loss on disposal of investments in joint ventures	(610)	–
Gain on disposal of subsidiaries	282,318	21,153
Gain on disposal of property, plant and equipment and land use rights	161,198	293,010
(Loss)/gain from changes in fair value of financial assets designated as at FVTPL	(14,876)	102,811
Dividend on financial assets designated as at FVTPL	25,573	25,184
Impairment loss of property, plant and equipment	(6,262)	(9,952)
Impairment loss of investments in joint ventures	(14,842)	(4,020)
Provision for litigation claims, guarantees and losses on accident	(67,761)	(80,157)
	943,258	797,505

9. OPERATING PROFIT

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

	2017 RMB'000	2016 RMB'000 (Restated)
Charging		
Auditor's remuneration		
– Audit fee	5,800	5,500
– Audit-related and other services fee	4,250	3,050
Depreciation		
– Owned property, plant and equipment	1,117,892	1,116,875
– Owned property, plant and equipment leased out under operating leases	18,369	13,864
Amortisation of intangible assets	34,538	30,864
Operating lease charges on		
– Land use rights	98,061	91,042
– Buildings	509,376	321,141
– Plant and equipment	196,245	215,307
Impairment losses of receivables	112,862	128,572
Charges on property management and facilities	185,770	162,853
Charges on IT support	106,125	91,649
Crediting		
Rental income from		
– Buildings	69,983	61,243
– Plant and machinery	11,377	17,941
Gross rental income from investment properties	27,938	10,614
Less: depreciation of investment properties	(9,729)	(6,147)
Net rental income from investment properties	18,209	4,467
Dividend income on available-for-sale financial assets	38,551	32,074
Government grants	276,790	238,233

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10. FINANCE INCOME AND FINANCE COSTS

	2017 RMB'000	2016 RMB'000 (Restated)
Finance income		
– Bank interest income	207,602	184,709
Finance costs		
– Interest expenses		
Including: Borrowings and amounts due to ultimate holding company and fellow subsidiaries	(395,902)	(233,897)
Less: capitalised amount	110,648	32,647
Bonds	(130,420)	(256,716)
– Exchange (losses) gains, net	(202,199)	168,231
– Bank charges	(23,832)	(33,169)
	(641,705)	(322,904)

11. INCOME TAX EXPENSE

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

	2017 RMB'000	2016 RMB'000 (Restated)
Current income tax		
– PRC enterprise income tax	699,989	513,989
– Overseas	80,581	76,425
– Hong Kong	19,688	15,340
Deferred PRC income tax	(14,559)	58,664
	785,699	664,418
Land appreciation tax ("LAT")	–	(16,244)
	785,699	648,174

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% (2016: 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% (2016: 10% to 20%) based on the relevant PRC tax laws and regulations.

11. INCOME TAX EXPENSE (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:

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before income tax	3,767,087	3,447,720
Less: share of profit of associates	(47,784)	(46,340)
Less: share of profit of joint ventures	(973,884)	(882,774)
	2,745,419	2,518,606
Tax calculated at the statutory tax rate of 25% (2016: 25%)	686,355	629,652
Tax effects of		
– Utilisation of tax losses previously not recognised	(58,574)	(92,922)
– Deferred income tax benefits arising from tax losses in certain entities not recognised	134,947	124,856
– Income not taxable for tax purposes	(29,465)	(59,482)
– Expenses not deductible for tax purposes	94,060	103,571
– Preferential tax rates on the income of certain subsidiaries	(41,624)	(45,318)
LAT	–	(16,244)
Tax effects of LAT	–	4,061
Income tax expense	785,699	648,174

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

	2017			2016 (Restated)		
	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	(182,818)	43,789	(139,029)	(483,826)	78,495	(405,331)
Deferred tax		43,789			78,495	

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11. INCOME TAX EXPENSE (CONTINUED)

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

Deferred income tax assets

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	332,513	216,620
Effect of business combinations under common control	–	147,082
Credited/(charged) to profit or loss	43,591	(31,162)
Other	(12)	(27)
At end of year	376,092	332,513
Provided for in respect of		
– Provision for impairment	69,072	55,190
– Provision for one-off cash housing subsidies	5,648	6,286
– Accrued salary	57,718	45,668
– Provision for claims	80,476	84,091
– Depreciation on property, plant and equipment	1,859	3,382
– Tax losses	82,172	84,773
– Other temporary differences	79,147	53,123
	376,092	332,513

	2017 RMB'000	2016 RMB'000 (Restated)
Temporary differences for which deferred income tax assets were not recognised		
– Tax losses in certain entities not recognised	1,993,118	2,186,681
– Deductible temporary differences in certain entities not recognised	307,984	277,581

At the end of the reporting period, the Group has deductible temporary differences of RMB307,984,000 (31 December 2016: 277,581,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 2017, the Group did not recognise deferred income tax assets of RMB498,280,000 (2016: RMB546,670,000) in respect of the above stated tax losses amounting to RMB1,993,118 (2016: RMB2,186,681,000) which can be carried forward against future taxable income, and tax losses would expire in the following years:

	2017 RMB'000	2016 RMB'000 (Restated)
2017	–	499,055
2018	313,370	315,556
2019	431,419	535,761
2020	313,037	327,945
2021	416,582	421,031
2022	425,087	–
Indefinitely	93,623	87,333
	1,993,118	2,186,681

11. INCOME TAX EXPENSE (CONTINUED)

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

Deferred income tax liabilities

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	295,283	173,664
Effect of business combinations under common control	–	172,612
Charged to profit or loss	29,032	27,502
Credited to other comprehensive income	(43,789)	(78,495)
At end of year	280,526	295,283
Provided for in respect of		
– Change in fair values of available-for-sale financial assets	47,964	91,753
– Depreciation and amortization	203,336	177,832
– Fair value adjustments of business acquisition	3,691	6,890
– Fair value of financial assets designated as at FVTPL	18,243	16,747
– Other temporary differences	7,292	2,061
	280,526	295,283

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 unrecognised deferred income tax liabilities amounting to RMB135,986,000 as at 31 December 2017 (2016: RMB135,986,000) was related to gain of RMB543,944,000 arising from deemed disposal of the Company's share of net assets of 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:

	2017 RMB'000	2016 RMB'000 (Restated)
Deferred income tax assets	328,129	307,667
Deferred income tax liabilities	(232,563)	(270,437)

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12. DIVIDENDS

	2017 RMB'000	2016 RMB'000 (Restated)
Dividends recognised as distribution during the year:		
– 2016 Final, paid, of RMB0.075 (2015 Final, paid: RMB0.07) per ordinary share	345,486	322,454
– 2017 Interim, paid, of RMB0.04 (2016 Interim, paid: RMB0.035) per ordinary share	184,259	161,227
	529,745	483,681

At the Board's meeting held on 26 March 2018, the Directors proposed a final dividend of RMB0.08 per ordinary share totaling RMB483,933,000. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2017, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

At the Board's meeting held on 21 March 2017, the Directors proposed a final dividend of RMB0.075 (2016: RMB0.07) per ordinary share totaling RMB345,486,000 (2016: RMB322,454,000) for the year ended 31 December 2016. Such dividends were approved at the annual general meeting of the shareholders of the Company on 12 May 2017.

An interim dividend of RMB0.04 (2016 Interim: RMB0.035) per ordinary share for 4,606,483,200 shares as at 21 August 2017, totaling RMB184,259,000 (2016 Interim: RMB161,227,000) for the six months ended 30 June 2017, was declared by the Board to the owners of the Company on 21 August 2017.

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.

	2017	2016 (Restated)
Profit attributable to owners of the Company (RMB'000)	2,304,191	2,253,728
Number of ordinary shares in issue (thousands)	6,049,167	6,049,167
Earnings per share, basic and diluted (RMB)	0.38	0.37

In November 2017, 1,442,683,444 Domestic Shares were allotted and issued as consideration transferred for acquisition of China Merchants Logistics which is treated as business combination involving entities under common control, details are set out in note 2A. Accordingly, the number of ordinary shares used in calculate earnings per share were retrospectively adjusted, as if the consideration shares were issued and outstanding throughout year 2017 and 2016.

The company has no potential ordinary shares outstanding during both years.

14. LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	4,052,523	2,732,850
Effect of business combinations under common control	–	1,343,500
Additions	37,179	141,847
Transfer from prepayments for acquisition of land use rights	41,401	33,755
Transfer from assets under construction	1,069,952	–
Disposals	(13,674)	(108,387)
Cost transfer to investment properties	(56,090)	–
Amortisation transfer to investment properties	5,559	–
Disposal of subsidiaries	(11,688)	–
Charged to profit or loss	(98,061)	(91,042)
At end of year	5,027,101	4,052,523

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 (2016: 10 to 50 years).

Land use rights pledged as security for bank borrowings are disclosed in Note 27(c).

15. PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	79,914	83,621
Additions	–	58,522
Transfer to land use rights	(41,401)	(33,755)
Withdrawal of land deposit	–	(28,474)
At end of year	38,513	79,914

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
2017									
Cost									
At 1 January 2017 (Restated)	9,660,519	17,751	1,391,961	1,190,918	5,008,475	1,773,981	875,316	4,575,347	24,494,268
Additions	87,607	3,354	768	194,743	897,250	105,443	142,196	1,973,737	3,405,098
Transfer from investment properties	32,005	–	–	–	–	–	–	–	32,005
Disposal	(123,922)	–	(2,623)	(34,470)	(575,812)	(249,845)	(94,699)	–	(1,081,371)
Transfer to investment properties	(99,761)	–	–	–	–	–	–	(674,948)	(774,709)
Disposal of subsidiaries	(72,967)	–	(10,884)	–	(37,978)	(5,751)	(5,775)	(54)	(133,409)
Transfer upon completion	975,796	–	35,721	–	51,832	–	76,874	(1,140,223)	–
Transfer to intangible asset	–	–	–	–	–	–	–	(3,454)	(3,454)
Transfer to land use right	–	–	–	–	–	–	–	(1,069,952)	(1,069,952)
Exchange adjustments	(4,274)	–	–	(66,877)	7,549	(1,292)	208	(164,897)	(229,583)
At 31 December 2017	10,455,003	21,105	1,414,943	1,284,314	5,351,316	1,622,536	994,120	3,495,556	24,638,893
Accumulated depreciation									
At 1 January 2017 (Restated)	(2,173,103)	(13,052)	(477,188)	(695,162)	(1,844,989)	(1,020,763)	(581,643)	–	(6,805,900)
Depreciation charge	(337,166)	(2,137)	(48,388)	(79,044)	(466,415)	(133,088)	(70,023)	–	(1,136,261)
Transfer from investment properties	(2,398)	–	–	–	–	–	–	–	(2,398)
Disposal	51,206	–	2,143	31,793	320,521	142,496	56,274	–	604,433
Transfer to investment properties	5,999	–	–	–	–	–	–	–	5,999
Disposal of subsidiaries	18,615	–	4,923	–	21,177	4,748	3,592	–	53,055
Exchange adjustments	1,522	–	–	39,442	(3,184)	600	(206)	–	38,174
At 31 December 2017	(2,435,325)	(15,189)	(518,510)	(702,971)	(1,972,890)	(1,006,007)	(592,006)	–	(7,242,898)
Impairment losses									
At 1 January 2017 (Restated)	(7,420)	–	–	(4,056)	(31,096)	(149,941)	–	–	(192,513)
Impairment loss for the period	–	–	–	–	(6,262)	–	–	–	(6,262)
Disposal	–	–	–	–	1,848	39,147	–	–	40,995
Exchange adjustments	467	–	–	321	(999)	–	–	–	(211)
At 31 December 2017	(6,953)	–	–	(3,735)	(36,509)	(110,794)	–	–	(157,991)
Net book value									
At 31 December 2017	8,012,725	5,916	896,433	577,608	3,341,917	505,735	402,114	3,495,556	17,238,004
At 1 January 2017 (Restatd)	7,479,996	4,699	914,773	491,700	3,132,390	603,277	293,673	4,575,347	17,495,855

Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 27(c).

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

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
2016									
Cost									
At 1 January 2016, as previously reported	5,543,337	16,270	1,335,213	1,034,089	1,776,530	953,181	532,608	831,468	12,022,696
Effect of business combinations under common control	3,445,053	–	53,579	–	2,801,120	894,752	295,494	436,431	7,926,429
Additions	69,772	2,267	5,179	114,380	626,752	115,087	109,950	4,125,999	5,169,386
Transfer from investment properties	13,488	–	–	–	–	–	–	–	13,488
Disposal	(172,044)	(838)	(12,653)	(24,921)	(224,002)	(190,960)	(71,965)	–	(697,383)
Transfer to investment properties	(32,224)	–	–	–	–	–	–	–	(32,224)
Transfer upon completion	786,120	52	10,643	–	21,442	–	294	(818,551)	–
Exchange adjustments	7,017	–	–	67,370	6,633	1,921	8,935	–	91,876
At 31 December 2016 (Restated)	9,660,519	17,751	1,391,961	1,190,918	5,008,475	1,773,981	875,316	4,575,347	24,494,268
Accumulated depreciation									
At 1 January 2016	(1,296,902)	(10,707)	(422,373)	(585,755)	(969,888)	(607,086)	(394,379)	–	(4,287,090)
Effect of business combinations under common control	(589,538)	–	(13,213)	–	(779,661)	(425,630)	(166,021)	–	(1,974,063)
Depreciation charge	(341,132)	(2,806)	(48,465)	(92,917)	(409,645)	(151,832)	(83,942)	–	(1,130,739)
Transfer from investment properties	(5,216)	–	–	–	–	–	–	–	(5,216)
Disposal	53,851	461	6,863	23,753	315,063	164,282	66,493	–	630,766
Transfer to investment properties	8,182	–	–	–	–	–	–	–	8,182
Exchange adjustments	(2,348)	–	–	(40,243)	(858)	(497)	(3,794)	–	(47,740)
At 31 December 2016 (Restated)	(2,173,103)	(13,052)	(477,188)	(695,162)	(1,844,989)	(1,020,763)	(581,643)	–	(6,805,900)
Impairment losses									
At 1 January 2016, as previously reported	(3,570)	–	–	–	–	(18,763)	–	–	(22,333)
Effect of business combinations under common control	–	–	–	–	(26,094)	(131,178)	–	–	(157,272)
Impairment loss for the period	–	–	–	(3,833)	(6,119)	–	–	–	(9,952)
Transfer from investment properties	(3,628)	–	–	–	–	–	–	–	(3,628)
Disposal	–	–	–	–	1,117	–	–	–	1,117
Exchange adjustments	(222)	–	–	(223)	–	–	–	–	(445)
At 31 December 2016 (Restated)	(7,420)	–	–	(4,056)	(31,096)	(149,941)	–	–	(192,513)
Net book value									
At 31 December 2016 (Restated)	7,479,996	4,699	914,773	491,700	3,132,390	603,277	293,673	4,575,347	17,495,855
At 1 January 2016	7,098,380	5,563	953,206	448,334	2,802,007	665,276	267,702	1,267,899	13,508,367

Property, plant and equipment pledged as security for bank borrowings are disclosed in Note 27(c).

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

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17. INVESTMENT PROPERTIRS

	RMB'000
2017	
Cost	
At 1 January 2017 (Restated)	218,578
Additions	20,917
Transfer from property, plant and equipment	774,709
Transfer from land use rights	56,090
Transfer to property, plant and equipment	(32,005)
Disposal	(7,036)
Exchange adjustments	(669)
At 31 December 2017	1,030,584
Depreciation and impairment	
At 1 January 2017 (Restated)	(50,983)
Provided for the year	(9,729)
Transfer from property, plant and equipment	(5,999)
Transfer from land use rights	(5,559)
Transfer to property, plant and equipment	2,398
Disposal	2,785
Exchange adjustments	167
At 31 December 2017	(66,920)
Net book value	
At 31 December 2017	963,664
At 1 January 2017 (Restated)	167,595
2016	
Cost	
At 1 January 2016	188,767
Effect of business combinations under common control	9,722
Transfer from property, plant and equipment	32,224
Transfer to property, plant and equipment	(13,488)
Exchange adjustments	1,353
At 31 December 2016 (Restated)	218,578
Depreciation and impairment	
At 1 January 2016	(42,052)
Effect of business combinations under common control	(2,555)
Provided for the year	(6,147)
Transfer from property, plant and equipment	(8,182)
Transfer to property, plant and equipment	8,844
Exchange adjustments	(891)
At 31 December 2016 (Restated)	(50,983)
Net book value	
At 31 December 2016 (Restated)	167,595
At 1 January 2016	153,882

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

18. INTANGIBLE ASSETS

	Software RMB'000	Goodwill RMB'000	Trademark RMB'000	Others RMB'000	Total RMB'000
2017					
Cost					
At 1 January 2017 (Restated)	471,122	2,591,880	265,832	10,780	3,339,614
Additions	56,614	–	–	–	56,614
Transfer from assets under construction	3,454	–	–	–	3,454
Disposals	(8,106)	–	–	–	(8,106)
Disposal of subsidiaries	(138)	(42)	–	–	(180)
Exchange adjustments	(124)	33,367	4,089	–	37,332
At 31 December 2017	522,822	2,625,205	269,921	10,780	3,428,728
Accumulated amortization and impairment					
At 1 January 2017 (Restated)	(377,028)	(116,624)	–	(10,253)	(503,905)
Amortisation	(34,011)	–	–	(527)	(34,538)
Disposals	1,583	–	–	–	1,583
Disposal of subsidiaries	138	–	–	–	138
Exchange adjustments	85	–	–	–	85
At 31 December 2017	(409,233)	(116,624)	–	(10,780)	(536,637)
Net book value					
At 31 December 2017	113,589	2,508,581	269,921	–	2,892,091
At 1 January 2017 (Restated)	94,094	2,475,256	265,832	527	2,835,709

	Software RMB'000	Goodwill RMB'000	Trademark RMB'000	Others RMB'000	Total RMB'000
2016					
Cost					
At 1 January 2016	330,832	39,387	–	5,780	375,999
Effect of business combinations under common control	113,450	2,428,879	250,563	5,000	2,797,892
Additions	29,287	–	15,269	–	44,556
Disposals	(2,447)	–	–	–	(2,447)
Disposal of subsidiaries	–	(209)	–	–	(209)
Write-off on winding up of a subsidiary	–	(861)	–	–	(861)
Exchange adjustments	–	124,684	–	–	124,684
At 31 December 2016 (Restated)	471,122	2,591,880	265,832	10,780	3,339,614
Accumulated amortization and impairment					
At 1 January 2016	(245,607)	–	–	(4,493)	(250,100)
Effect of business combinations under common control	(101,375)	(116,624)	–	(5,000)	(222,999)
Amortisation	(30,104)	–	–	(760)	(30,864)
Disposals	58	–	–	–	58
At 31 December 2016 (Restated)	(377,028)	(116,624)	–	(10,253)	(503,905)
Net book value					
At 31 December 2016 (Restated)	94,094	2,475,256	265,832	527	2,835,709
At 1 January 2016	97,300	2,351,642	250,563	1,287	2,700,792

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18. INTANGIBLE ASSETS (CONTINUED)

For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives have been allocated to 12 CGUs, representing 12 subsidiaries mainly in the Logistics equipment leasing segment. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) as at 31 December 2017 allocated to these units are as follows:

	Goodwill		Trademarks	
	31/12/2017 RMB'000	31/12/2016 RMB'000 (Restated)	31/12/2017 RMB'000	31/12/2016 RMB'000 (Restated)
China Merchant Loscam (Asia & Pacific) Company Limited ("Loscam") Asia ("Unit A")	1,247,985	1,229,092	151,157	116,966
Loscam Australia ("Unit B")	956,083	941,608	118,764	148,866
Shenzhen Henglu Logistics Company Limited ("Unit C")	134,843	134,843	–	–
Kangxin Logistics(Tianjin) Company Limited ("Unit D")	110,265	110,265	–	–
Kangxin Logistics(Harbin) Company Limited	17,781	17,781	–	–
Maoxun International Company Limited	15,287	15,287	–	–
Yueyang China Merchant Gas Company Limited	–	42	–	–
Sinotrans Heavy-lift Logistics Company Limited	8,071	8,071	–	–
Wanshun Shipping Company Limited	7,536	7,536	–	–
Jiangmen Waihai Company Limited	7,221	7,221	–	–
China Merchant International Coldchain (Shenzhen) Company Limited	2,237	2,237	–	–
Sinotrans Foshan Storage Company Limited	382	382	–	–
Sinotrans Chongqing Company Limited	891	891	–	–

During the year ended 31 December 2017, management of the Group determines that there is no impairment of any of its CGUs containing goodwill or trademarks with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 8.49% (2016: 8.49%). Unit A's cash flows beyond the 5-year period are extrapolated using a progressive 8% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A.

18. INTANGIBLE ASSETS (CONTINUED)

Unit B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 6.59% (2016: 6.59%). Unit B's cash flows beyond the 5-year period are extrapolated using a progressive 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B.

Unit C

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10.13% (2016: 10.13%). Unit C's cash flows beyond the 5-year period are extrapolated using a progressive 7% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit C to exceed the aggregate recoverable amount of Unit C.

Unit D

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 11.9% (2016: 11.9%). Unit D's cash flows beyond the 5-year period are extrapolated using a progressive 8% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit D to exceed the aggregate recoverable amount of Unit D.

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19. INVESTMENTS IN JOINT VENTURES

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

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	3,221,808	3,171,423
Effect of business combinations under common control	–	1,071,154
Acquisition of joint ventures	35,000	79,434
Additional investments	5,960	43,393
	40,960	1,193,981
Share of profit of joint ventures		
– profit before income tax	1,298,512	1,177,032
– income tax expense	(324,628)	(294,258)
	973,884	882,774
Share of other comprehensive (income)/expense	(1,797)	72,992
Disposals	(22,921)	(1,152,279)
Dividends declared	(875,727)	(943,063)
	(900,445)	(2,022,350)
Impairment loss	(14,842)	(4,020)
At end of year	3,321,365	3,221,808

Investments in joint ventures as at 31 December 2017 include goodwill of RMB39,789,000 (2016: RMB39,789,000).

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following is a list of the principal joint ventures as at 31 December 2017.

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 2017	2016	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 Courier Company Limited ("DHL")	Beijing, the PRC Sino-foreign equity joint venture	US$14,500,000	50%*	50%*	Express services
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

	2017 RMB'000	2016 RMB'000
Current assets	198,015	215,110
Non-current assets	1,456,467	1,496,446
Current liabilities	(190,609)	(154,226)
Non-current liabilities	(831,775)	(926,019)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	93,114	81,729
Current financial liabilities (excluding trade and other payables and provisions)	(6,812)	(2,000)
Non-current financial liabilities (excluding trade and other payables and provisions)	(738,604)	(772,864)

	2017 RMB'000	2016 RMB'000
Revenue	220,607	248,443
Profit and total comprehensive income for the year	786	3,276
The above profit for the year includes the following:		
Depreciation and amortisation	(50,114)	(60,386)
Interest income	–	316
Interest expense	(45,578)	(49,400)

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

	2017 RMB'000	2016 RMB'000
Net assets of Dongguan Humen	632,098	631,311
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	346,745	346,359

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

New Land Bridge

	2017 RMB'000	2016 RMB'000
Current assets	151,871	134,357
Non-current assets	383,711	404,208
Current liabilities	(32,099)	(40,275)
Non-current liabilities	(13,105)	(17,699)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	53,701	57,891
Current financial liabilities (excluding trade and other payables and provisions)	(5,529)	(5,043)

	2017 RMB'000	2016 RMB'000
Revenue	258,758	251,649
Profit and total comprehensive income for the year	31,097	23,678
Dividends received from the joint venture during the year	8,950	13,183
The above profit for the year includes the following:		
Depreciation and amortisation	(23,652)	(33,665)
Income tax expense	(8,950)	(9,062)

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

	2017 RMB'000	2016 RMB'000
Net assets of New Land Bridge	490,378	480,591
Proportion of the Group's ownership interest in New Land Bridge	42%	42%
Carrying amount of the Group's interest in New Land Bridge	205,959	201,848

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19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

DHL

	2017 RMB'000	2016 RMB'000
Current assets	3,577,080	3,234,561
Non-current assets	734,655	826,680
Current liabilities	(1,923,797)	(1,846,001)
Non-current liabilities	(76,200)	(67,552)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	1,901,380	1,603,893
Current financial liabilities (excluding trade and other payables and provisions)	(226,774)	(191,965)

	2017 RMB'000	2016 RMB'000
Revenue	11,926,245	10,618,350
Profit and total comprehensive income for the year	1,786,310	1,609,633
Dividends received from the joint venture during the year	811,130	857,058
The above profit for the year includes the following:		
Depreciation and amortisation	(530,774)	(165,288)
Income tax expense	(599,856)	(542,841)

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

	2017 RMB'000	2016 RMB'000
Net assets of DHL	2,311,738	2,147,688
Proportion of the Group's ownership interest in DHL	50%	50%
Carrying amount of the Group's interest in DHL	1,155,869	1,073,844

Aggregate information of joint ventures that are not individually material

	2017 RMB'000	2016 RMB'000 (Restated)
The Group's share of profit	67,283	66,407
The Group's share of other comprehensive (income)/expense	(1,797)	72,992
The Group's share of total comprehensive income	65,486	139,399

20. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000 (Restated)
Investments in associates		
– Unlisted	1,262,418	902,606

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	902,606	803,824
Effect of business combinations under common control	–	23,376
Additional investments	193,444	–
Addition due to disposal of a subsidiary	152,200	–
Acquisition of associates	6,192	46,053
	351,836	69,429
Share of profit of associates		
– profit before income tax	63,712	61,787
– income tax expense	(15,928)	(15,447)
	47,784	46,340
Share of other comprehensive (expense)/income	(8,305)	8,042
Disposals	(1,763)	–
Dividends declared	(30,303)	(16,439)
	(40,371)	(8,397)
Impairment loss		
– effect of business combinations under common control	–	(7,576)
– other comprehensive income/(expense)	563	(1,014)
	563	(8,590)
At end of year	1,262,418	902,606

Investments in associates as at 31 December 2017 include goodwill of RMB38,011,000 (2016: 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 2017:

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 2017	2016	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	RMB530,730,000	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
China Merchants Logistics Group Nanjing Company Limited ("China Merchants Nanjing")	Nanjing, the PRC limited liability company	RMB50,000,000	45%	90%	Logistics

* 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.

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.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Wuhan Port

	2017 RMB'000	2016 RMB'000
Current assets	249,759	107,977
Non-current assets	602,504	806,964
Current liabilities	(100,303)	(163,701)
Non-current liabilities	(297,225)	(362,643)

	2017 RMB'000	2016 RMB'000
Revenue	110,787	112,420
Profit and total comprehensive income for the year	79,137	14,682
Dividends received from the associate during the year	3,900	–

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

	2017 RMB'000	2016 RMB'000
Net assets of Wuhan Port	454,735	388,597
Proportion of the Group's ownership interest in Wuhan Port	30%	30%
The Group's share of net assets of Wuhan port	136,420	116,579
Goodwill	15,969	15,969
Carrying amount of the Group's interest in Wuhan Port	152,389	132,548

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20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Weihai Weidong

	2017 RMB'000	2016 RMB'000
Current assets	219,916	418,146
Non-current assets	521,180	305,847
Current liabilities	(75,848)	(49,507)

	2017 RMB'000	2016 RMB'000
Revenue	686,504	623,440
Profit for the year	57,297	71,402
Other comprehensive (expenses)/income for the year	(25,806)	23,425
Total comprehensive income for the year	31,491	94,827
Dividends received from the associate during the year	12,219	8,897

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

	2017 RMB'000	2016 RMB'000
Net assets of Weihai Weidong	665,248	674,486
Proportion of the Group's ownership interest in Weihai Weidong	30%	30%
Carrying amount of the Group's interest in Weihai Weidong	199,574	202,346

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Shenzhen Haixing

	2017 RMB'000	2016 RMB'000
Current assets	339,632	110,882
Non-current assets	1,058,890	1,050,011
Current liabilities	(155,341)	(285,424)

	2017 RMB'000	2016 RMB'000
Revenue	110,119	211,339
Loss and total comprehensive expenses for the year	(70,287)	(11,127)

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

	2017 RMB'000	2016 RMB'000
Net assets of Shenzhen Haixing	1,243,181	875,469
Proportion of the Group's ownership interest in Shenzhen Haixing	33%	33%
Carrying amount of the Group's interest in Shenzhen Haixing	410,250	288,905

Aggregate information of associates that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of profit	30,049	24,187
The Group's share of other comprehensive (expense)/income	(563)	1,014
The Group's share of total comprehensive income	29,486	25,201
Aggregate carrying amount of the Group's interest in these associates	500,205	278,807

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21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000 (Restated)
Listed equity investments, at fair value (a)	327,064	791,624
Unlisted equity investments, at cost less impairment (b)	226,193	281,373
	553,257	1,072,997

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

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of year	791,624	1,436,245
Change in fair value	422,640	(167,946)
Disposal	(887,200)	(476,675)
At end of year	327,064	791,624
Market value of listed equity investments	327,064	791,624

Listed equity investments include the ordinary shares of Air China Limited ("Air China") listed on the Shanghai Stock Exchange and BOE Technology Group Co., Ltd. ("BOE") listed on the Shenzhen Stock Exchange. Air China was 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.

During 2017, the Group disposed its entire 15% equity interest in Finance Company to a related party for cash consideration of approximately RMB83,592,000. 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 approximately RMB8,592,000 in the consolidated statement of profit or loss.

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.

22. PREPAYMENTS AND OTHER CURRENT ASSETS

	2017 RMB'000	2016 RMB'000 (Restated)
Due from related parties (a)	42,673	137,335
Prepayments made on behalf of customers	1,674,799	1,675,808
Available-for-sale financial assets (b)	2,000,000	1,200,000
Deductible value added tax	549,673	470,305
Prepaid expenses	138,343	76,728
Others	10,636	7,349
	4,373,451	3,430,190
	4,416,124	3,567,525

(a) Due from related parties

The amounts due from related parties are unsecured, non-interest bearing and repayment on demand (Note 45(b)).

(b) Available-for-sale financial assets

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

As at 31 December 2017:

– Bank of China product with principal amount of RMB350,000,000, no fixed period starting from December 2017, with expected annual yield rate of 3.00%.

– Shanghai Pudong Development Bank product with principal amount of RMB300,000,000, 90-day term starting from October 2017, with expected annual yield rate of 4.40%.

– Shanghai Pudong Development Bank product with principal amount of RMB500,000,000, 91-day term starting from November 2017, with expected annual yield rate of 4.45%.

– PingAn Bank product with principal amount of RMB200,000,000, 92-day term starting from November 2017, with expected annual yield rate of 4.20%.

– PingAn Bank product with principal amount of RMB150,000,000, 94-day term starting from December 2017, with expected annual yield rate of 4.65%.

– Beijing Bank product with principal amount of RMB300,000,000, 57-day term starting from December 2017, with expected annual yield rate of 4.20%.

– Beijing Bank product with principal amount of RMB200,000,000, 40-day term starting from December 2017, with expected annual yield rate of 4.20%.

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22. PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

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

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%.
- 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%.

23. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables (a)	10,414,499	9,270,233
Bills receivables (b)	745,939	553,593
Other receivables (c)	1,111,322	1,295,891
Due from related parties (d)	535,353	1,016,965
	12,807,113	12,136,682

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

	2017 RMB'000	2016 RMB'000 (Restated)
RMB	10,275,143	9,823,069
US$	1,682,359	1,482,211
HK$	287,272	414,102
JPY	44,806	41,572
Others	517,533	375,728
	12,807,113	12,136,682

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 2017 and 2016, 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:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	30,877	53,614
Between 6 and 12 months	198,023	167,426
Between 1 and 2 years	109,345	189,658
Between 2 and 3 years	104,161	62,411
Over 3 years	14,348	61,449
	456,754	534,558
Less: Provision for impairment of receivables	(379,912)	(292,016)
	76,842	242,542

As at 31 December 2017 and 2016, 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:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	336,593	796,811
Between 6 and 12 months	39,047	52,249
Between 1 and 2 years	50,402	20,760
	426,042	869,820

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

	2017 RMB'000	2016 RMB'000 (Restated)
At beginning of the year	292,016	140,950
Effect of business combinations under common control	–	130,936
Allowance for impairment	140,161	128,572
Receivables written off as uncollectible	(24,966)	(108,442)
Amount recovered during the year	(27,299)	–
At end of the year	379,912	292,016

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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

	2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables	10,716,879	9,524,855
Less: Allowance for impairment of receivables	(302,380)	(254,622)
Trade receivables, net	10,414,499	9,270,233

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	10,185,352	9,027,690
Between 6 and 12 months	141,847	133,733
Between 1 and 2 years	61,279	99,677
Between 2 and 3 years	26,021	8,846
Over 3 years	–	287
	10,414,499	9,270,233

(b) The Group has transferred bills receivables amounted to RMB368,252,000 (2016: RMB478,157,000) 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. The Group has discounted bills receivables amounted to RMB113,826,000 (2016: RMB53,995,000) to banks. The Group has derecognized these bills receivables in their entirety. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers or the banks. 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 RMB482,078,000 (2016: RMB532,152,000).

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 2017, the carrying amount of the receivables which have been pledged as security for the borrowing, is RMB40,961,000 (2016: RMB137,175,000). The carrying amount of the associated liability is RMB40,961,000 (2016: RMB137,175,000).

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Other receivables

	2017 RMB'000	2016 RMB'000 (Restated)
Deposits receivables	587,863	492,155
Receivables for payments on behalf of customers	394,989	628,269
Government grants receivables	48,061	9,912
Proceed receivables from the disposal of property, plant and equipment and land use rights	45,023	45,023
Interest receivables	26,153	17,083
Compensation receivables	7,621	15,046
Others	76,795	125,493
	1,186,505	1,332,981
Less: Allowance for impairment of other receivables	(75,183)	(37,090)
	1,111,322	1,295,891

(d) Due from related parties

The amounts due from related parties are analysed as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables:		
Ultimate holding company and fellow subsidiaries	109,596	119,494
Joint ventures	19,456	63,713
Associates	11,078	6,197
	140,130	189,404
Less: allowance for impairment of trade receivables	(2,298)	–
	137,832	189,404
Other receivables:		
Ultimate holding company and fellow subsidiaries	278,242	715,057
Joint ventures	87,323	74,466
Associates	32,007	38,342
	397,572	827,865
Less: allowance for impairment of other receivables	(51)	(304)
	397,521	827,561
	535,353	1,016,965

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	131,974	189,200
Between 6 and 12 months	582	204
Between 1 and 2 years	5,276	–
	137,832	189,404

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

The amounts due from related parties are described in Note 45(b).

24. RESTRICTED CASH

	2017 RMB'000	2016 RMB'000 (Restated)
Deposits denominated in RMB in banks restricted for		
– guaranteed deposit	80,303	138,759
– bill of exchange	101,750	67,210
– other purposes	35,701	22,370
	217,754	228,339

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 0.83% (2016: 0.57%) per annum.

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 2017 and 2016, the Group's term deposits with initial terms of over three months are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000 (Restated)
RMB	2,222,783	1,343,142
HK$	585	–
Others	1,815	3,131
	2,225,183	1,346,273

As at 31 December 2017, the weighted average effective interest rate on term deposits with initial terms of over three months of the Group was 2.13% (2016: 2.19%) 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

	2017 RMB'000	2016 RMB'000 (Restated)
Cash at bank and in hand	8,419,093	7,971,591
Cash at the Finance Company	755,617	399,319
Short-term bank deposits	534,672	953,045
	9,709,382	9,323,955

(a) As at 31 December 2017 and 2016, the Group's cash and cash equivalents are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000 (Restated)
RMB	6,354,316	6,246,638
US$	2,642,244	2,513,369
HK$	384,049	245,021
JPY	51,818	58,579
Others	276,955	260,348
	9,709,382	9,323,955

(b) The weighted average effective interest rate of the Group on short term bank deposits was 2.37% (2016: 2.62%) per annum.

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27. BORROWINGS

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

	2017 RMB'000	2016 RMB'000 (Restated)
Current		
Bank borrowings denominated in		
– RMB		
Fixed interest rate	95,961	174,198
Floating interest rate	132,000	–
– US$		
Fixed interest rate	23,378	28,812
Floating interest rate	4,574	51,264
– HK$		
Floating interest rate	493,335	84,978
Borrowings from Finance Company		
– RMB		
Fixed interest rate	750,000	–
	1,499,248	339,252
Non-current		
Repayable between 2-5 years		
– RMB		
Fixed interest rate	2,000,937	1,000,000
Floating interest rate	92,303	–
– US$		
Floating interest rate	84,990	2,073,243
– HK$		
Fixed interest rate	1,989,358	–
Floating interest rate	210,647	–
Bank borrowings repayable over 5 years		
– RMB		
Fixed interest rate	124,339	147,064
Floating interest rate	42,714	–
– US$		
Floating interest rate	427,212	472,704
– HK$		
Floating interest rate	1,636,792	1,074,992
	6,609,292	4,768,003
Total fixed rate borrowings	4,983,973	1,350,074
Total floating rate borrowings	3,124,567	3,757,181
Total borrowings	8,108,540	5,107,255
Borrowings		
– Secured	1,973,417	1,240,763
– Unsecured		
– Bank borrowings	2,318,736	159,980
– Borrowings from Finance Company (Note 45(d))	2,750,000	1,000,000
– Guaranteed	1,066,387	2,706,512
	8,108,540	5,107,255

27. BORROWINGS (CONTINUED)

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

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 3.88% (2016: 3.67%) per annum for bank borrowings denominated in RMB, 3.02% (2016: 2.19%) per annum for bank borrowings denominated in US$, and 3.97% (2016: 3.41%) per annum for bank borrowings denominated in HK$ for the year ended 31 December 2017.

(c) Securities and guarantees

	2017 RMB'000	2016 RMB'000 (Restated)
Account receivables pledged	40,961	137,175
Carrying amount of property, plant and equipment pledged	2,082,776	2,612,080
Carrying amount of land use rights pledged	1,155,653	27,490
Restricted cash pledged	–	200

28. BONDS

	2017 RMB'000	2016 RMB'000 (Restated)
Non-current		
Long-term bonds (a)	3,495,827	3,494,630
	3,495,827	3,494,630
Current		
Long-term bonds (b)	–	998,726
	–	998,726

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28. BONDS (CONTINUED)

(a) On 2 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 2.97%, 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. The bonds were paid when due in 2017.

29. PROVISONS

	One-off cash housing subsidies RMB'000 (a)	Guarantees RMB'000 (b)	Litigation claims RMB'000 (c)	Others RMB'000	Total RMB'000
2017					
As at 1 January 2017 (Restated)	25,146	27,701	307,645	33,303	393,795
(Reverse)/Addition	(2,235)	(27,701)	90,794	20,642	81,500
Paid during the year	(319)	–	(108,652)	–	(108,971)
As at 31 December 2017	22,592	–	289,787	53,945	366,324
2016					
As at 1 January 2016	27,207	12,241	265,523	35,368	340,339
Effect of business combinations under common control	–	–	30,422	537	30,959
Addition	–	15,460	73,206	31,948	120,614
Paid during the year	(2,061)	–	(61,506)	(34,550)	(98,117)
As at 31 December 2016 (Restated)	25,146	27,701	307,645	33,303	393,795

(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) The provision for guarantees was reversed during the year upon settlement of the bank loan guaranteed.

(c) 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.

30. OTHER NON-CURRENT LIABILITIES

	2017 RMB'000	2016 RMB'000 (Restated)
Government grants (a)	391,757	255,098
Due to related parties (b)	501,943	819,894
Long-term payables	307,482	414,914
	1,201,182	1,489,906

(a) As at 31 December 2017 and 2016, 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 RMB457,038,000 (2016: RMB774,989,000) are loans from the ultimate holding company and fellow subsidiaries, and the loans are unsecured with weighted average effective interest rate of 2.74% (2016: 2.33%) per annum.

31. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Trade payables (a)	9,703,364	8,029,365
Due to related parties (b)	227,854	220,683
	9,931,218	8,250,048

31. TRADE PAYABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000 (Restated)
RMB	8,528,535	6,920,945
US$	970,304	975,317
HK$	204,065	190,179
JPY	68,674	65,420
Others	159,640	98,187
	9,931,218	8,250,048

(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:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	8,917,181	5,913,993
Between 6 and 12 months	307,063	1,655,723
Between 1 and 2 years	269,426	219,400
Between 2 and 3 years	107,666	141,179
Over 3 years	102,028	99,070
	9,703,364	8,029,365

31. TRADE PAYABLES (CONTINUED)

(b) Due to related parties

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

	2017 RMB'000	2016 RMB'000 (Restated)
Ultimate holding company and fellow subsidiaries	210,382	181,943
Joint ventures	10,792	24,436
Associates	6,680	14,304
	227,854	220,683

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	225,815	204,106
Between 6 and 12 months	628	13,148
Between 1 and 2 years	711	1,862
Between 2 and 3 years	17	958
Over 3 years	683	609
	227,854	220,683

The amounts due to related parties are described in Note 45(b).

32. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	2017 RMB'000	2016 RMB'000 (Restated)
Other payables and accruals (a)	4,335,994	2,764,399
Due to related parties (b)	4,678,309	7,625,348
	9,014,303	10,389,747

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

(a) Other payables and accruals

	2017 RMB'000	2016 RMB'000 (Restated)
Customers' deposits	508,983	446,576
Other tax liabilities	284,205	269,951
Payables for property, plant and equipment	235,452	141,356
Accrued expenses	23,852	81,952
Interest payable	126,399	102,341
Temporary receipts	865,086	195,472
Dividends payable to non-controlling shareholders of subsidiaries	26,725	26,693
Non-current liabilities due within one year	1,978,615	1,302,289
Others	286,677	197,769
	4,335,994	2,764,399

(b) Due to related parties

The amounts due to related parties are analysed as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Ultimate holding company and fellow subsidiaries*	4,652,384	7,594,298
Joint ventures	22,687	30,486
Associates	3,238	564
	4,678,309	7,625,348

* Among the amounts due to the ultimate holding company and fellow subsidiaries, RMB996,928,000 (2016: RMB735,952,000) are unsecured and repayable in 12 months with weighted average effective interest rate of 4.79% per annum as at 31 December 2017 (2016: 4.60%), and interest payable are RMB39,020,000 (2016: RMB41,752,000).

33. RECEIPTS IN ADVANCE FROM CUSTOMERS

	2017 RMB'000	2016 RMB'000 (Restated)
Amount collected on behalf of others	1,755,638	1,877,549
Receipts in advance from customers	633,247	612,353
	2,388,885	2,489,902

The amounts of receipts in advance from related parties are described in Note 45(b).

34. SHARE CAPITAL

	Number of shares		Share capital	
	2017 '000	2016 '000	2017 '000	2016 '000
Issued and fully paid				
At beginning of year	4,606,483	4,606,483	4,606,483	4,606,483
Issued in consideration for the acquisition of the issued share capital of a subsidiary	1,442,684	–	1,442,684	–
At end of year	6,049,167	4,606,483	6,049,167	4,606,483

On 3 November 2017, the Company issued 1,442,683,444 Domestic Shares to China Merchants as consideration for the acquisition of China Merchants Logistics (Note 2A).

As at 31 December 2017, the registered and issued share capital of the Company comprises 3,904,279,644 Domestic Shares and 2,144,887,000 H shares, representing 64.54% and 35.46% of the issued share capital, respectively.

As at 31 December 2016, the registered and issued share capital of the Company comprises 2,461,596,200 Domestic Shares and 2,144,887,000 H shares, representing 53.44% and 46.56% of the issued 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$.

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35. 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 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 (RMB3.81) per share were allotted and issued by the Company in 2014.

(d) In October 2017, the Company issued 1,442,683,444 Domestic Shares to China Merchants as consideration for the acquisition of China Merchants Logistics (Note 2A). This acquisition is accounted for as business combinations involving entities under common control and the principles of merger accounting have therefore been applied. As a result, RMB2,467,315,000 is recorded in capital reserve as an common control business combination adjustment in 2016. Upon insurance of 1,442,683,444 Domestic Shares with a par value of RMB1.00, the par value of the Domestic Shares issued is recorded in share capital and the amount is adjusted in capital reserve as there's no addition of net assets. Issuance cost of RMB33,376,000 is capitalized in capital reserve which is directly attributable to the issuance of Domestic shares.

(e) 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, 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 2017, the Company transferred 10% of the Company's profit after tax determined under the PRC accounting standards, of RMB79,932,000 (2016: RMB62,546,000) to the statutory surplus reserve fund.

As at 31 December 2017, the statutory surplus reserve fund provided by PRC subsidiaries which was included in the Group's retained earnings amounted to RMB2,806,584,000 (2016: RMB2,467,673,000).

36. DISPOSAL OF SUBSIDIARIES

On 31 December 2017, The Group entered in to a sale and purchase agreement with Jingan Hongda Wuhua Investment Partnership (limited partnership), an independent third party, for the disposal of its 45% equity interest in China Merchants Nanjing (a 90% then owned subsidiary). The transaction was completed on 31 December 2017. After the disposal the Group lost control over China Merchants Nanjing, yet the Group can still exercise significant influence over China Merchants Nanjing, therefore, the 45% equity investment retained by the Group is accounted for as investment in associate using equity method.

Consideration received

	RMB'000
Cash received	152,200
Fair value of the remaining interest in China Merchants Nanjing	152,200
Total consideration received	304,400

Analysis of asset and liabilities over which control was lost

	31/12/2017 RMB'000
Non-current assets	79,765
Current assets	190,021
Non-current liabilities	1,803
Current liabilities	210,144
Net assets disposal of	57,839

Gain on disposal of subsidiary

Total consideration received	304,400
Net assets disposal of	(57,839)
Non-controlling interests	5,784
	252,345

Net cash outflow on disposal of subsidiaries

Cash consideration	152,200
Less: bank balances and cash disposal of	(4,003)
	148,197

China Merchants Nanjing incurred a profit and cash inflows from operating activities of approximately RMB22,520,000 and RMB52,618,000 to the Group's profit and net operating cash flows respectively.

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37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before income tax	3,767,087	3,447,720
Interest income	(162,673)	(142,554)
Interest expenses	415,674	457,966
Unrealised loss/(gain) on fair value change on financial assets designated as at FVTPL trading investments	14,876	(102,811)
Gains on disposal of property, plant and equipment and land use rights	(161,198)	(293,010)
Impairment loss of receivables	112,862	128,572
Impairment loss of property, plant and equipment	6,262	9,952
Impairment loss of inventory	2,156	2,201
Impairment loss of investment in a joint venture	14,842	4,020
Depreciation of property, plant and equipment	1,136,261	1,130,739
Depreciation of investment properties	9,729	6,147
Amortisation of intangible assets	34,538	30,864
Operating lease charges on other non-current assets	52,193	64,290
Operating lease charges on land use rights	98,061	91,042
Share of profit of associates, net of tax	(47,784)	(46,340)
Share of profit of joint ventures, net of tax	(973,884)	(882,774)
Dividend income on available-for-sale financial assets	(38,551)	(32,074)
Dividend income from equity investment	(25,573)	(25,184)
Interest income on available-for-sale financial assets	(822)	(801)
Professional fees on acquisition of subsidiary	31,109	–
Gains on disposal of associates	–	(82,504)
Gains on disposal of subsidiaries	(282,318)	(21,153)
Loss on disposal of joint ventures	610	–
Gains on disposal of available-for-sale financial assets	(578,520)	(366,972)
Write off of trade payable	(25,849)	(7,796)
Amortisation of government grants	(46,009)	(85,463)
Exchange (gains)/losses	(202)	112
Operating profit before working capital changes	3,352,877	3,284,189
Increase in prepayments and other current assets	(85,743)	(1,834,261)
(Increase)/decrease in inventories	(139,557)	22,405
Increase in trade and other receivables	(833,888)	(970,339)
(Decrease)/increase in provisions	(27,471)	23,734
Increase in trade payables	1,829,398	1,084,210
(Decrease)/increase in other payables, accruals and other current liabilities	(477,045)	579,360
(Decrease)/increase in receipts in advance from customers	(101,084)	482,166
Increase in salary and welfare payables	219,910	285,161
Cash generated from operations	3,737,397	2,956,625

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 29. 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 2017, the maximum exposure of such lawsuits of the Group amounted to approximately RMB46,900,000 (2016: RMB83,371,000).

39. GUARANTEES

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

	2017 RMB'000	2016 RMB'000 (Restated)
Loan guarantees provided by the Group for the benefit of a joint venture	35,811	75,801
Guarantee provided by the Group in respect of finance lease obligation of a joint venture	47,265	75,617

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Contracted for but not provided	1,571,117	1,941,887

	2017 RMB'000	2016 RMB'000 (Restated)
An analysis of the above capital commitments by nature is as follows:		
– Acquisition of property, plant and equipment	94,922	79,577
– Construction commitments	1,471,684	1,853,481
– Investments in joint ventures/associates	3,970	5,970
– Acquisition of land use rights	541	2,859
	1,571,117	1,941,887

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:

	2017 RMB'000	2016 RMB'000 (Restated)
Land use rights and buildings		
– Not later than one year	476,624	412,291
– Later than one year but not later than five years	1,304,353	1,042,348
– Later than five years	61,776	124,500
Plant and equipment		
– Not later than one year	63,994	81,473
– Later than one year but not later than five years	22,394	48,326
– Later than five years	60	–
	1,929,201	1,708,938

(b) The Group as lessor

The Group has contracted with customers for the following future minimum lease receivables under non-cancellable operating leases:

	2017 RMB'000	2016 RMB'000 (Restated)
Land use rights and buildings		
– Not later than one year	32,603	45,889
– Later than one year but not later than five years	68,780	42,008
– Later than five years	1,246	141
Plant and equipment		
– Not later than one year	182,699	102,796
– Later than one year but not later than five years	390,757	158,530
– Later than five years	1,068	7,819
	677,153	357,183

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 investment at fair value RMB'000	Available–for-sale investment at cost RMB'000	Financial assets designated as FVTPL investments RMB'000	Total RMB'000
Financial assets					
As at 31 December 2017					
Prepayments and other current assets	–	2,000,000	–	–	2,000,000
Available-for-sale financial assets	–	327,064	226,193	–	553,257
Trade and other receivables	12,807,113	–	–	–	12,807,113
Restricted cash	217,754	–	–	–	217,754
Term deposits with initial terms of over three months	2,225,183	–	–	–	2,225,183
Cash and cash equivalents	9,709,382	–	–	–	9,709,382
Financial assets designated as at FVTPL	–	–	–	381,912	381,912
Total	24,959,432	2,327,064	226,193	381,912	27,894,601
As at 31 December 2016 (Restated)					
Prepayments and other current assets	–	1,200,000	–	–	1,200,000
Available-for-sale financial assets	–	791,624	281,373	–	1,072,997
Trade and other receivables	12,136,682	–	–	–	12,136,682
Restricted cash	228,339	–	–	–	228,339
Term deposits with initial terms of over three months	1,346,273	–	–	–	1,346,273
Cash and cash equivalents	9,323,955	–	–	–	9,323,955
Financial assets designated as at FVTPL	–	–	–	396,710	396,710
Total	23,035,249	1,991,624	281,373	396,710	25,704,956

42. FINANCIAL INSTRUMENTS (CONTINUED)

42a. Categories of financial instruments (continued)

	Measured at amortised cost RMB'000
Financial liabilities	
As at 31 December 2017	
Trade payables	9,931,218
Other payables, accruals and other current liabilities	8,221,115
Salary and welfare payables	1,446,143
Borrowings	8,108,540
Long-term bonds	3,495,827
Other non-current liabilities	809,425
Total	32,012,268
As at 31 December 2016 (Restated)	
Trade payables	8,250,048
Other payables, accruals and other current liabilities	9,673,220
Salary and welfare payables	1,230,644
Borrowings	5,107,255
Long-term bonds (Including those due within one year)	4,493,356
Other non-current liabilities	1,234,808
Total	29,989,331

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.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Market risk

Currency risk

The Group has cash and cash equivalents, term deposits with initial terms of over three months, 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:

	2017 RMB'000	2016 RMB'000 (Restated)
US$		
Assets	4,324,603	3,933,339
Liabilities	1,510,458	1,503,755
HK$		
Assets	640,799	561,242
Liabilities	4,542,733	540,010

Analyses of these assets and liabilities by currency are disclosed in Note 23, Note 25, Note 26, Note 27 and Note 31, respectively.

Sensitivity analysis

The Group is mainly exposed to the currency risk of US$ and HK$.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against US$ and HK$. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the management and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the yearend for a 5% (2016: 5%) change in foreign currency rates. A negative number below indicates a decrease in profit before tax where RMB strengthens 5% against US$ and HK$. For a 5% (2016: 5%) weakening of RMB against US$ and HK$, there would be an equal and opposite impact on the profit before tax, and the balances below would be positive.

	2017 RMB'000	2016 RMB'000 (Restated)
Profit or loss related to US$	(140,707)	(121,479)
Profit or loss related to HK$	195,097	(1,062)

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 and financial assets designated as FVTPL.

Sensitivity analysis

The Group has monitored the performance of the equity securities and reported regularly to the Directors. As at 31 December 2017, 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 RMB53,173,000 (2016: RMB89,125,000). 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 also exposes to the risk that expected return on the Group's investment in wealth management products may vary and exposes the Group to cash flow 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 RMB25,514,000 (2016: RMB18,786,000).

With all other variables held constant, if the expected return on the Group's investment in wealth management products had increased/decreased by 0.5%, investment income of the Group would have increased/decreased by RMB10,000,000 (2016: RMB6,000,000).

42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

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.

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 27.

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 2017							
Borrowings	2.71%	1,740,096	223,019	3,823,908	2,639,020	8,426,043	8,108,540
Long-term bonds	3.09%	108,100	108,100	3,716,200	–	3,932,400	3,495,827
Salary and welfare payables		1,400,724	45,419	–	–	1,446,143	1,446,143
Trade payables		9,931,218	–	–	–	9,931,218	9,931,218
Other payables, accruals and other current liabilities		8,281,053	–	–	–	8,281,053	8,221,115
Other non-current liabilities		65,012	400,082	50,744	330,573	846,411	809,425
Financial guarantee contracts*		83,076	–	–	–	83,076	–
As at 31 December 2016 (Restated)							
Borrowings	2.98%	1,211,035	2,206,946	477,694	2,150,327	6,046,002	5,107,255
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		1,203,428	27,216	–	–	1,230,644	1,230,644
Trade payables		8,250,048	–	–	–	8,250,048	8,250,048
Other payables, accruals and other current liabilities		9,709,065	208	–	–	9,709,273	9,673,220
Other non-current liabilities		80,576	473,575	318,264	437,839	1,310,254	1,234,808
Financial guarantee contracts*		151,418	–	–	–	151,418	27,701

* 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 nil (2016: RMB27,701,000) recognised as provision (Note 29), 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 2017 and 2016.

	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 2017							
Assets							
Available-for-sale financial assets							
– Equity securities	327,064	–	–	327,064	Quoted bid price in an active market.	N/A	N/A
– Other current assets*	–	2,000,000	–	2,000,000	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
Financial assets designated as at FVTPL**	–	–	381,912	381,912	25% (2016: 20%). discount for lack of marketability, determined by reference to the share price of listed entities in similar industries.	N/A	N/A
	327,064	2,000,000	381,912	2,708,976			

	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 (Restated)							
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
Financial assets designated as at FVTPL**	–	–	396,710	396,710	20% discount for lack of marketability, determined by reference to the share price of listed entities in similar industries.	N/A	N/A
	791,624	1,200,000	396,710	2,388,334			

* Other current assets are wealth management products issued by banks (Note 22).

** Financial assets designated as at FVTPL represent unlisted preferred share investment.

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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 financial assets designated as at FVTPL.

	2017 RMB'000	2016 RMB'000 (Restated)
Opening balance	396,710	1,030,000
Effect of business combinations under common control	–	293,893
Purchase	–	16,840,000
Income recognised in profit or loss	(14,876)	167,339
Exchange adjustments	78	6
Settlements	–	(17,934,528)
	381,912	396,710

Of the total gains or losses for the period included in profit or loss, RMB14,876,000 relates to financial assets designated as at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets designated as at FVTPL are included in 'other gains and losses'.

Included in other comprehensive income is an amount of nil relating to unlisted equity securities classified as available-for-sale investments held at the end of the current reporting period and is reported as changes of 'revaluation reserve'.

There is no transfer between level 1 and level 2 during both years.

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.

42. FINANCIAL INSTRUMENTS (CONTINUED)

42b. Financial risk management objectives and policies (continued)

Capital risk management (continued)

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Note 27, bonds disclosed in Note 28, 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.

	2017 RMB'000	2016 RMB'000 (Restated)
Cash and cash equivalents	9,709,382	9,323,955
Less: Total borrowings	(10,087,155)	(5,410,817)
Bonds	(3,495,827)	(4,493,356)
Net debt position	(3,873,600)	(580,218)

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017 RMB'000 (Restated)	Interest accrued RMB'000	Dividend declared RMB'000	Financing cash flow RMB'000	Others RMB'000 (Note)	31 December 2017 RMB'000
Borrowings	5,107,255	–	–	3,001,285	–	8,108,540
Other non-current liabilities-Due to related parties (Note30)	819,894	–	–	(290,319)	(27,632)	501,943
Other payables, accruals and other current liabilities–Ultimate holding company and fellow subsidiaries (Note 32b)	7,594,298	–	–	(2,187,406)	(754,508)	4,652,384
Non-current liabilities due within one year (Note 32)	1,302,289	–	–	1,452,520	(776,194)	1,978,615
Interest payable (Note 32)	144,093	411,926	–	(390,600)	–	165,419
Dividends payable to non-controlling shareholders of subsidiaries (Note 32)	26,693	–	300,318	(300,286)	–	26,725
Long-term bonds due within one year	998,726	1,274	–	(1,000,000)	–	–

Note: Others from the Group's liabilities arising from operating and investing activities.

44. MAJOR NON-CASH TRANSACTIONS

During the year, the Company issued 1,442,683,444 Domestic Shares to China Merchants Group for the acquisition of China Merchants Logistics (Note 2A).

45. 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, commenced on 1 January 2015 and ended 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, commenced on 1 January 2015 and ended on 31 December 2017.

On 10 November 2017, the Company entered into a Master Services Agreement with China Merchants, which govern the provision or receipt of logistics services and the leasing arrangements between the Group and China Merchants and its associates to replace the former service agreements and master lease agreement with Sinotrans & CSC, the three year term for which are due to expire. Subject to the approval of Independent Shareholders being obtained, the term of the Master Services Agreement (China Merchants) commenced on 1 January 2018 for a period of three years, ending on 31 December 2020.

On 14 November 2012, the Company entered into a financial services agreement with Finance Company, 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 ended on 31 December 2017.

On 10 November 2017, the Company and the Finance Company entered into the Financial Services Agreement under which the Finance Company agreed to provide a series of financial services which include: (1) deposit services; (2) loan services (including entrusted loan services); (3) other financial services (including the following categories of services, namely settlement services, notes services, foreign exchange services, financial consultancy services, credit appraisal and other relevant advice and agency services, and other financial services within its business scope), to the Group within the caps agreed thereunder for the three years commenced on 1 January 2018 and ending on 31 December 2020.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000 (Restated)
Transactions with ultimate holding company including fellow subsidiaries, joint ventures and associates		
Revenue from provision of transportation and logistics services	857,230	719,003
Revenue from provision of rental service	12,425	1,276
Expenses – Service fees	(2,070,547)	(1,535,303)
Expenses – Rental expenses for office buildings, warehouses and depots	(64,435)	(26,097)
Gains on disposal of property, plant and equipment and land use rights (Note)	–	4,687
Transactions with associates of the Group		
Revenue from provision of transportation and logistics services	61,042	38,450
Revenue from provision of rental service	39	–
Expenses – Service fees	(90,738)	(87,713)
Transactions with joint ventures of the Group		
Revenue from provision of transportation and logistics services	441,621	628,056
Revenue from provision of rental service	1,650	806
Expenses – Service fees	(344,076)	(429,240)
Expenses – Rental expenses for office buildings, warehouses and depots	–	(4,492)
Transactions with other government-related entities		
Interest income from bank deposits	158,001	154,559

Note: In 2016, the Group disposed a piece of land and properties to the fellow subsidiaries of the ultimate holding company.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	2017 RMB'000	2016 RMB'000 (Restated)
Balances with the ultimate holding company including fellow subsidiaries, joint ventures and associates		
Cash and cash equivalents	1,336,744	691,039
Term deposits with initial terms of over three months	124,004	50,000
Restricted cash	55,778	–
Trade and other receivables	387,838	834,551
Prepayments and other current assets	14,559	89,654
Trade payables	210,382	181,943
Other payables, accruals and other current liabilities	4,652,384	7,594,298
Receipts in advance from customers	3,663	3,861
Other non-current liabilities	501,943	819,894
Balances with joint ventures of the Group		
Trade and other receivables	106,779	138,179
Prepayments and other current assets	27,038	43,839
Other non-current assets	148,159	105,040
Trade payables	10,792	24,436
Other payables, accruals and other current liabilities	22,687	30,486
Receipts in advance from customers	12,051	2,898
Balances with associates of the Group		
Trade and other receivables	43,085	44,539
Prepayments and other current assets	1,076	3,842
Trade payables	6,680	14,304
Other payables, accruals and other current liabilities	3,238	564
Receipts in advance from customers	580	79
Balances with other government-related entities		
Restricted cash	60,715	228,139
Terms deposits with initial terms of over three months	1,961,717	940,402
Cash and cash equivalents	7,135,137	7,217,366

(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 2017, the Group obtained another loan of RMB460,804,000 and repaid RMB514,028,000 to the ultimate holding company and fellow subsidiaries (2016: obtained loan of RMB772,672,000 and repaid RMB319,688,000) (Notes 30(b) and 32(b)).

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45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Borrowings (continued)

	2017 RMB'000	2016 RMB'000 (Restated)
Borrowings from the Finance Company		
At beginning of year	1,051,264	194,808
Proceeds from borrowings	4,332,000	1,351,629
Repayments of borrowings	(2,633,264)	(495,173)
At end of year	2,750,000	1,051,264
Interest charged	113,639	13,972
Interest paid	(113,639)	(13,972)

As at 31 December 2017, the weighted average effective interest rate of the above borrowings was 3.96% (2016: 3.24%) per annum.

	2017 RMB'000	2016 RMB'000 (Restated)
Borrowings from other government-related entities		
At beginning of the year	2,274,106	1,788,109
Proceeds from borrowings	2,183,026	2,067,374
Repayments of borrowings	(1,419,955)	(1,581,377)
At end of the year	3,037,177	2,274,106
Interest charged	122,707	51,831
Interest paid	(122,707)	(51,831)

As at 31 December 2017, the weighted average effective interest rate of the bank above borrowings was 3.88% (2016: 3.37%) 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:

	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances and other allowances	3,278	2,518
Discretionary bonuses	8,109	6,051
Contributions to pension plans	1,001	356

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following is a list of the principal subsidiaries as at 31 December 2017:

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 2017	2016	Principal activities
Sinotrans Guangdong Company Limited	Guangzhou, the PRC/Limited liability company	RMB1,349,668,932	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
China Merchants Logistics Holding Company Limited	Shenzhen, the PRC/Limited liability company	RMB1,444,000,000	100%	–	Logistics and Logistics equipment leasing

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.

47. 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 2017 (39.05% as at 31 December 2016). 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	
		2017	2016	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Sinoair	Beijing, the PRC	39.05%	39.05%	528,372	387,941	3,200,223	2,906,226
Individually immaterial subsidiaries with non-controlling interests						1,204,519	1,045,183
						4,404,742	3,951,409

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.

	2017 RMB'000	2016 RMB'000
Sinoair		
Current assets	6,346,904	4,851,273
Non-current assets	3,723,084	3,994,141
Current liabilities	(1,850,513)	(1,328,027)
Non-current liabilities	(32,918)	(83,645)
Equity attributable to owners of Sinoair	8,181,023	7,428,246
Non-controlling interests	5,534	5,496

47. DETAIL OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	6,206,625	4,949,582
Expenses	(4,853,619)	(3,955,035)
Profit attributable to owners of Sinoair	1,352,969	995,252
Loss attributable to the non-controlling interests	37	(705)
Profit for the year	1,353,006	994,547
Other comprehensive expense attributable to owners of Sinoair	(149,368)	(397,987)
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive expense for the year	(149,368)	(397,987)
Total comprehensive income attributable to owners of Sinoair	1,203,601	597,265
Total comprehensive income/(expense) attributable to the non-controlling interests	37	(705)
Total comprehensive income for the year	1,203,638	596,560
Dividends paid to non-controlling interests	176,800	176,800
Net cash inflow/(outflow) from operating activities	382,780	(93,438)
Net cash inflow from investing activities	1,666,626	1,026,004
Net cash outflow from financing activities	(411,646)	(312,340)
Net cash inflow	1,611,344	631,518

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48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 RMB'000	2016 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	40,721	31,710
Intangible assets	50,474	44,862
Investments in subsidiaries	11,027,056	7,070,067
Investments in joint ventures	532,443	515,288
Investments in associates	220,513	155,368
Available-for-sale financial assets	–	50,000
Other non-current assets	1,888,210	1,792,198
	13,759,417	9,659,493
Current assets		
Prepayments and other current assets	2,246,035	1,298,212
Inventories	3,595	4,485
Trade and other receivables	5,668,006	5,081,848
Cash and cash equivalents	326,727	928,249
	8,244,363	7,312,794
Total assets	22,003,780	16,972,287
EQUITY		
Equity attributable to owners of the Company		
Share capital	6,049,167	4,606,483
Reserves	7,241,418	4,601,707
Total equity	13,290,585	9,208,190

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	2017 RMB'000	2016 RMB'000
LIABILITIES		
Non-current liabilities		
Long-term bonds	3,495,827	3,494,630
Borrowings	2,124,000	1,124,000
	5,619,827	4,618,630
Current liabilities		
Trade payables	538,029	303,917
Other payables, accruals and other current liabilities	2,383,548	2,654,307
Receipts in advance from customers	26,044	21,440
Provisions	4,530	4,787
Salary and welfare payables	141,217	161,016
	3,093,368	3,145,467
Total liabilities	8,713,195	7,764,097
Total equity and liabilities	22,003,780	16,972,287
Net current assets	5,150,995	4,167,327
Total assets less current liabilities	18,910,412	13,826,820

48. 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 2017	2,893,911	608,126	1,112	1,098,558	4,601,707
Profit for the year	–	–	–	799,321	799,321
Other comprehensive expense for the year	–	–	(794)	–	(794)
Total comprehensive income for the year	–	–	(794)	799,321	798,527
Transactions with owners					
– 2016 final dividends	–	–	–	(345,486)	(345,486)
– 2017 interim dividends	–	–	–	(184,259)	(184,259)
Shares issued	4,007,316	–	–	–	4,007,316
Shares issued cost	(33,376)	–	–	–	(33,376)
Adjustment for acquisition of subsidiaries under common control	(1,603,011)	–	–	–	(1,603,011)
Total transactions with owners	2,370,929	–	–	(529,745)	1,841,184
Transfer to statutory reserve	–	79,932	–	(79,932)	–
As at 31 December 2017	5,264,840	688,058	318	1,288,202	7,241,418

	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

48. 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.

(c) Premium received from share issuance that an aggregate of 1,442,683,444 domestic shares of RMB1.00 each at an issue price of HK$4.43 per share were allotted and issued by the Company in 2017.

In accordance with the relevant PRC regulations and the Articles of Association, 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 2017, the Company transferred 10% of the Company's profit after tax determined under the PRC accounting standards, of RMB79,932,000 (2016: RMB62,546,000) to the statutory surplus reserve fund.

49. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2018, the Directors announced that Company enters into a merger agreement with Sinoair (the "Merger Agreement"). According to the Merger Agreement, the Company is to apply to the relevant regulatory authorities in the PRC for the issue and listing of A Shares on the Shanghai Stock Exchange and merger of Sinoair. The Directors approved that the Company issue 1,371,191,329 A Shares as consideration shares (the "Consideration Shares") at the initial issue price of RMB5.32 per share in exchange at the initial exchange ratio for 353,600,322 Sinoair shares. The Consideration Shares and the existing domestic shares of the Company are to be listed on the Shanghai Stock Exchange as A shares. Sinoair is to be delisted from Shanghai Stock Exchange, and it will be deregistered, its asset and liabilities are to be transferred to/assumed by the Group.

中國外運股份有限公司

SINOTRANS LIMITED

Stock Code : 598

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