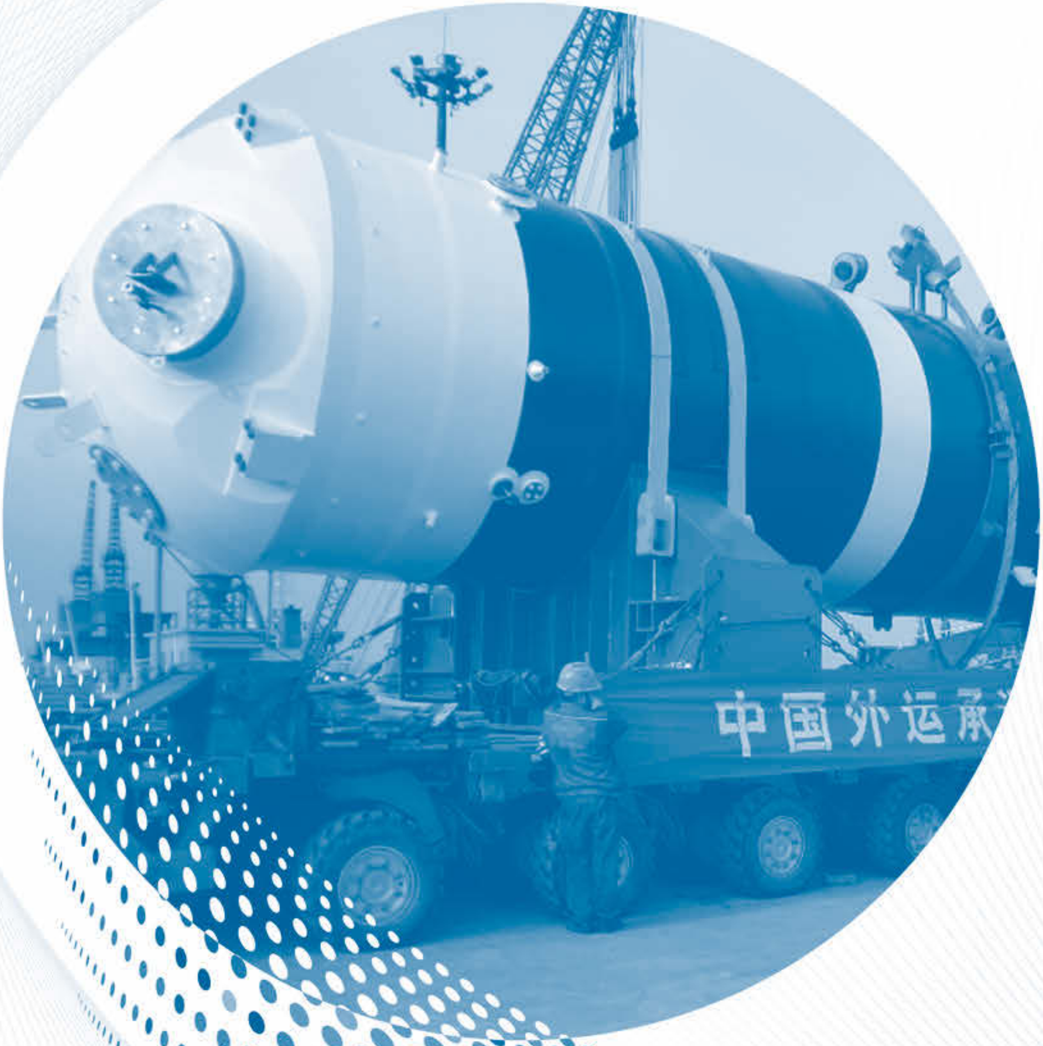
中國外運股份有限公司

SINOTRANS LIMITED

Stock Code : 598

CUSTOMERS' SUCCESS
OUR ACHIEVEMENT

INTERIM REPORT 2018


中国外运承

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None of the forward-looking statements or opinions contained in this interim 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:

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. Wang Hong

COMPANY SECRETARY:

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

INVESTOR AND MEDIA RELATIONS:

Investor Relations 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:
SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRC Auditor:
ShineWing Certified Public Accountants LLP
9/F, Block A, Fu Hua Mansion
No.8, Chaoyangmen Beidajie
Dongcheng District
Beijing, the PRC

LEGAL ADVISERS:

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

Chapter 2
Highlights of 1H2018

Revenue
(RMB)
36,175.7 million
+4.1%

Earnings per share
(RMB yuan)
0.214

Sea Freight Forwarding
Container Volume
+9.3%

Logistics
Volume
+21.8%

Profit Attributable to Owners of the Company
(RMB)
1,295.5 million
+5.7%

Profit before income tax
(RMB)
2,052.2 million
+5.2%

Chapter 3
Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited and restated)
Revenue	4	**36,175,692**	34,742,537
Other income		**299,068**	258,790
Tax and other surcharges		**(96,706)**	(100,278)
Transportation and related charges		**(31,111,484)**	(29,995,443)
Staff costs		**(2,744,486)**	(2,386,187)
Depreciation and amortisation		**(609,820)**	(659,081)
Office and related expenses		**(258,488)**	(286,617)
Other gains and losses, net		**277,291**	353,909
Other operating expenses		**(330,157)**	(282,921)
Operating profit	5	**1,600,910**	1,644,709
Finance income		**106,960**	91,535
Finance costs		**(263,047)**	(279,898)
		1,444,823	1,456,346
Share of profits of joint ventures		**584,830**	476,906
Share of profits of associates		**22,497**	17,117
Profit before income tax		**2,052,150**	1,950,369
Income tax expense	6	**(449,797)**	(409,888)
Profit for the period		**1,602,353**	1,540,481
Profit attributable to			
Owners of the Company		**1,295,516**	1,225,755
Non-controlling interests		**306,837**	314,726
		1,602,353	1,540,481
Earnings per share, basic and diluted (RMB)	8	**0.214**	0.203

The notes on pages 11 to 44 form an integral part of these condensed consolidated financial statements.

Chapter 4
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Profit for the period	**1,602,353**	1,540,481
Other comprehensive (expense) income		
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on equity investments at FVTOCI	**(123,181)**	–
Income tax relating to item that will not be reclassified subsequently	**30,795**	–
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale financial assets		
Gains arising during the period	**–**	281,446
Reclassification adjustments to profit or loss during the period upon disposal	**–**	(248,525)
Exchange differences on translation of financial statements of foreign operations	**(184,582)**	257,331
Income tax relating to items that may be reclassified subsequently	**–**	(8,230)
Share of other comprehensive expense of joint ventures and associates	**(2,351)**	(5,104)
Other comprehensive (expense) income	**(279,319)**	276,918
Total comprehensive income for the period	**1,323,034**	1,817,399
Total comprehensive income attributable to:		
Owners of the Company	**1,052,484**	1,420,776
Non-controlling interests	**270,550**	396,623
	1,323,034	1,817,399

The notes on pages 11 to 44 form an integral part of these condensed consolidated financial statements.

Chapter 5
Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**4,983,061**	5,027,101
Prepayments for acquisition of land use rights		**48,513**	38,513
Property, plant and equipment	9	**17,291,155**	17,238,004
Investment properties	9	**1,218,738**	963,664
Intangible assets		**2,790,344**	2,892,091
Investments in joint ventures		**3,911,437**	3,321,365
Investments in associates		**1,268,359**	1,262,418
Deferred income tax assets		**365,616**	328,129
Available-for-sale financial assets	10	**–**	553,257
Financial assets at fair value through other comprehensive income ("FVTOCI")	10	**203,883**	–
Financial assets at fair value through profit or loss ("FVTPL")	17	**387,493**	–
Other non-current assets		**419,083**	405,267
		32,887,682	32,029,809
Current assets			
Financial assets at FVTPL	17	**1,417,878**	381,912
Prepayments and other current assets		**2,765,403**	4,416,124
Inventories		**256,096**	314,624
Trade and other receivables	11	**13,928,575**	12,807,113
Restricted cash		**241,197**	217,754
Term deposits with initial terms of over three months		**2,902,540**	2,225,183
Cash and cash equivalents		**8,845,700**	9,709,382
		30,357,389	30,072,092
Total assets		**63,245,071**	62,101,901
LIABILITIES			
Current liabilities			
Trade payables	13	**9,591,657**	9,931,218
Other payables, accruals and other current liabilities		**5,467,032**	9,014,303
Receipts in advance from customers		**–**	2,388,885
Contract liabilities	3	**3,048,601**	–
Current income tax liabilities		**272,426**	339,918
Borrowings	14	**3,196,262**	1,499,248
Provisions	15	**312,527**	366,324
Salary and welfare payables		**1,150,701**	1,400,724
		23,039,206	24,940,620
Net current assets		**7,318,183**	5,131,472
Total assets less current liabilities		**40,205,865**	37,161,281

Chapter 5
Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		**313,684**	232,563
Borrowings	14	**9,309,655**	6,609,292
Long-term bonds	12	**3,496,446**	3,495,827
Other non-current liabilities		**876,138**	1,201,182
Long-term salary payables		**54,807**	45,419
		14,050,730	11,584,283
Total liabilities		**37,089,936**	36,524,903
EQUITY			
Capital and reserves			
Share capital		**6,049,167**	6,049,167
Reserves		**15,690,151**	15,118,725
Equity attributable to owners of the Company		**21,739,318**	21,167,892
Non-controlling interests		**4,415,817**	4,409,106
Total equity		**26,155,135**	25,576,998

The notes on pages 11 to 44 form an integral part of these condensed consolidated financial statements

Chapter 6
Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 1 January 2018 (Audited)	6,049,167	3,722,136	699,579	106,490	218,219	10,372,301	21,167,892	4,409,106	25,576,998
Profit for the period	–	–	–	–	–	1,295,516	1,295,516	306,837	1,602,353
Other comprehensive expense for the period	–	–	–	(56,309)	(186,723)	–	(243,032)	(36,287)	(279,319)
Total comprehensive (expense) income for the period	–	–	–	(56,309)	(186,723)	1,295,516	1,052,484	270,550	1,323,034
Dividends recognised as distribution (Note 7(b))	–	–	–	–	–	(483,933)	(483,933)	–	(483,933)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(298,615)	(298,615)
Capital injection from non-controlling interests of subsidiaries	–	2,916	–	–	–	–	2,916	34,776	37,692
Others	–	–	–	–	–	(41)	(41)	–	(41)
As at 30 June 2018 (Unaudited)	6,049,167	3,725,052	699,579	50,181	31,496	11,183,843	21,739,318	4,415,817	26,155,135

Chapter 6
Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 1 January 2017 (Audited)	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 period, as restated	–	–	–	–	–	1,225,755	1,225,755	314,726	1,540,481
Other comprehensive income for the period, as restated	–	–	–	15,049	179,972	–	195,021	81,897	276,918
Total comprehensive income for the period, as restated	–	–	–	15,049	179,972	1,225,755	1,420,776	396,623	1,817,399
Dividends recognised as distribution (Note 7(b))	–	–	–	–	–	(345,486)	(345,486)	–	(345,486)
Dividends paid to non-controlling interests, as restated	–	–	–	–	–	–	–	(270,983)	(270,983)
Capital reduction due to liquidation of a subsidiary	–	–	–	–	–	–	–	(257)	(257)
Acquisition of additional equity interests in a subsidiary from non-controlling interests	–	92,746	–	–	–	–	92,746	34,553	127,299
As at 30 June 2017 (Unaudited and restated)	4,606,483	5,276,110	619,647	206,277	60,481	9,675,565	20,444,563	4,111,345	24,555,908

Chapter 7
Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
	Notes	**(Unaudited)**	(Unaudited and restated)
Net cash used in operating activities		**(1,061,594)**	(973,119)
Net cash used in investing activities	16(a)	**(517,862)**	(1,902,402)
Net cash generated from financing activities	16(b)	**770,640**	2,091,971
Exchange losses on cash and cash equivalents		**(54,866)**	(26,754)
Net decrease in cash and cash equivalents		**(863,682)**	(810,304)
Cash and cash equivalents at 1 January		**9,709,382**	9,323,955
Cash and cash equivalents at 30 June		**8,845,700**	8,513,651

The notes on pages 11 to 44 form an integral part of these condensed consolidated financial statements.

Chapter 8
Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

2. BASIS OF PREPARATION (CONTINUED)

Merger accounting for business combination involving entities under common control

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 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 combination involving entities under common control. The principles of merger accounting have therefore been applied, pursuant to which, the condensed 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.

The net assets of the combining entity or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entity or business against the related investment costs have been made to capital reserve in the condensed consolidated statement of changes in equity.

The condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the prior periods have been restated to include the operating results of China Merchants Logistics as if this Acquisition had been completed on 1 January 2016.

The condensed consolidated statement of financial position as at 31 December 2017 has been restated for the impact of Acquisition as disclosed in the Group's annual financial statements for the year ended 31 December 2017.

2. BASIS OF PREPARATION (CONTINUED)

The effect of business combination involving entities under common control, together with certain elimination adjustments on the condensed consolidated statement of profit or loss for the six months ended 30 June 2017 by line items is as follows:

	Six months ended 30 June 2017 RMB'000 (Original stated)	Business combination of entities under common control RMB'000	Inter group elimination RMB'000	Six months ended 30 June 2017 RMB'000 (Restated)
Revenue	27,615,056	7,145,565	(18,084)	34,742,537
Other income	156,828	101,962	–	258,790
Tax and other surcharges	(64,464)	(35,814)	–	(100,278)
Transportation and related charges	(24,289,305)	(5,724,222)	18,084	(29,995,443)
Staff costs	(1,741,208)	(644,979)	–	(2,386,187)
Depreciation and amortisation	(320,989)	(338,092)	–	(659,081)
Office and related expenses	(223,806)	(62,811)	–	(286,617)
Other gains and losses, net	237,931	115,978	–	353,909
Other operating expenses	(201,375)	(81,546)	–	(282,921)
Operating profit	1,168,668	476,041	–	1,644,709
Finance income	84,471	7,064	–	91,535
Finance costs	(184,045)	(95,853)	–	(279,898)
	1,069,094	387,252	–	1,456,346
Share of profits of joint ventures	477,165	(259)	–	476,906
Share of profits of associates	17,855	(738)	–	17,117
Profit before income tax	1,564,114	386,255	–	1,950,369
Income tax expense	(285,809)	(124,079)	–	(409,888)
Profit for the period	1,278,305	262,176	–	1,540,481
Profit attributable to				
– Owners of the Company	987,608	238,147	–	1,225,755
– Non-controlling interests	290,697	24,029	–	314,726
	1,278,305	262,176	–	1,540,481

Chapter 8
Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. BASIS OF PREPARATION (CONTINUED)

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

	Impact on basic earnings per share for the six months ended 30 June 2017	Impact on diluted earnings per share for the six months ended 30 June 2017
Figures before adjustment	0.214	0.214
Effect arising from business combination under common control	(0.011)	(0.011)
Figures after adjustment	0.203	0.203

The effect of business combination involving entities under common control on condensed statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2017, are summarised below:

	Six months ended 30 June 2017 RMB'000 (Originally stated)	Business combination of entities under common control RMB'000	Inter group elimination RMB'000	Six months ended 30 June 2017 RMB'000 (Restated)
Profit for the period	1,278,305	262,176	–	1,540,481
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Fair value gain on available-for-sale financial assets				
– Gains arising during the period	281,446	–	–	281,446
– Reclassification adjustments to profit or loss during the period upon disposal	(248,525)	–	–	(248,525)
Currency translation differences	(18,213)	275,544	–	257,331
Income tax relating to items that may be reclassified subsequently	(8,230)	–	–	(8,230)
Share of other comprehensive expense of joint ventures and an associate	(5,104)	–	–	(5,104)
Other comprehensive income	1,374	275,544	–	276,918
Total comprehensive income for the period	1,279,679	537,720	–	1,817,399
Total comprehensive income attributable to:				
– Owners of the Company	979,892	440,884	–	1,420,776
– Non-controlling interests	299,787	96,836	–	396,623
	1,279,679	537,720	–	1,817,399

Chapter 8
Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new standards, amendments and Interpretative to International Financial Reporting Standards (new and revised IFRSs), the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

In the current year, the Group has applied, for the first time, the following new and revised IFRSs issued by IASB which are effective for the Group's financial year beginning on 1 January 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

Except as disclosed below, the application of the above new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets; and 3) general hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

On initial application of IFRS 9, the Group has reviewed and assessed its financial assets on the basis of the business model for managing these financial assets and their contractual cash flow characteristics, and has classified the financial assets and financial liabilities into the appropriate categories of IFRS 9, as explained below.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement

In respect of the Group's equity investments previously classified as available-for-sale investments amounting to approximately RMB553,257,000, they qualified for designation as measured at FVTOCI under IFRS 9 and thus, the Group elected this option on its listed equity investments amounting to approximately RMB327,064,000. It follows that the fair value gains or losses in respect of these listed equity investments will no longer be subsequently reclassified to profit or loss upon derecognition. The Group has not elected the option for designation at FVTOCI for the remaining available-for-sale equity investments carried at cost less impairment amounting to approximately RMB226,193,000. Accordingly, the remaining equity investments were reclassified to financial assets at fair value through profit or loss with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, the Directors assessed that the fair values of these unlisted equity investments approximated the carrying amounts and therefore no adjustment was made to the carrying amounts and opening retained earnings at 1 January 2018.

Wealth management products issued by banks amounting to RMB2,000,000,000 were previously classified as available-for-sale investments carried at fair value and included in "prepayment and other current assets" line item at 31 December 2017. The Group reclassified these investments to financial assets at fair value through profit or loss upon initial application of IFRS 9, with subsequent fair value gains or losses to be recognised in profit or loss. No reclassification of investment revaluation reserve to opening retained earnings was made as the fair values of these wealth management products approximated the carrying amounts.

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 amounting to approximately RMB745,939,000 were reclassified from loans and receivables to financial assets measured at FVTOCI upon the application of IFRS 9, with the fair value gains or losses accumulated in reserve and reclassified to profit or loss when they are derecognised. However, the Directors assessed that the fair values of bills receivable approximated their carrying amounts given all bills receivable have a maturity within one year, and therefore no adjustment was made to the carrying amounts and opening retained earnings.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (continued)

(b) Impairment

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under IFRS 9 (including trade, bill and other receivables, amounts due from related parties, bank balance and other debt instruments), as well as financial guarantee contracts.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments.

For other financial instruments, the ECL is based on the 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Chapter 8
Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (continued)

(b) Impairment (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Based on the assessment by the Directors, the new impairment requirements have not resulted in any material impact to the loss allowance for ECL on the Group's financial assets on initial application of IFRS 9.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 superseded IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. However, the Directors assessed that there had been no material impact on the opening balance of equity and therefore no restatement as at 1 January 2018 was resulted.

The core principal of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- 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 Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

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3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

In respect of the Group's revenue from freight forwarding service, revenue is recognised over the period of freight forwarding contracts by reference to the progress towards complete satisfaction of that performance obligation, which is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

For other revenue from contracts with customers, the Directors considered that the application of IFRS 15 has had no material impact on the amount or timing of revenue recognised in the respective periods.

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised services in the contract, the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration before the Group recognises the related revenue. To reflect these changes in presentation, the Group reclassified advance payments from customers of approximately RMB2,388,885,000 and deposits from customers of approximately RMB508,983,000 to contract liabilities at 1 January 2018. The Group applies the practical expedient not to adjust the transaction price for any significant financing component as the period between payment and transfer of the associated services is generally less than one year. Other than the above, there is no material impact to the Group's presentation in the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of IFRS 9 and IFRS 15:

	At 31 December 2017 RMB'000	Effect from application of IFRS 9 RMB'000	Effect from application of IFRS 15 RMB'000	**At 1 January 2018 RMB'000**
Assets				
Prepayments and other receivables	4,416,214	(2,000,000)	–	**2,416,214**
Available-for-sale investments	553,257	(553,257)	–	**–**
Financial assets at FVTOCI	–	327,064	–	**327,064**
Financial assets at FVTPL	381,912	2,226,193	–	**2,608,105**
Liabilities				
Other payables, accruals and other current liabilities	(9,014,303)	–	508,893	**(8,505,410)**
Receipts in advance from customers	(2,388,885)	–	2,388,885	**–**
Contract liabilities	–	–	(2,897,778)	**(2,897,778)**

The following table summarises the impacts of applying IFRS 9 and IFRS 15 on the condensed consolidated statement of financial position as at 30 June 2018:

	At reported RMB'000	**Effect from application of IFRS 9 RMB'000**	**Effect from application of IFRS 15 RMB'000**	**Amounts without application of IFRS 9 and 15 RMB'000**
Assets				
Prepayments and other receivables	**2,765,403**	**800,000**	**–**	**3,565,403**
Available-for-sale investments	**–**	**591,376**	**–**	**591,376**
Financial assets at FVTOCI	**203,883**	**(203,883)**	**–**	**–**
Financial assets at FVTPL	**1,805,371**	**(1,187,493)**	**–**	**617,878**
Liabilities				
Other payables, accruals and other current liabilities	**(5,467,032)**	**–**	**(474,163)**	**(5,941,195)**
Receipts in advance from customers	**–**	**–**	**(2,574,438)**	**(2,574,438)**
Contract liabilities	**(3,048,601)**	**–**	**3,048,601**	**–**

Bills receivable of RMB581,434,000 and RMB745,939,000 as at 30 June 2018 and 31 December 2017 were reclassified to financial assets at FVTOCI but continue to be included in "trade and other receivables" line item.

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4. 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.

The comparative figures in the below segment information have been restated to align with the change in segment reporting adopted in the Group's annual financial statements for the year ended 31 December 2017 due to the Acquisition in November 2017.

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

– Freight forwarding: primarily involves, 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 involves 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.

4. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2018 (Unaudited)

	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-segment elimination RMB'000	Total RMB'000
Revenue – external	21,788,279	9,822,933	1,173,743	765,528	2,625,209	36,175,692	–	36,175,692
Revenue – inter-segment	518,988	49,766	120,273	15,393	276,346	980,766	(980,766)	–
Total revenue	22,307,267	9,872,699	1,294,016	780,921	2,901,555	37,156,458	(980,766)	36,175,692
Segment results	630,897	399,428	213,758	187,718	26,533	1,458,334	–	1,458,334
Other gains and losses, net								277,291
Corporate expenses								(134,715)
Operating profit								1,600,910
Finance income								106,960
Finance costs								(263,047)
Share of profits of joint ventures	11,663	1,736	19,546	–	551,885	584,830	–	584,830
Share of profits of associates								22,497
Profit before income tax								2,052,150
Income tax expense								(449,797)
Profit for the period								1,602,353

4. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2017 (Unaudited and restated)

	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-segment elimination RMB'000	Total RMB'000
Revenue – external	22,080,882	8,863,710	1,097,449	692,049	2,008,447	34,742,537	–	34,742,537
Revenue – inter-segment	335,374	47,854	139,513	–	223,962	746,703	(746,703)	–
Total revenue	22,416,256	8,911,564	1,236,962	692,049	2,232,409	35,489,240	(746,703)	34,742,537
Segment results	554,038	379,373	183,399	171,303	34,237	1,322,350	–	1,322,350
Other gains and losses, net								353,909
Corporate expenses								(31,550)
Operating profit								1,644,709
Finance income								91,535
Finance costs								(279,898)
Share of profits (losses) of joint ventures	14,504	(1,099)	29,963	–	433,538	476,906	–	476,906
Share of profits of associates								17,117
Profit before income tax								1,950,369
Income tax expense								(409,888)
Profit for the period								1,540,481

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Charging		
Depreciation		
– Owned property, plant and equipment	**568,294**	629,961
– Owned property, plant and equipment leased out under operating lease	**9,552**	8,617
– Investment properties	**14,096**	3,609
Amortisation of intangible assets	**17,878**	16,894
Operating lease charges on		
– Land use rights	**59,203**	45,312
– Building	**242,798**	147,999
– Plant and equipment	**80,783**	73,639
Impairment losses recognised in respect of trade receivables	**44,331**	51,518
Provision for litigation claims, guarantees and other losses (Note)	**49,528**	(4,580)
Impairment of property, plant and equipment	**296**	2,688
Charges on property management and facilities	**93,513**	94,593
Charges on information technology support	**35,068**	30,240
Crediting		
Rental income from		
– Building	**55,674**	32,500
– Plant and machinery	**4,929**	3,354
	60,603	35,854
Gross rental income from investment properties	**8,952**	13,025
Dividend income from available-for-sale financial assets	**–**	263
Dividend income from financial assets at FVTPL	**5,841**	–
Dividend income from financial assets at FVTOCI	**2,518**	–
Gain on change in fair values of financial assets at FVTPL	**236,096**	22,683
Government grants	**193,916**	111,042
Gains on disposal of property, plant and equipment and land use rights	**90,228**	59,279
Gains on disposal of available-for-sale financial assets	**–**	233,744
Gain on disposal of investment in joint ventures and associates	**506**	26,266

Note: During the reporting period, the Group recognized an impairment of approximately RMB59,296,000 for the estimated loss on certain receivables as a result of business activities carried out by a subsidiary of the Group which was not in compliance with the Group's operational policies. The aforementioned event is currently under investigation.

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6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Current income tax		
– PRC enterprise income tax	**337,502**	320,733
– Overseas	**26,550**	29,319
– Hong Kong	**1,649**	5,498
Deferred PRC income tax	**78,626**	54,338
	444,327	409,888
Land appreciation tax	**5,470**	–
	449,797	409,888

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2017: 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% (six months ended 30 June 2017: 10% to 20%) based on the relevant PRC tax laws and regulations.

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

The PRC Land appreciation tax in the PRC is levied on properties disposed by the Group, at progressive rates ranging from 30% to 60% on the appreciation of land value under the applicable regulations, and calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights and borrowing costs.

7. PROFIT APPROPRIATIONS

(a) Statutory surplus reserve

In accordance with the relevant PRC regulations and the Articles of Association of the Company, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC 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.

The amount represents the statutory surplus reserve appropriated by the Company. The statutory surplus reserve appropriated by the Company's domestic subsidiaries amounting to RMB2,806,584,000 as of 30 June 2018 (31 December 2017: RMB2,806,584,000) is included in retained earnings.

(b) Dividends

In May 2018, a final dividend of RMB0.080 per share totaling RMB483,933,000 in respect of the year ended 31 December 2017 (six months ended 30 June 2017: RMB0.075 per share totaling RMB345,486,000 in respect of the year ended 31 December 2016) was declared to the owners of the Company. As at 30 June 2018, such dividend has not yet been paid and was included under "other payables, accruals and other current liabilities".

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: RMB0.04 per share totaling RMB184,259,000 was declared and paid to the owners of the Company).

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8. 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 six-month period.

	Six months ended 30 June	
	2018 **(Unaudited)**	2017 (Unaudited and restated)
Profit attributable to owners of the Company (RMB'000)	**1,295,516**	1,225,755
Number of ordinary shares in issue (thousands) (Note)	**6,049,167**	6,049,167
Earnings per share, basic and diluted (RMB)	**0.214**	0.203

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

Note:

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 2. Accordingly, the number of ordinary shares used in calculating earnings per share was retrospectively adjusted, as if the consideration shares were issued and outstanding throughout the six months ended 30 June 2017.

9. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

During the six months ended 30 June 2018, the Group acquired approximately RMB466,451,000 (six months ended 30 June 2017 (Restated): RMB1,241,715,000) for assets under construction, RMB388,598,000 (six months ended 30 June 2017 (Restated): RMB315,796,000) for acquisition of plant and machinery, and RMB83,052,000 (six months ended 30 June 2017 (Restated): RMB17,937,000) for buildings.

During the six months ended 30 June 2018, the Group acquired approximately RMB210,025,000 (six months ended 30 June 2017: Nil) for investment properties.

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10. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FVTOCI

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Available-for-sale investments		
Listed equity instruments, at fair value	**–**	327,064
Unlisted equity instruments, at cost less impairment	**–**	226,193
	–	553,257
Investments in listed equity instruments at FVTOCI	**203,883**	–

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**11,886,588**	10,414,499
Other receivables	**1,187,545**	1,111,322
Bills receivables	**581,434**	745,939
Due from related parties	**273,008**	535,353
	13,928,575	12,807,113

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**12,234,382**	10,716,879
Less: Allowance for impairment of receivables	**(347,794)**	(302,380)
Trade receivables, net	**11,886,588**	10,414,499

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 6 months	**11,610,972**	10,185,352
Between 6 and 12 months	**184,790**	141,847
Between 1 and 2 years	**74,459**	61,279
Between 2 and 3 years	**16,367**	26,021
	11,886,588	10,414,499

The aging of amounts due from ultimate holding company and fellow subsidiaries, joint ventures and associates, included in "Due from related parties" disclosed above, which are trading in nature based on invoice date, is summarised as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 6 months	**129,555**	131,974
Between 6 and 12 months	**439**	582
Between 1 and 2 years	**964**	5,276
Between 2 and 3 years	**3,943**	–
Over 3 years	**422**	–
	135,323	137,832

The normal credit period for trade receivables generally ranges from 1 to 6 months. 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.

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.

12. BONDS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current		
Long-term bonds (a)	**3,496,446**	3,495,827

(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% per annum, 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 with fixed annual coupon and effective interest rate of 2.94% and 2.97% per annum, respectively.

13. TRADE PAYABLES

The normal credit period for trade payables generally ranges from 1 to 6 months. Aging analysis of trade payables (including amounts due to related parties of trading in nature) presented based on invoice date at the respective reporting periods end is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 6 months	**8,854,854**	9,142,996
Between 6 and 12 months	**271,100**	307,691
Between 1 and 2 years	**239,143**	270,137
Between 2 and 3 years	**125,413**	107,683
Over 3 years	**101,147**	102,711
	9,591,657	9,931,218

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14. BORROWINGS

Borrowings represent bank borrowings and borrowings from the Finance Company, which are analysed as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current		
Bank borrowings	**1,656,262**	749,248
Borrowings from Finance Company	**1,540,000**	750,000
	3,196,262	1,499,248
Non-current		
Bank borrowings	**6,809,655**	4,609,292
Borrowings from Finance Company	**2,500,000**	2,000,000
	9,309,655	6,609,292
Total borrowings	**12,505,917**	8,108,540

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited and restated)
As at 1 January	**8,108,540**	5,107,255
New borrowings	**5,371,746**	5,590,189
Repayments of borrowings	**(974,369)**	(917,181)
As at 30 June	**12,505,917**	9,780,263

The weighted average effective interest rate of the borrowings as at 30 June 2018 is 4.08% (31 December 2017: 3.18%) per annum.

15. PROVISIONS

	One-off cash housing subsidies RMB'000	Guarantees RMB'000	Litigation claims RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018 (Audited)	**22,592**	**–**	**289,787**	**53,945**	**366,324**
(Reversal) addition	**–**	**–**	**(37,087)**	**35,977**	**(1,110)**
Paid during the period	**–**	**–**	**(18,038)**	**(34,649)**	**(52,687)**
As at 30 June 2018 (Unaudited)	**22,592**	**–**	**234,662**	**55,273**	**312,527**
As at 1 January 2017 (Audited)	25,146	27,701	307,645	33,303	393,795
Addition	(2,235)	(27,701)	90,794	20,642	81,500
Paid during the period	(319)	–	(108,652)	–	(108,971)
As at 31 December 2017 (Audited)	22,592	–	289,787	53,945	366,324

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16. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major investing activities:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Interest received	**88,077**	73,919
Net cash inflow from disposal of subsidiaries	**–**	38,190
Cash received on liquidation/disposal of investment in joint ventures	**2,747**	2,838
Cash received on liquidation/disposal of investment in an associate	**5,830**	–
Proceeds from disposal of land use rights	**–**	269,005
Proceeds from disposal of property, plant and equipment	**193,068**	113,541
Proceeds from disposal of intangible assets	**29**	–
Proceeds from disposal of investment properties	**9,172**	–
Acquisition of property, plant and equipment	**(1,036,074)**	(1,699,668)
Acquisition of investment properties	**(3,656)**	–
Acquisition of other non-current assets	**(114,227)**	(4,610)
Acquisition of intangible assets	**(12,602)**	(11,656)
Acquisition of land use rights	**(16,206)**	(8,629)
Government grant received	**–**	54,282
Capital injection to associate	**(10,000)**	(193,894)
Capital injection to joint ventures	**(9,996)**	(29,000)
Dividends received from associates	**18,655**	20,054
Dividends received from joint ventures	**5,175**	52,772
Dividends received from available-for-sale investment	**–**	263
Dividend received from financial assets at FVTOCI	**2,518**	–
Dividends received from financial assets at FVTPL	**1,435**	–
Purchase of available-for-sale investment	**–**	(850,000)
Purchase of financial assets at FVTPL	**(611,247)**	–
Proceeds from disposal of financial assets at FVTPL	**1,650,000**	–
Proceeds from disposal of available-for-sale investment	**–**	402,214
Increase in term deposits with initial terms of over three months	**(677,357)**	(97,863)
Repayments of loans due from a joint venture	**8,426**	18,000
Loan to joint ventures	**(11,629)**	(7,000)
Loan to associates	**–**	(45,160)
	(517,862)	(1,902,402)

16. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Major financing activities:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Receipts in relation to changes in ownership interest of subsidiaries without change in control	**–**	130,731
Capital contribution from non-controlling interests of subsidiaries	**37,692**	–
Advances from non-controlling interests	**–**	380,360
Advance from ultimate holding company and fellow subsidiaries	**2,127,908**	3,710,780
Settlement of consideration payable for acquisition of subsidiaries under common control in prior year	**(534,471)**	–
Interest paid	**(228,108)**	(277,891)
Dividend paid	**(198,218)**	(66,765)
New borrowings raised	**3,331,746**	2,816,321
Repayment of borrowings	**(224,369)**	(917,181)
Repayment of long-term bonds	**–**	(1,000,000)
Repayments to ultimate holding company and fellow subsidiaries	**(3,541,540)**	(2,712,505)
Cash received in advance for future capital injection in subsidiaries	**–**	28,121
	770,640	2,091,971

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17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Loans and receivables		
Trade and other receivables	**–**	12,807,113
Restricted cash	**–**	217,754
Cash and short-term deposits	**–**	11,934,565
Financial assets at amortised cost		
Trade and other receivables	**13,347,141**	–
Restricted cash	**241,197**	–
Cash and short-term deposits	**11,748,240**	–
Available-for-sale financial assets		
Available-for-sale financial assets		
– At fair value	**–**	327,064
– At cost	**–**	226,193
Other current assets	**–**	2,000,000
Financial assets at FVTOCI		
Financial assets at FVTOCI investments	**203,883**	–
Bills receivables (included in trade and other receivables)	**581,434**	–
Financial assets at FVTPL		
Financial assets at FVTPL investments	**1,805,371**	381,912
Financial liabilities at amortised cost		
Trade payables	**9,591,657**	9,931,218
Other payables, accruals and other current liabilities	**5,467,032**	8,221,115
Borrowings	**12,505,917**	8,108,540
Long-term bonds	**3,496,446**	3,495,827
Salary and welfare payables	**1,205,508**	1,446,143
Other non-current liabilities	**488,797**	809,425

17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Some of the Group's financial assets are measured at fair value on a recurring basis at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) 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

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs	Significant unobservable input/Range	Relationship of unobservable input to fair value
As at 30 June 2018 (Unaudited)							
Financial assets at FVTOCI							
Listed equity securities	203,883	-	-	203,883	Quoted bid price in an active market.	N/A	N/A
Bills receivables (included in trade and other receivables)	-	581,434	-	581,434	Discounted cash flow. Future cash flows are estimated based on contractual terms of the bills receivables and discounted at a rate that reflects the credit risk of the counterparties	N/A	N/A
Financial assets at FVTPL							
Unlisted equity securities (non-current assets)	-	-	387,493	387,493	Quoted bid price in an active market/4.3%-25% discount for lack of marketability, determined by reference to the share price of listed entities in similar industries.	Discount factor/ 4.3%-25%	The higher the discount factor, the lower the fair value
Listed equity investments (current assets)	-	617,878	-	617,878			
Wealth management products (current assets)	-	800,000	-	800,000	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
	203,883	1,999,312	387,493	2,590,688			

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17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs	Significant unobservable input/Range	Relationship of unobservable input to fair value
As at 31 December 2017 (Audited)							
Available-for-sale financial assets							
– Listed equity securities	327,064	–	–	327,064	Quoted bid price in an active market.	N/A	N/A
– Wealth management products (included in other non-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 at FVTPL							
– Investment in preferred shares	–	–	381,912	381,912	25% discount for lack of marketability, determined by reference to the share price of listed entities in similar industries.	Discount factor/25%	The higher the discount factor, the lower the fair value
	327,064	2,000,000	381,912	2,708,976			

There was transfer of financial assets categorised as Level 3 in prior year to Level 2 as certain investments in preference shares prior year were converted into ordinary shares during the period.

At the end of each reporting period, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents reconciliation of financial assets categorised as Level 3 fair value hierarchy.

	RMB'000
As at 1 January 2017 (Audited)	396,710
Income recognised in profit or loss	(14,876)
Exchange adjustments	78
As at 31 December 2017 and 1 January 2018 (Originally stated)	381,912
Effect from initial application of IFRS 9	226,193
As at 1 January 2018 (Restated)	608,105
Transfer out	(381,912)
Purchase	161,247
Exchange adjustments	53
At 30 June 2018 (Unaudited)	387,493

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the discount factor to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the financial assets through profit or loss would decrease/increase by RMB14,531,000 for the six months ended 30 June 2018.

18. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits and arbitration arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits and arbitration taking into account the legal advice, provisions have been made for the probable losses which are included in Note 15.

Where management cannot reasonably estimate the outcome of the lawsuits and arbitration or believes that it is not probable to incur any loss, no provision has been made. As at 30 June 2018, the maximum exposure of such lawsuits and arbitration of the Group amounted to approximately RMB128,229,000 (31 December 2017: RMB46,900,000).

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19. GUARANTEES

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Guarantee provided by the Group in respect of finance lease obligation of a joint venture	**35,566**	47,265
Loan guarantees provided by the Group for the benefit of a joint venture	**32,381**	35,811
	67,947	83,076

20. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following contractual capital commitments not provided for in the condensed consolidated financial statements:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted for but not provided	**1,282,019**	1,571,117
An analysis of the above capital commitments by nature is as follows:		
Construction commitments	**1,100,158**	1,471,684
Acquisition of property, plant and equipment	**177,891**	94,922
Investments in joint ventures/associates	**3,970**	3,970
Acquisition of land use rights	**–**	541
	1,282,019	1,571,117

21. 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.

During the current interim period, the Group had entered into various transactions with government-related entities, including deposit placements, borrowings and other bank facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors consider the following transactions are collectively significant for disclosure purpose.

(a) Significant transactions with related parties

	Six months ended 30 June	
	2018 **RMB'000** **(Unaudited)**	2017 RMB'000 (Unaudited and Restated)
Transactions with ultimate holding company including fellow subsidiaries, joint ventures and associates		
Revenue from provision of transportation and logistics services	**618,917**	695,326
Expenses – Service fees	**(918,847)**	(917,178)
Expenses – Rental expenses for office buildings warehouses and depots	**(60,064)**	(43,234)
Transactions with associates of the Group		
Revenue from provision of transportation and logistics services	**40,850**	38,036
Expenses – Service fees	**(42,449)**	(43,830)
Transactions with joint ventures of the Group		
Revenue from provision of transportation and logistics services	**154,345**	237,424
Expenses – Service fees	**(74,587)**	(214,181)
Transactions with other government-related entities		
Interest income from bank deposits	**82,151**	74,716

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21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Balances with ultimate holding company including fellow subsidiaries, joint ventures and associates		
Restricted cash	**59,425**	55,778
Cash and cash equivalents	**1,083,269**	1,336,744
Term deposits with initial terms of over three months	**1,423,053**	124,004
Trade and other receivables	**121,545**	387,838
Prepayments and other current assets	**15,237**	14,559
Trade payables	**172,246**	210,382
Contract liabilities	**5,111**	–
Other payables, accruals and other current liabilities	**1,674,232**	4,652,384
Receipts in advance from customers	**–**	3,663
Other non-current liabilities	**262,825**	501,943
Balances with joint ventures of the Group		
Trade and other receivables	**116,177**	106,779
Prepayments and other current assets	**2,064**	27,038
Other non-current assets	**48,039**	148,159
Trade payables	**10,343**	10,792
Contract liabilities	**2,342**	–
Other payables, accruals and other current liabilities	**17,802**	22,687
Receipts in advance from customers	**–**	12,051
Balances with associates of the Group		
Trade and other receivables	**37,736**	43,085
Prepayments and other current assets	**1,406**	1,076
Trade payables	**9,239**	6,680
Contract liabilities	**2,020**	–
Other payables, accruals and other current liabilities	**6,630**	3,238
Receipts in advance from customers	**–**	580
Balances with other government-related entities		
Restricted cash	**180,387**	60,715
Term deposits with initial terms of over three months	**1,479,487**	1,961,717
Cash and cash equivalents	**6,897,899**	7,135,137

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited and restated)
Borrowings from Finance Company		
At beginning of period	**2,750,000**	1,051,264
Proceeds from borrowings	**2,040,000**	4,010,780
Repayment of borrowings	**(750,000)**	(2,083,981)
At end of period	**4,040,000**	2,978,063
Interest charged	**68,296**	34,139
Interest paid	**(68,296)**	(32,899)

As at 30 June 2018, the weighted average effective interest rate of the borrowings above was 3.38% (31 December 2017: 3.96%) per annum.

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited and restated)
Borrowings from other government-related entities		
At beginning of period	**3,037,177**	2,274,106
Proceeds from borrowings	**2,695,870**	1,663,655
Repayment of borrowings	**(224,369)**	(293,725)
At end of period	**5,508,678**	3,644,036
Interest charged	**70,150**	97,166
Interest paid	**(70,150)**	(87,342)

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21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings (continued)

As at 30 June 2018, the weighted average effective interest rate of the above bank borrowings above was 4.69% (31 December 2017: 3.82%) per annum.

During the six months ended 30 June 2018, the Group repaid loan of RMB578,871,000 (six months ended 30 June 2017: Nil) to the ultimate holding company and fellow subsidiaries.

(d) Guarantees

The guarantees provided and paid by the Group to related parties are disclosed in notes 15 and 19.

(e) Key management personnel compensation

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Basic salaries, housing allowances and other allowances and benefit in kind	**1,816**	1,585
Discretionary bonuses	**2,020**	1,969
Contributions to pension plans	**542**	216

Chapter 9
Management Discussion and Analysis of Results of Operations and Financial Position

1 REVIEW OF OPERATING RESULTS

The general upward trend of the global economy continued in the first half of 2018. In developed countries, the labor market nearly reached full employment, which boosted consumer confidence and drove economic growth, however, the China-United States trade war, exchange rates fluctuation, geopolitics and other factors, have brought uncertainties to the global economy. In the first half of the year, the total import and export value of China's foreign trade increased by 7.9% year-on-year, of which exports and imports grew by 4.9% and 11.5%, respectively. The total value of China's social logistics increased by 6.9% year-on-year. The container throughput of ports above designated size in China saw a year-on-year increase of 5.4%, while there is a year-on-year decrease of 3.8% in China Containerized Freight Index.

In the first half of 2018, the Group concentrated on the "13th Five-Year" Plan and adhered to the principles of "Quality, Transformation, Integration, Innovation, Reform and Empowerment". Positive progress was achieved in all fields by following the requirements of "clear thoughts, concrete measures, realistic focus, and solid results".

2018 is a key year of the Group deepening the integration of the contract logistics business. In accordance with the principle of "strong alliance, complementary advantages, resource sharing and win-win cooperation", the Group carried forward the integration and optimization of business with similar nature with China Merchant Logistics. Currently, the Group has completed the integration of the contract logistics and the cold chain logistics, while the next step is to focus on industry solutions as the core, to base on large-scaled and intensified operation system as the foundation and to utilize information technology as a driven force, so as to allow the Group to become serve as contract logistics service platform with "small front, strong back stage".

Intelligent logistics is regarded as the direction of normalized innovation by the Group. This accelerates the digital transformation of traditional businesses and by applying new technologies in multiple business scenarios, platform-based products are launched and cross-border e-commerce businesses are developed. The Group is able to track the status of its 55 shipping companies, nearly 100 airlines, 10 domestic base ports, over 1,800 foreign ports and domestic railways which allows tracking and visualisation of the whole process in different modes of transport. The information of approximately 9 million square meters of domestic warehouse resources is now digitalized, and with the Optical Character Recognition, the efficiency of document processing has been substantially improved. The Group's logistics e-commerce service platform "y2t" provides domestic trade booking services for approximately 2,700 enterprises, and "one-stop" services including foreign trade booking, insurance and trailers for approximately 4,500 enterprises, leading to an increasing trend in the growth of business. The promotion of platform-based products such as Non-Truck operating common carrier service and "customs service clouds" is expected to produce more potential growth for the Group. The cross-border e-commerce business continues to develop rapidly. Within the year, it is expected that it will reach 20 cross-border e-commerce full link service products.

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For the six months ended 30 June 2018, as compared to the corresponding period of last year, the Group recorded an increase of 9.3% in the number of containers handled by sea freight forwarding service, an increase of 6.3% in the business volume handled by air freight forwarding service, an increase of 5.6% in the number of containers handled by the shipping agency, an increase of 13.8% in the bulk cargo volume handled by the shipping agency; an increase of 21.8% in the business volume handled by logistics service; an increase of 1.2% in the number of containers handled in warehouses and yards; the business volume of pallet leasing increased by 14.7%, the business volume of container leasing increased by 5.2%; an increase of 19.5% in the number of containers handled by shipping, an increase of 125.8% in the number of documents and parcels handled by the express service; a decrease of 3.7% in the volume of bulk cargo handled in warehouse and yard, a decrease of 0.1% in the number of container handled through terminals, and a decrease of 9.8% in the number of containers handled by trucking service.

The Group achieved revenue of RMB36,175.7 million for the six months ended 30 June 2018, representing an increase of 4.1% as compared to the corresponding period in 2017. The total segment results was RMB1,458.3 million, representing an increase of 10.28% compared to the corresponding period in 2017. Profit before income tax reached RMB2,052.2 million, representing an increase of 5.2% compared to the corresponding period of last year. Profit attributable to owners of the Company for the six months ended 30 June 2018 was RMB1,295.6 million, representing an increase of 5.7% as compared to the corresponding period in 2017 and earnings per share was RMB0.214 (corresponding period in 2017: RMB0.203).

2 OPERATING STATISTICS

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

	For the six months ended 30 June	
	2018	2017 (Restated)
Freight forwarding		
Sea freight forwarding (in ten thousand TEUs)	**612.8**	560.9
Air freight forwarding (in million kilograms)	**272.3**	256.1
Shipping agency (in ten thousand TEUs)	**1,236.5**	1,170.5
Shipping agency (in million tonnes)	**186.9**	164.2
Logistics (in million tonnes)	**27.70**	22.74
Storage and terminal services		
Warehouse and yard operation		
Containers (in ten thousand TEUs)	**429.0**	423.9
Bulk cargo (in million tonnes)	**7.8**	8.1
Terminal service (in ten thousand TEUs)	**193.8**	194.0
Logistics equipment leasing		
Pallet leasing (in ten thousand units per day)	**2,520.5**	2,197.7
Container leasing (in ten thousand TEUs per day)	**8.44**	8.02
Other services		
Shipping (in ten thousand TEUs)	**141.5**	118.4
Trucking (in ten thousand TEUs)	**40.5**	44.9
Express services (in ten thousand units)	**4,614.1**	2,043.4

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3 FINANCIAL STATISTICS

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

	For the six months ended 30 June (Unaudited)			
	2018		2017 (Restated)	
Freight forwarding	**21,788.28**	**60.2%**	22,080.88	63.5%
Logistics	**9,822.93**	**27.2%**	8,863.71	25.5%
Storage and terminal services	**1,173.74**	**3.2%**	1,097.45	3.2%
Logistics equipment leasing	**765.53**	**2.1%**	692.05	2.0%
Other services	**2,625.21**	**7.3%**	2,008.45	5.8%

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

	For the six months ended 30 June (Unaudited)			
	2018		2017 (Restated)	
Freight forwarding	**630.90**	**43.2%**	554.04	41.9%
Logistics	**399.43**	**27.4%**	379.37	28.7%
Storage and terminal services	**213.76**	**14.7%**	183.40	13.9%
Logistics equipment leasing	**187.72**	**12.9%**	171.30	12.9%
Other services	**26.53**	**1.8%**	34.24	2.6%

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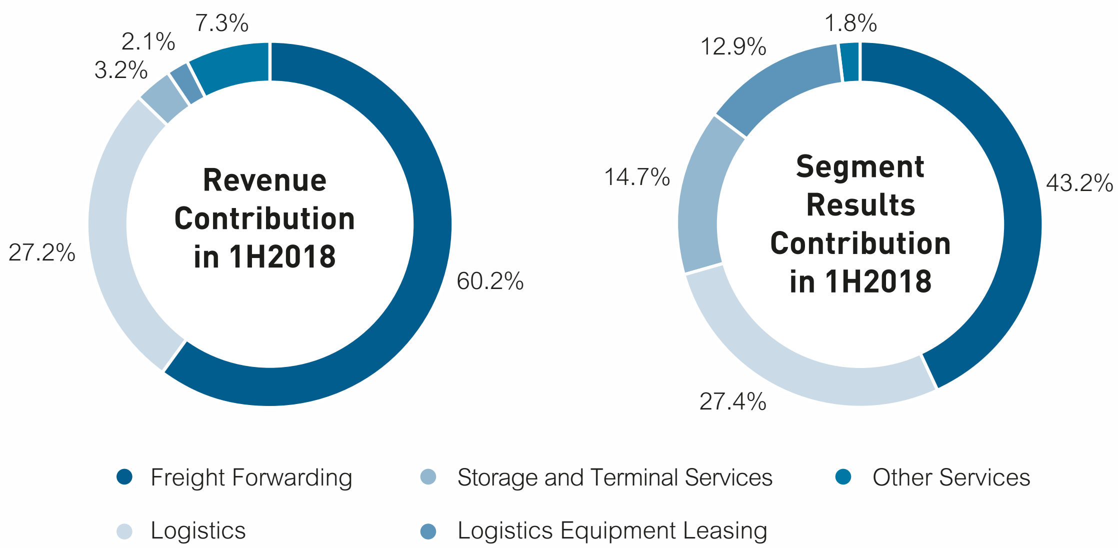

4 COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Revenue

For the six months ended 30 June 2018, the Group's revenue amounted to RMB36,175.7 million, representing an increase of 4.1% from RMB34,742.5 million for the corresponding period in 2017.

Freight Forwarding

For the six months ended 30 June 2018, external revenue from the Group's freight forwarding services decreased by 1.3% to RMB21,788.3 million from RMB22,080.9 million for the corresponding period in 2017, mainly because of the impact of decreasing freight rates. Segment profit from the Group's freight forwarding services amounted to RMB630.9 million, which increased by 13.9% compared with the corresponding period in 2017. The Group further intensified the development of direct customers, strengthened the marketing integration of all services related ship and cargo, and optimized the business model, thereby increasing the proportion of direct customers and the profit margins.

The volume of sea freight forwarding increased by 9.3% to 6.128 million TEUs for the first half of 2018 from 5.609 million TEUs for corresponding period in 2017. Cargo tonnage handled by the air freight forwarding service increased by 6.3% to 272.3 million kilograms in the first half of 2018 from 256.1 million kilograms for the first half of 2017, mainly because the Group strengthened the business cooperation with airlines and increased the effort to expand the import business. The number of containers handled by the shipping agency rose by 5.6% to 12.365 million TEUs for the first half of 2018 from 11.705 million TEUs for the first half of 2017, and the volume of bulk cargo handled by the shipping agency increased by 13.8% to 186.90 million tonnes in the first half of 2018 from 164.20 million tonnes for the first half of 2017.

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Logistics

For the six months ended 30 June 2018, external revenue from the Group's logistics service amounted to RMB9,822.9 million, representing an increase of 10.8% from RMB8,863.7 million for the corresponding period in 2017; segment profit from logistics service amounted to RMB399.4 million, representing an increase of 5.3% from RMB379.4 million for the corresponding period in 2017. In terms of the business volume and revenue, the Company has recorded a substantial growth due to the active development of new customers and the expansion of the global market. However, as a result of certain newly operated projects were still in the cultivation period, the growth of profit is slightly lower than that of revenue.

The business volume handled by the Group's logistics service increased by 21.8% to 27.70 million tonnes for the first half of 2018 from 22.74 million tonnes for the first half of 2017.

Storage and Terminal Services

For the six months ended 30 June 2018, external revenue from the Group's storage and terminal services amounted to RMB1,173.7 million, representing an increase of 7.0% from RMB1,097.4 million for the corresponding period in 2017. Segment profit from the Group's storage and terminal services amounted to RMB213.8 million, representing an increase of 16.6% from RMB183.4 million for the corresponding period in 2017, mainly because of the reduce in loss for some warehousing companies and improved efficiency due to the update in the self-owned warehouse information system, which has led to a relatively large increase in profit.

During the first half of 2018, the number of containers handled in the Group's warehouses and yards increased by 1.2% to 4.290 million TEUs from 4.239 million TEUs for the first half of 2017. The volume of bulk cargo handled in warehouses and yards decreased by 3.7% to 7.80 million tonnes from 8.10 million tonnes for the first half of 2017, mainly because some domestic trade shipping companies canceled their routes. The number of containers handled through terminals decreased by 0.1% to 1.938 million TEUs from 1.940 million TEUs for the first half of 2017.

Logistics Equipment Leasing

For the six months ended 30 June 2018, the Group's external revenue from the logistics equipment leasing business increased by 10.6% to RMB765.5 million, compared to RMB692.0 million for the corresponding period in 2017, and the segment profit was RMB187.7 million, increased by 9.6% from RMB171.3 million for the corresponding period in 2017.

During the first half of 2018, the business volume of pallet leasing increased by 14.7% to 25.205 million per day from 21.977 million for the first half of 2017, the business volume of container leasing increased by 5.2% to 84,400 TEUs per day from 80,200 TEUs for the first half of 2017.

Other Services

For the six months ended 30 June 2018, the Group's external revenue from other services (mainly involves shipping, trucking and express services) amounted to RMB2,625.2 million, representing an increase of 30.7% from RMB2,008.4 million for the corresponding period in 2017, mainly attributable to the increase in revenue from the cross-border e-commerce logistics business. Segment profit from the Group's other services amounted to RMB26.5 million for the first half of 2018, representing a decrease of 22.5% from RMB34.2 million for the corresponding period in 2017.

Transportation and Related Charges

Transportation and related charges was up by 3.7% to RMB31,111.5 million for the six months ended 30 June 2018, compared with RMB29,995.4 million for the corresponding period in 2017, which was largely in line with the increase in revenue.

Depreciation and Amortisation

Depreciation and amortization amounted to RMB609.8 million for the six months ended 30 June 2018, representing a decrease of 7.5% from RMB659.1 million for the corresponding period in 2017.

Office and Related Expenses

Office and related expenses amounted to RMB258.5 million for the six months ended 30 June 2018, representing a decrease of 9.8% from RMB286.6 million for the corresponding period in 2017.

Other gains and losses, net

Other gains and losses, net decrease from RMB353.9 million for the six months ended 30 June 2017 to RMB277.3 million for the reporting period.

Operating Profit

The Group's operating profit was RMB1,600.9 million for the six months ended 30 June 2018, representing an decrease of 2.7% from RMB1,644.7 million for the corresponding period in 2017. Operating profit as a percentage of total revenue decreased to 4.43% for the six months ended 30 June 2018 from 4.73% for the six months ended 30 June 2017. Due to certain non-operating factors, the operating profit slightly decreased for the reporting period.

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures was RMB584.8 million for the six months ended 30 June 2018, representing an increase of 22.6% from RMB476.9 million for the corresponding period in 2017. Such increase was mainly attributable to the increase in the results of DHL Sinotrans International Air Courier Ltd..

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Income Tax Expense

For the six months ended 30 June 2018, income tax expense of the Group amounted to RMB449.8 million, representing an increase of 9.7% from RMB409.9 million for the corresponding period in 2017. Income tax expense as a percentage of profit before income tax for the six months ended 30 June 2018 rose to 21.9% from 21.0% for the six months ended 30 June 2017. This was mainly because of the increase in profit before tax.

Profit for the Period

The Group's profit for the six months ended 30 June 2018 was RMB1,602.4 million, representing an increase of 4.0% from RMB1,540.5 million for the corresponding period in 2017.

Profit Attributable to Non-controlling Interests

For the six months ended 30 June 2018, profit attributable to non-controlling interests amounted to RMB306.8 million, representing a decrease of 2.5% as compared with RMB314.7 million for the corresponding period in 2017.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to RMB1,295.5 million, representing an increase of 5.7% from RMB1,225.8 million for the corresponding period in 2017.

Liquidity and Capital Resources

The following table summarizes the Group's cash flows for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	In RMB million	*In RMB million*
	(Unaudited)	(Unaudited) (Restated)
Net cash used in operating activities	**(1,061.6)**	(973.1)
Net cash used in investing activities	**(517.9)**	(1,902.4)
Net cash generated from financing activities	**770.6**	2,092.0
Exchange losses on cash and cash equivalents	**(54.9)**	(26.8)
Net decrease in cash and cash equivalents	**(863.7)**	(810.3)
Cash and cash equivalents at the end of the period	**8,845.7**	8,513.7

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Operating Activities

Net cash outflows used in the Group's operating activities for the six months ended 30 June 2018 amounted to RMB1,062 million, representing an increase of 9.1% from net cash outflows of RMB973 million for the corresponding period in 2017. Such increase was primarily attributable to an decrease in trade payables of RMB340 million (corresponding period in 2017: an increase of RMB810 million), partially offset by an increase in trade and other receivables of RMB1,382 million (corresponding period in 2017: an increase of RMB2,495 million).

For the six months ended 30 June 2018, the average age of trade receivables was 58 days, as compared to 56 days for the corresponding period in 2017.

Investing Activities

For the six months ended 30 June 2018, net cash used in investing activities amounted to RMB518 million, primarily comprising RMB1,036 million used for the purchase of property, plant and equipment, RMB677 million used for increase the term deposits with initial terms of over three months, RMB611 million used for purchase the financial assets at fair value through profit or loss, RMB114 million used for increase the other non-current assets, partially offset by RMB1,650 million received from the disposal of the financial assets at fair value through profit or loss, RMB193 million received from the disposal of the purchase of property, plant and equipment.

For the six months ended 30 June 2017, net cash used in investing activities amounted to RMB1,902 million, primarily comprising RMB1,700 million used for the purchase of property, plant and equipment, RMB850 million used for the purchase of available-for-sale financial assets, and, as well as RMB194 million used for the capital injection and purchase of associates, partially offset by RMB402 million received from the disposal of available-for-sale financial assets, RMB383 million received from the disposal of property, plant, equipment and land use rights.

Financing Activities

Net cash generated from the Group's financing activities for the six months ended 30 June 2018 amounted to RMB771 million, compared with net cash generated from financing activities of RMB2,092 million for the corresponding period in 2017.

Net cash generated from financing activities for the six months ended 30 June 2018 primarily comprised RMB5,460 million received from borrowings, partially offset by RMB3,766 million paid in cash for the repayment of borrowings, RMB534 million for the payment of acquisition of subsidiaries, RMB228 million for the payment of interest, and RMB198 million for the payment of dividend.

Net cash generated from financing activities for the six months ended 30 June 2017 primarily comprised RMB6,527 million received from borrowings, RMB380 million of advances received from non-controlling interests, partially offset by RMB3,629 million paid in cash for the repayment of borrowings, RMB1,000 million of repayment of short-term bonds in cash, and RMB278 million for the payment of interest.

Chapter 9
Management Discussion and Analysis of Results of Operations and Financial Position

Capital Expenditure

For the six months ended 30 June 2018, the Group's capital expenditure amounted to RMB1,183 million, primarily comprising RMB1,036 million for acquisition of property, plant and equipment, RMB114 million for acquisition of other non-current assets, among which, RMB641 million was used for renovation and construction of terminals, warehouses, logistics centers and container yards, RMB339 million for purchase of vehicles, vessels, plant and equipment, RMB160 million for purchase of property and others, and RMB43 million for IT investment and refurbishment and purchase of office equipment.

Contingent Liabilities and Guarantees

As at 30 June 2018, the Group's contingent liabilities mainly comprised outstanding lawsuits and arbitration of RMB128 million (31 December 2017: RMB47 million).

As at 30 June 2018, the amount of guarantees provided by the Group in favor of its joint ventures was RMB68 million (31 December 2017: RMB80 million).

Borrowings and Bonds

As at 30 June 2018, the Group's total borrowings amounted to RMB12,506 million (31 December 2017: RMB8,109 million). Of the above borrowings, bank borrowings was RMB8,466 million and borrowings from Finance Company was RMB4,040 million, all being borrowings which comprised 4,850 million denominated in RMB590 million in US dollars, and 7,070 million in Hong Kong dollars. The weighted average interest rate for the above borrowings was 4.08% per annum.

As at 30 June 2018, the Group's total bonds amounted to RMB3.50 billion (31 December 2017: RMB3.50 billion). Of the above bonds, none shall be payable within a year.

Secured and Guaranteed Borrowings

As at 30 June 2018, the Group pledged property, plant and equipment (with net book value of approximately RMB900 million) and land use rights (with net book value of approximately RMB1,180 million) for borrowings.

Debt-to-Asset Ratio

As at 30 June 2018, the debt-to-asset ratio of the Group was 58.6% (31 December 2017: 58.8%), which was arrived at by dividing the total liabilities by the total assets of the Group as at 30 June 2018.

Foreign Exchange Risk

Since a portion of the Group's revenue and transportation and related charges is denominated in US dollars, the Group's exposure to foreign exchange risks is mainly related to US dollars. There is no assurance that future fluctuations in RMB 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 risks is represented by the aggregated balances of trade and other receivables, financial assets at fair value through profit or loss, available-for-sale financial assets, restricted cash, and term deposits with initial terms of over three months. The maximum credit risk exposure in the event that other parties fail to perform their obligations under these financial instruments was the book values of these financial instruments.

Employees

As at 30 June 2018, the number of employees of the Group was 35,892 (31 December 2017: 40,053). The decrease in number of employees was mainly attributable to outsourcing of some of the business and improvement of enterprise performance, which reduced the number of employees required and improved the employment structure. Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2017 Annual Report with no significant changes.

5 BUSINESS DEVELOPMENT AND OUTLOOK

Business Development

Looking ahead to the second half of 2018, it is expected that the global economic growth will stabilise. In spite of a growing momentum for the U.S. economy, unilateralism, protectionism and particularly Sino-US trade tensions have brought greater impact to the development of global economy. China's economy has shown a changing pattern amid stability, along with stronger resilience of growth and improving economic structure, which would further stimulate the contribution of consumption to economic growth. The growth rate of import and export in China is expected to become more stable; the demand for logistics will further increase along the "Belt and Road" regions; while the domestic demand for logistics will also witness its steady growth.

Our Group will continue to facilitate the implementation of strategic planning with steady yet convinced steps, paving the way for the transition and restructuring of each business model, and advancing the development of capability in operation for the entire network and one-stop supply chain services. We will also integrate the scope of our logistics business in order to raise the effectiveness in allocation and competitiveness of our major resources. Transformation process towards digitalisation is expedited so as to create a new platform for intelligent logistics innovation for a better result of outcome transfers, reproduction and promotion. We will also gradually establish organisational structure, personnel system and corporate culture which conform to the strategic planning. With the aim of improving quality and effectiveness as well as our principle of value creation, our Group would enhance our operational controls on the basis of comprehensive optimization of management.

Chapter 9
Management Discussion and Analysis of Results of Operations and Financial Position

Strategic Reorganisation and Resources Integration

On 28 February 2018, the Board announced that Company entered 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 its A Shares on the Shanghai Stock Exchange and the merger of Sinoair. As stated in the announcement of 28 February 2018 and subject to regulatory approvals, the Company will also issue up to 1,371,191,329 A Shares as Consideration Shares at the initial Issue Price of RMB5.32 per Consideration Share (subject to adjustment) in exchange 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. The transaction has been approved by the Company and Sinoair's shareholders meeting on 31 May 2018 and the initial Issue Price of RMB5.32 was adjusted to RMB5.24 per Consideration Share in accordance with the terms of the Merger Agreement. Pleases refer to the Company's announcement dated 28 February 2018, the circular dated 18 April 2018, announcement dated 23 May 2018 and announcement of the results of the shareholders meeting dated 31 May 2018 for more details about the transaction. On 11 June 2018, the Company was notified by the China Securities Regulatory Commission of its acceptance of the merger application. Please refer to the Company's announcement dated 11 June 2018 for details.

Chapter 10
Interim Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018.

Chapter 11
Other Information

1 DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2018, so far as the Directors of the Company were aware, none of the Directors, Supervisors, chief executive or their associates had any interests in any shares or debentures and short positions of the Company or any associated corporation of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be recorded in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2 SHARE CAPITAL

Share capital of the Company as at 30 June 2018 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%
Total Shares	6,049,166,644	100.00%

Chapter 11
Other Information

3 SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, so far as the Directors of the Company were aware, the interests and short positions which the following persons (other than Directors, Supervisors and chief executive) had, in the interests and short positions of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or the interests and 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
China Merchants (Note 1)	3,904,279,644 (L)	Domestic Shares	64.54%	–
	107,183,000 (L)	H Shares	1.77%	4.997%
FIL Limited (Note 2)	192,977,000 (L)	H Shares	3.19%	8.99%
BlackRock Inc. (Note 3)	155,939,482 (L)	H Shares	2.58%	7.27%
	75,000 (S)	H Shares	0.00%	0.00%
JPMorgan Chase & Co. (Note 4)	133,888,706 (L)	H Shares	2.21%	6.24%
	862,000 (S)	H Shares	0.01%	0.04%
	123,969,849 (P)	H Shares	2.05%	5.77%
FIDELITY FUNDS (Note 5)	107,631,000 (L)	H Shares	1.78%	5.02%

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

Notes

1. As at 30 June 2018, 2,461,596,200 Domestic Shares were directly held by SINOTRANS & CSC and 1,442,683,444 Domestic Shares were directly held by China Merchants; 107,183,000 H Shares were indirectly held by SINOTRANS & CSC through its wholly owned subsidiaries, of which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares and Sinotrans Shipping Inc. held 500,000 H Shares. As Sinotrans & CSC is a wholly-owned subsidiary of China Merchants, China Merchants is deemed to be interested in an aggregate of 66.31% of the total issued shares of the Company.

2. According to the disclosure of interest form filed by FIL Limited on the website of the Stock Exchange, FIL Limited held these shares through its subsidiaries.

3. According to the disclosure of interest form filed by BlackRock Inc. on the website of the Stock Exchange, BlackRock Inc. held these shares through its subsidiaries, in respect of which 149,000 H shares (L) and 75,000 H shares (S) were reported as cash settled unlisted derivatives.

4. According to the disclosure of interest form filed by JPMorgan Chase & Co. on the website of the Stock Exchange, these shares/underlying shares are held by wholly-owned subsidiaries of JPMorgan Chase & Co. in respect of which (a) 9,815,857 H shares (L) and 862,000 H shares (S) were held as beneficial owner and 103,000 H shares (L) were held as an investment manager, 123,969,849 H shares (L) were held as approved lending agent; and (b) 1,087,000 H shares (L) and 362,000 H shares (S) were reported as physically settled unlisted derivatives.

5. According to the disclosure of interest form filed by FIDELITY FUNDS on the website of the Stock Exchange, these shares were held by FIDELITY FUNDS directly.

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Other Information

Save as disclosed above, as at 30 June 2018, so far as was known to the Directors of the Company, there was no other person (other than Director, Supervisor or chief executive) who had any interests and short positions of the Company which would fall to be recorded in the register kept by the Company pursuant to Section 336 of the SFO and disclosed to the Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO.

4 PURCHASE SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2018.

5 SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2018 are set out in Note 21 to the unaudited condensed consolidated interim financial statements.

6 CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the CG Code as set out in Appendix 14 to the Listing Rules. The Company has confirmed that it has complied with all the code provisions in effect as set out in the CG Code throughout the six months ended 30 June 2018 except the deviation from Code Provision A.6.7 which provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders, and Code Provision E.1.2 which 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. As the 2017 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, the chairmen of these related committees were not invited to attend the annual general meeting, and independent non-executive directors of the Company did not attend the annual general meeting.

Chapter 11
Other Information

Board of Directors

As at 30 June 2018, the Board of Directors of the Company comprised of 11 Directors. The members were as follows:

Chairman: Mr. Wang Hong
Vice Chairman: Mr. Song Dexing
Executive Directors: Mr. Li Guanpeng, Mr. Song Rong, Mr. Wang Lin, Mr. Wu Xueming
Non-executive Director: Mr. Jerry Hsu
Independent Non-executive Directors: Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing, Ms. Li Qian

The Company has published the latest list of the Board members with their roles and positions on the websites of the Stock Exchange and the Company. Every Director of the Company acknowledges his/her responsibilities as a Director and is aware of the Company's operation procedure, business activities and development.

Changes in Biography of Directors, Supervisors and Senior Management

As at 30 June 2018, changes in directors, supervisors and senior management of the Company were as follows:

Mr. Zhao Huxiang ceased to act as Chairman and executive director, Mr. Yu Jianmin ceased to act as executive directors of the Company and Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Liu Junhai ceased to act as independent non-executive directors on 1 June 2018.

Mr. Wang Hong was appointed as Chairman and executive director of the Company, executive director Mr. Song Dexing appointed as Vice Chairman and Mr. Song Rong was appointed as executive director with effect from 1 June 2018.

Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian were appointed as independent non-executive directors of the Company with effect from 1 June 2018.

Mr. Wu Xueming and Mr. Jerry Hsu were re-elected as executive director and non-executive director of the Company on 1 June 2018.

Mr. Chen Xianmin, Mr. Tian Lei and Mr. Chen Hairong were appointed as the Vice Presidents of the Company in May 2018. Mr. Wang Lin and Mr. Yu Jianmin ceased to be the Vice Presidents of the Company.

Chapter 11
Other Information

Executive Committee

The executive committee is a standing organization under the Board which, based on the authorization by plenary meeting of the Board, is able to exercise part of the power and authority of the Board during the adjournment of Board meetings. The principal terms of reference of the Executive Committee include: a) subject to the Company Law, the Listing Rules, the Articles of Association and other related laws and regulations, 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) 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) to decide on the provision of guarantees by the Company to its subsidiaries etc.

The current executive committee comprises of Mr. Wang Hong, being Chairman of the Board, Vice Chairman Mr. Song Dexing, and Mr. Li Guanpeng, Mr. Song Rong, being executive Directors, with Mr. Wang Hong as the Chairman of the executive committee.

Audit Committee

The principal functions of the audit committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditor, monitoring integrity of the Company's financial statements, annual report and accounts and half-year report, reviewing the Company's financial controls, the internal control and risk management systems etc.

The current committee comprises of all independent non-executive Directors, being Mr. Meng Yan, Mr. Wang Taiwen, Mr. Song Haiqing and Ms. Li Qian, with Mr. Meng Yan acting as the Chairman of the audit committee.

The audit committee of the Company and SHINEWING (HK) CPA Limited, the Company's auditor have reviewed the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2018.

Chapter 11
Other Information

Remuneration Committee

The principal functions of the remuneration committee include researching and developing the Company's policy and structure for all directors' and senior management remuneration as well as determining the remuneration packages of individual executive directors and senior management etc.

The current committee comprises of all independent non-executive Directors and an Executive Director, being Ms. Li Qian, Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Mr. Wang Hong, with Ms. Li Qian acting as the Chairman of the remuneration committee.

Nomination Committee

The principal functions of the nomination committee include reviewing the structure, size and composition of the Board, 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 current nomination committee comprises of all independent non-executive Directors, Chairman of the board and executive director and President of the Company, being Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing, Ms. Li Qian, Mr. Wang Hong and Mr. Li Guanpeng, with Mr. Wang Taiwen acting as the Chairman of the nomination committee, among which, independent non-executive Directors are in the majority.

Supervisory Committee

The principal functions of the supervisory committee include checking the financial affairs of the Company, supervising the Board and its members as well as the senior management while they performing their corporate functions, so as to safeguard the interests of the shareholders of the Company. Every Supervisor perform his duty by convening meetings of the supervisory committee, attended Board meetings, meetings of the audit committee and meetings of the remuneration committee, and taking on-site investigation and research in subsidiaries etc.

The current supervisory committee is formed by three members, comprising two independent Supervisors and one staff-representative Supervisor, including Mr. Zhou Fangsheng, Mr. Fan Zhaoping and Ms. Ren Dongxiao.

7 MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Company's Directors and Supervisors.

The Directors and Supervisors have confirmed, following specific enquiry made by the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by directors and supervisors throughout the reporting period from 1 January 2018 to 30 June 2018.

Chapter 12
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 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

Chapter 12
Definitions

HK$	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
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
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 12
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 Supervisory Committee the Supervisory Committee of the Company