



# 中國外運股份有限公司 SINOTRANS LIMITED

Stock Code: 0598HK 601598SH



**CUSTOMERS' SUCCESS**  
**OUR ACHIEVEMENT**

**2020** INTERIM REPORT

## Important Notice

1. The Board and the Supervisory Committee of the Company and the Directors, Supervisors and members of the Senior Management warrant the truthfulness, accuracy and completeness of the contents in this Interim Report and confirm that there are no misrepresentations or misleading statements contained in or material omissions from this Interim Report, and accept several and joint legal responsibilities.

2. Absent Directors

Position of the absent Director	Name of the absent Director	Reason for the absence of the Director	Name of proxy
Non-executive Director	Su Jian	Absent due to other business engagement	Li Guanpeng

3. The Interim Report is unaudited.
4. The Company's legal representative, Li Guanpeng; Chief Financial Officer, Wang Jiuyun; and the person in charge of the Financial Department ("person in charge of accounting"), Mai Lina, hereby make the statement that they warrant the financial statements contained in this Interim Report are true, accurate and complete.
5. Proposal for profit distribution or proposal for conversion of common reserve fund into share capital during the Reporting Period considered by the Board

No

6. Risk disclaimer of forward-looking statements

Applicable      Not applicable

Forward-looking statements including future plans and development strategies in this Report do not constitute substantive commitments of the Company to investors. Investors should be aware of the investment risks.

7. Whether the controlling shareholder or its related parties has misappropriated the Company's funds for purposes other than for business

No

8. Whether the Company has provided external guarantees in violation of any prescribed decision-making procedures

No

9. Significant risk alert

The Company has described the potential risks in detail in this Report. Please refer to "Chapter 4 Management Discussion and Analysis of Business Performance (Report of the Board) – III. OTHER DISCLOSURES – (III) Potential Risks" in this Report.

10. Others

Applicable      Not applicable

The Company's 2020 interim financial report has been prepared in accordance with Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China and related provisions. Unless otherwise specified, the reporting currency in this Report is Renminbi ("RMB").

Contents contained in this Report are prepared in compliance with all disclosure requirements of the SSE Listing Rules and SEHK Listing Rules. The Report is published in both Chinese and English versions in Mainland China and Hong Kong at the same time. Should there be any discrepancies between the Chinese and English versions of this Report, the Chinese version shall prevail.



## **Corporate Mission**

Creating a logistics ecology system around the world  
to successfully promote industrial progress

## **Corporate Vision**

Becoming a world-class intelligent logistics platform enterprise

The background features a stylized street scene on the left with a street lamp and buildings, transitioning into a series of colorful, curved lines (red, blue, yellow, and grey) that sweep across the page from the bottom left towards the top right.

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# Highlights of the First Half of 2020

Revenue (RMB)

**39.69** billion



KLG Group

Revenue

RMB **678** million

Profit generated from operation

RMB **74+** million



Segment profit from air freight forwarding



**▲130%**

The volume of China Europe Railway Express



**▲38%**

Revenue from Sinotrans E-LCL



**▲23%**

E-commerce business

Revenue

**▲68%**

Segment Profit

**▲177%**



Percentage of the revenue contribution from core direct customers



**35%**

## Chapter 1 Definitions

In this Report, unless the context otherwise indicates, the following words have the following meanings:

A Share(s)	the Domestic Share(s) of the Company with nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
Articles of Association	the Articles of Association of Sinotrans Limited
Board	the Board of Directors of the Company
CG Code	code provisions of Corporate Governance Code as set out in Appendix 14 to the SEHK Listing Rules
China Merchants	China Merchants Group Limited (招商局集團有限公司), a wholly state-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 actual controller of the Company, which holds approximately 57.61% of the issued share capital of the Company at the date of this Report
China Merchants Group or CMG	China Merchants and its subsidiaries
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company or Sinotrans	Sinotrans Limited (中國外運股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the SEHK and A Shares are listed on the SSE
Company Law	the Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
Director(s)/Supervisor(s)	Director(s)/Supervisor(s) of the Company
Domestic Share(s)	shares issued by the Company under the laws of the PRC, the par value of which is denominated in RMB, and which are subscribed in RMB
Finance Company	China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司), a company owned as to 51% by China Merchants and 49% by Sinotrans & CSC
Group	Sinotrans Limited and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC

## Chapter 1

### Definitions

H Share(s)	overseas listed foreign invested Share(s) of RMB1.00 each in the issued share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in HK\$
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Stock Exchange/SEHK	The Stock Exchange of Hong Kong Limited
KLG Group	the seven European logistics companies of KLG Europe Holding B.V. acquired by the Company, which were wholly-owned subsidiaries of the Company as at the date of this Report
Listing Rules in Listing Places	the SEHK Listing Rules and SSE Listing Rules
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the SEHK Listing Rules
PRC	the People's Republic of China
Reporting Period	the period from 1 January 2020 to 30 June 2020
RMB	Renminbi, the lawful currency of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SEHK Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Senior Management	the Company's senior management as defined by the Articles of Association
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## Chapter 1 Definitions

Share(s)	H Share(s) and A Share(s)
Shareholder(s)	holder(s) of the Shares
Sinoair	Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司), a subsidiary of the Company
Sinotrans & CSC	Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司), a wholly state-owned enterprise established under the laws of the PRC, a wholly owned subsidiary of China Merchants, and the controlling shareholder of the Company which collectively holds 35.99% of the issued share capital of the Company at the date of this Report
SSE	Shanghai Stock Exchange
SSE Listing Rules	Listing Rules of Shanghai Stock Exchange
subsidiary(ies)	has the meaning ascribed to it under the SEHK Listing Rules
Supervisory Committee	the Supervisory Committee of the Company



## Chapter 2

# General Information and Key Financial Indicators

### I. COMPANY INFORMATION

Chinese name of the Company	中國外運股份有限公司
Chinese abbreviation of the Company	中國外運
Foreign name of the Company	SINOTRANS LIMITED
Foreign abbreviation of the Company	SINOTRANS
Legal representative of the Company	Li Guanpeng

### II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary of the Board/ Company Secretary</b>	<b>Representative of Securities Affairs</b>
Name	Li Shichu	Lu Ronglei
Address	Sinotrans Building Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing, China	Sinotrans Building Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing, China
Tel.	8610 52295721	8610 52295721
Fax	8610 52296519	8610 52296519
Email	ir@sinotrans.com	ir@sinotrans.com

### III. BASIC INFORMATION

Initial date of registration of the Company	20 November 2002
Registered address of the Company	Building A, Sinotrans Plaza, A43 Xizhimen Beidajie, Haidian District, Beijing, China
Postcode of the registered address of the Company	100082
Office address of the Company	Sinotrans Building Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing, China
Postcode of office address of the Company	100029
Company website	www.sinotrans.com
Email	ir@sinotrans.com

### IV. INFORMATION DISCLOSURE AND PREPARATION LOCATIONS

Name of disclosure newspapers selected by the Company	China Securities Journal, Securities Daily
Website for publishing the Interim Report designated by CSRC	www.sse.com.cn
Website for publishing the Interim Report designated by SEHK	www.hkex.com.hk
Location for Interim Report stock	10/F, Sinotrans Building Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing, China

## Chapter 2

### General Information and Key Financial Indicators

#### V. OVERVIEW OF COMPANY STOCK

Class of share	Stock exchange	Stock abbreviation	Stock code
H Share	SEHK	Sinotrans	0598
A Share	SSE	Sinotrans	601598

#### VI. OTHER RELEVANT INFORMATION

Applicable       Not applicable

Certified public accountants engaged by the Company	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fuhua Mansion, No. 8 Chaoyangmen North Street, Dongcheng District, Beijing
Legal counsel engaged by the Company (As to the PRC Laws)	Name	FenXun Partners
	Office address	Suite 3501, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
Legal counsel engaged by the Company (As to Hong Kong Laws)	Name	Baker & McKenzie LLP
	Office address	14/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Sponsors to continuously perform their supervisory function during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	21st Floor, CITIC Securities Building, 48 Liangmaqiao Road, Chaoyang District, Beijing
Sponsors to continuously perform their supervisory function during the Reporting Period	Name	China Merchants Securities Co., Ltd.
	Office address	26th Floor, CMS China Securities Plaza, No. 111 FuHua Rd, Futian District, Shenzhen, Guangdong Province
Share registrar of A Shares of the Company	Name	China Securities Depository & Clearing Corp. Ltd. Shanghai Branch
	Office address	China Insurance Building, 166 East Lujiazui Road, Pudong New Area, Shanghai
Share registrar of H Shares of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Business address in Hong Kong	Office address	Room F and G, 20/F, MG Tower, No. 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Principal bank	Name	Bank of China
	Office address	No. 1 Inner Street, Fuxingmen, Xicheng District, Beijing, China

## Chapter 2

### General Information and Key Financial Indicators

## VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

### (I) Key Accounting Data

*Unit: Yuan Currency: RMB*

Key accounting data	Reporting Period (January to June)	Corresponding period of last year	Change as compared to the corresponding period of last year (%)
	As at the end of the Reporting Period	As at the end of last year	Change as compared to the end of last year (%)
Operating income	<b>39,690,976,521.76</b>	37,720,583,082.13	5.22
Net profits attributable to shareholders of the Company	<b>1,215,123,919.62</b>	1,517,484,875.36	-19.93
Net profits net of non-recurring profit or loss attributable to shareholders of the Company	<b>1,087,384,727.58</b>	1,308,272,780.14	-16.88
Net cash flows from operating activities	<b>519,158,877.57</b>	-478,672,540.34	N/A
Net assets attributable to shareholders of the Company	<b>28,812,628,129.28</b>	28,438,616,352.12	1.32
Total assets	<b>64,104,653,048.22</b>	61,886,407,948.66	3.58

### (II) Key Financial Indicators

Key financial indicators	Reporting Period (January to June)	Corresponding period of last year	Change as compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	<b>0.1642</b>	0.2115	-22.36
Diluted earnings per share (RMB per share)	<b>0.1642</b>	0.2115	-22.36
Basic earnings per share, net of non-recurring profit or loss (RMB per share)	<b>0.1469</b>	0.1823	-19.42
Weighted average return on equity (%)	<b>4.18</b>	5.69	decreased by 1.51 percentage points
Net weighted average return on equity, net of non- recurring profit or loss (%)	<b>3.74</b>	4.91	decreased by 1.17 percentage points

#### **Explanations on the key accounting data and financial indicators of the Company**

✓Applicable      □Not applicable

In the first half of 2020, net profit attributable to shareholders of the Company was RMB1,215 million, representing a decrease of 19.93% as compared to the corresponding period of last year, mainly due to a year-on-year decrease in the revenue and net profit of the Company in the first quarter resulting from the decrease in the export related business of the Company as a result of the COVID-19. However, the revenue and net profit of the Company saw recovery in the second quarter. As such, although the net profit of the Company in the first half of 2020 decreased as compared to the corresponding period of last year, but to a notable less extent as compared with the first quarter.

## Chapter 2

### General Information and Key Financial Indicators

#### VIII. ACCOUNTING INFORMATION DIFFERENCES BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Applicable       Not applicable

#### IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable       Not applicable

Non-recurring profit or loss items	Amount	Note (if applicable)
Gains and losses from disposal of non-current assets	13,942,635.92	
Tax returns and abatement that are examined and approved beyond authority, or without official approval documents or occasional		
Government subsidies recognized in current profit or loss, except government subsidies which are closely related to the Company's normal business operations, which comply with national policies and can be obtained continuously based on a set of standards by fixed amount or fixed quantity	148,752,177.33	
Capital occupation fees charged from the non-financial enterprises and counted into the current profits or losses of the Company	2,514,349.03	
Gains when the investment cost of acquiring a subsidiary, an associate and a joint venture is less than the fair value of the identifiable net assets of the invested entity		
Gains and losses from exchange of non-monetary assets		
Gains and losses from entrusting others to invest or manage assets		
Asset impairment provisions due to force majeure factors such as natural disasters		
Gains and losses from debt restructuring		
Enterprise restructuring costs such as staff settlement expenses and integration costs		
Gains and losses that exceeds the fair value in transactions with unfair price		
Current net profits or losses of subsidiaries from the merger of enterprise under common control from the beginning of the period to the date of the merger		
Gains and losses arising from contingencies irrelevant to the Company's normal business operations		
Gains and losses from changes in fair value arising from held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities, and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment other than effective hedging business related to the Company's normal business operations	550,173.32	
Reversal of impairment of accounts receivables and contract assets that had impairment test separately	374,314.69	
Gains and losses from external entrusted loans		
Gains and losses from changes in fair value of investment properties subsequently measured in the fair value model		
Impact on the current profits and losses by one-off adjustment according to laws and regulations related to tax and accounting		
Trusteeship fee income from entrusted operations	7,075,471.70	
Other non-operating income and expenses other than the above items	-21,467,320.07	
Other gains and losses classified to non-recurring profits or losses	26,116,035.10	Additional VAT deduction
Impact on non-controlling interests	-8,012,490.91	
Impact on income tax	-42,106,154.07	
<b>Total</b>	<b>127,739,192.04</b>	

#### X. OTHERS

Applicable       Not applicable

## Chapter 3 Business Overview

### I. DESCRIPTION OF THE PRINCIPAL BUSINESS, OPERATING MODEL AND INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD

#### (I) Principal Business of the Company and Its Business Model

The Group is a leading integrated logistics service provider and integrator in the PRC. Adhering to the mission of the enterprise of “creating a logistics ecology system connecting the world to successfully promote industrial progress”, leveraging on its comprehensive service network, abundant logistics resources, strong professional capabilities of logistics solutions, and leading supply chain logistics model, the Group provides customers with customized logistics solutions and integrated whole supply chain logistics services.

The Group’s principal businesses include logistics, forwarding and related business and e-commerce business. As the core business, logistics business focus on high-growth, high-value-added sub-industries and their upstream and downstream industries, so as to promote high-quality industrial development. As the cornerstone business, forwarding and related business provides support for the development of logistics business. As the innovative business, e-commerce business combine internet and logistics technology to promote the Company’s transformation and upgrading to a digital and smart logistics enterprise.

#### 1. Logistics

Based on the different needs of customers, Sinotrans provides tailor-made integrated logistics solutions covering the entire value chain and ensures the smooth implementation of such solutions, mainly including contract logistics, project logistics, chemical logistics, cold chain logistics and other logistics services.

**Contract logistics** is based on long-term cooperation relationship to provide customers with industry supply chain logistics management services, including procurement logistics, production logistics, sales logistics and reverse logistics, and also provide value-added services such as information services, process optimization, logistics consulting, and supply chain finance. The contract logistics service of the Company has been carried out cluster management according to the target industries and possess leading solution capabilities in multiple industries and fields, such as consumer goods and retail, automobile and accessories, technology & electronics products, medical and health, and buyer consolidation. The Company has established good long-term cooperative relationship with many well-known enterprises at home and abroad.

**Project logistics** mainly covers the countries and regions along the “Belt and Road” and provides design and implementation of end-to-end one stop logistics solutions to export engineering equipments and materials from the PRC for Chinese international EPC enterprises in industries such as electric power, petrochemical, metallurgical mining, infrastructure and rail vehicles. The services include but are not limited to the provision of logistics solution design, arranging sea, air, and land transportation, warehousing, packaging, customs declaration and inspection, port transit, transportation of large items, import and export policy consultation, etc. The Company has operated many logistics projects in approximately 100 countries and regions around the world and has extensive project experience.

## Chapter 3 Business Overview

**Chemical logistics** mainly serves refined chemical industry customers, and provides supply chain solutions and logistics services to customers, which mainly include warehousing, transportation and distribution, international freight forwarding and multimodal transportation of hazardous chemicals and ordinary packaged chemicals. The Company has a set of integrated service system for warehousing, transportation (including liquid tank container), freight forwarding, multimodal transport and tax declaration, coordinates in different regional subsidiaries in China, and forms resource network layout of five regions, namely Northeast China, North China, Central China, East China and South China.

**Cold chain logistics** mainly serves processing, manufacturing and circulation enterprises in food and beverage, import and export trade customers and chain catering enterprises, providing cold chain logistics service of warehousing + line-haul transportation + distribution to customers. Cold chain logistics includes three principal businesses, namely the integration business of cold chain, warehouse and delivery, international supply chain integrated business of imported fresh merchandises, and line-haul transportation of online freight for fresh agricultural products. The Company has established national cold chain logistics network layout, and has strong overall solution service ability of warehousing, line-haul transportation and distribution, whole process cold chain temperature control, tracking, and the ability of design, investment construction and operation management of high standard cold storage.

The vision of the Company's logistics business is to extend the business to value chain consolidation. As the core business of the Company, logistics business will stick to the target of "customized solution, industrialized sale, consolidated service, and unified operation", let the solution lead the whole process, focus on selected target industries, deepen and refine industrial chain, vertically extend the business, and horizontally replicate experience, to forge expertise and advantage of scale in target industries.

### 2. **Forwarding and related business**

The forwarding and related business of Sinotrans mainly includes sea freight forwarding, air freight forwarding, railway freight forwarding, shipping agency, storage and terminal services and etc. Sinotrans is the largest freight forwarding company in China and has an extensive service system covering China and radiating the world.

In respect of **sea freight forwarding**, Sinotrans mainly provides customers with multi-link logistics services related to shipping such as booking space from shipping companies, arranging transportation, container delivery, container loading, storage, port collection and distribution, customs declaration and inspection, distribution and delivery. Sinotrans is one of the world's leading sea freight forwarding service providers, handling more than 10 million TEUs of containers each year, and is capable of providing whole supply chain logistics services from major ports in China to more than 70 major trading countries and regions.

## Chapter 3 Business Overview

In respect of **air freight forwarding**, Sinotrans mainly provides professional air freight forwarding services such as pick-up and dispatch, customs declaration and inspection, warehousing, packaging, booking (including charter and block space services) and handling, trunk air line freight forwarding and trucking transit services. The self-owned overseas air freight forwarding network covers three major continents of Asia, Europe and North America, and the agency network covers nearly 50 countries and regions, and has operated 28 standardized whole chain products. As a leading air freight forwarding company in China, Sinotrans has accumulated extensive industrial experience and entered into strategic cooperation agreements with major domestic and international airlines. With sufficient transportation capacity resources, Sinotrans is able to provide customers with full-process, visualized and standardized whole supply chain air related logistics services.

In terms of **railway freight forwarding**, Sinotrans is a leading railway freight forwarding service provider in China. It is able to provide customers with railway transportation and information services in bulk cargo, containers and in a variety of ways, including integrated whole supply chain service like domestic railway transportation, international railway transportation (including transit railway transportation) and sea-rail multi-modal transportation throughout China and countries and regions along the “Belt and Road”. Since its participation in China Europe Railway Express in 2015, Sinotrans has launched more than 40 routes of China Europe and China-Central Asia in Dongguan, Changsha, Shenyang, Xi’an, Weihai, Xinxiang and other places, dispatched 3,518 trips in total.

In terms of **shipping agency**, Sinotrans is a leading shipping agency service company in China, with branches in more than 70 ports along the coast of China and the Yangtze River, and representative offices in Hong Kong SAR, Japan, Korea, Singapore, the United Kingdom, Germany and Thailand, providing shipping companies with services such as port arrival and departure, documentation, ship supplies and other ship related services at ports.

In terms of **storage and terminal services**, Sinotrans provides customers with services such as storage, container consolidating and devanning, cargo loading and unloading, dispatching and distribution, etc. Sinotrans has rich resources of warehouses and container yards, and 8 self-operated river terminals in Guangdong province and Guangxi province, which are important base for the Company to provide high-quality and efficient freight forwarding and integrated logistics services.

Forwarding and related business is the cornerstone of development of logistics segment, it will closely stick to the customers’ requirement, emphasize on customer-driven, the valuation creation and model innovation, extend the service chain, mine the value of customers and suppliers, push forward the construction of platform and products, so that to gradually turn the service to whole supply chain logistics.

## Chapter 3 Business Overview

### 3. E-commerce business

Sinotrans' e-commerce business includes cross-border e-commerce logistics, logistics e-commerce platform and logistics equipment sharing platform. The **cross-border e-commerce logistics business** mainly refers to the whole-chain and partial chain professional logistics service provided to e-commerce customers. The products and services cover Europe, America, the Middle East, Japan, Korea, Southeast Asia and other regions. The scope of services includes door-to-door collection, domestic (bonded) warehouse management, import and export customs clearance, international transportation, overseas warehouse management, last mile distribution, etc. **Logistics e-commerce platform** refers to the provision of various public services by the Company to the platform customers through the unified online logistics e-commerce platform, namely Y2T, such as information services such as visualization and tracking, handling services, settlement agency services, freight factoring and technical services. Its products cover logistics services such as Sinotrans E-LCL, online freight (trucking transportation), customs service, air freight forwarding, railway and multimodal transport, and has launched a number of whole-chain and sea-rail intermodal transportation products. **Logistics equipment sharing platform** refers to the Company providing logistics equipment leasing service, including container and mobile fridge container, tracking and monitoring services.

The e-commerce business of the Company aims at turning into platform and building ecology system. We will grasp the two main streams of logistics e-commerce and e-commerce logistics, consolidate internal and external resources by innovation of technologies and business model to finally realize online operation of all principal businesses. Based on fully promoting the online of major business, we will intensify our efforts to develop the cross-border e-commerce logistics, actively explore logistics e-commerce platform model, strengthen scientific and technological innovation, promote the link with the industrial Internet, and form a "four streams into one" platform ecosystem.

## (II) Industry Development

### 1. Strong government support and guidance highlighting policy advantages of logistics

In 2020, the outbreak of the COVID-19 sparked a chain of events including the restructuring of the supply chain of the manufacturing industry at a global scale. Being a key force for the resumption of work and production as well as the safeguard of state industry security, logistics has received high degree of concerns from all sectors of the society. Against the background, the government has successively issued various documents including the Guidance on Proactive and Orderly Promotion of the Resumption of Work and Production While Conducting Effective Epidemic Prevention and Control (《關於在有效防控疫情的同時積極有序推進復工復產的指導意見》), Notice on the Furtherance of Establishing Pilots of Supply Chain Innovation and Application (《關於進一步做好供應鏈創新與應用試點工作的通知》) and Notice on the Implementation Opinions for Further Reducing the Cost of Logistics (《關於進一步降低物流成本實施意見的通知》). Besides, the government also initiated the construction of national logistics hub layout for 2020, supported logistics companies to expedite the layout of hub + channel + networks, accelerated the process of digitalization and encouraged market-oriented merger and acquisition of large-scale logistics companies, as well as promoting the transformation and upgrading of, and quality and efficiency enhancement of the logistics industry, thus providing strong and robust support for the sustainable and health development of the national economy.



## Chapter 3

### Business Overview

In terms of the cross-border e-commerce business, in 2020, the State Council decided to establish further 46 cross-border e-commerce comprehensive experimental zones. Together with the 59 ones previously approved to be established, there will be an aggregate of 105 cross-border e-commerce comprehensive experimental zones nationwide, contributing to the establishment of the development layout with links running eastward and westward, across land and over sea. In addition, the State Council also launched various measures related to e-commerce such as publishing customs supervisory methods of 9710 for 2B business and 9810 for overseas warehousing, cutting down the import tariff rate for overseas purchases, to promote the development of cross-border e-commerce trade, which has brought about unprecedented opportunities for the development of cross-border e-commerce logistics.

#### **2. Market transformation accelerated as the logistics market was still in the recovery phase**

From January to June 2020, the national total social logistics value amounted to RMB123.4 trillion, representing a year-on-year decrease of 0.5% in terms of comparable prices, the total social logistics costs amounted to RMB6.5 trillion, representing a year-on-year decrease of 4.0%, and the total revenue recorded in logistics industry amounted to RMB4.6 trillion, representing a year-on-year decrease of 2.7%, with remarkably narrowed drops as compared to that of the first quarter, an evidence that the logistics market was undergoing gradual recovery. Structurally, demand for agricultural products logistics recorded steady growth, demand for industrial logistics experienced slow yet steady growth, while demand for consumption and livelihood related logistics resumed at a faster rate.

In the first half of 2020, amid the severe and sophisticated external environment of foreign trade development for China, the total import and export value achieved RMB14.24 trillion, representing a year-on-year decrease of 3.2%, among which, the export value amounted to RMB7.71 trillion, representing a year-on-year decrease of 3% and the import value amounted to RMB6.53 trillion, representing a year-on-year decrease of 3.3%. On a quarter-on-quarter basis, the import and export value stabilized in the second quarter with significantly narrowed drop seen as compared with that of the first quarter upon the fluctuation experienced in the first quarter.

The transformation of the logistics market accelerates. On one hand, the fact that order and business volume of logistics companies is undergoing sluggish recovery but is still at a slower pace than that of the corresponding period of previous years, will pose greater pressure of existence on some enterprises. However, leading enterprises with strong competitiveness will maintain advantages in the market and embrace opportunities arising from the long-term strategic layout, which is expected to continuously boost sectoral concentration. On the other hand, the boundary of logistics industry gets increasingly fuzzy. Except for the existing internet enterprises and port and shipping enterprises that step into logistics industry on a crossover basis, upon the outbreak of the pandemic, some enterprises that conduct business flow began to restructure their logistics system under supply chain.

## Chapter 3 Business Overview

### **3. *The China Containerized Freight Index showed an overall downward trend with gradual recovery***

From January to May 2020, affected by the COVID-19, China Containerized Freight Index showed an overall downward trend on a month-on-month basis and an upward trend on a year-on-year basis. In June 2020, as the impacts of the COVID-19 were mitigated to some extent, all countries had successively taken measures to stimulate recovery of the economy, thus boosting demands for transportation in the market. Meanwhile, shipping companies continued to implement the measures to suspend their shipping service of trade routes with relatively greater shipping capacity, and driven by the generally improved fundamental market, the freight of the majority of trade routes picked up. In June 2020, China Containerized Freight Index averaged at 840.88 points, representing a month-on-month increase of 0.4%, which was a rebound from a successive 4-month decline. In terms of the performance of all trade routes, the freight of Europe Route and Mediterranean Route stabilized and recovered, the market freight of North America Route ascended and that of the Australia & New Zealand Route increased gradually and slightly. From January to June 2020, the container throughput of terminals in China was 120.19 million TEUs, representing a decrease of 5.4% as compared to the corresponding period of last year.

### **4. *Global air cargo transportation volume decreased with new features emerged in the international aviation industry***

Under the influences of the policies launched in various countries and the COVID-19, the international air logistics mainly featured with “one decrease, one increase and two changes” in the first half of 2020. The “one decrease” represents the sharp decrease in transportation capacity resources. The global air cargo transportation recorded a year-on-year decrease of more than 18% in the first half of the year, among which the airfreight export volume in the Middle East and Southeast Asia region and Europe recorded the largest decrease of 32% and 22%, respectively. The “one increase” represents the dramatic increase in the price of freight. In the first half of 2020, the average global airfreight rate increased by 48%, with the Asian-Pacific region recording the largest increase of 76%. The “two changes” represents the change in structure of transport capacity from focusing on bellyhold space of passenger aircrafts to cargo aircrafts and passenger-converted cargo aircrafts, and the change in structure of the source of cargo, such as the surge in the quantity of emergency materials and the disruption of other supply chain.

## Chapter 3 Business Overview

### 5. *China Europe Railway Express played as the role of a strategic channel and served as an important support for stabilizing international supply chain*

During the outbreak of COVID-19, the Country intensively launched various documents and policies to support for protection of the channel and promotion of foreign trade, and guaranteed the channel of China Europe Railway Express. As a key project under the “Belt and Road” Initiative, China Europe Railway Express experienced growth against unfavourable macro-economic conditions in terms of the number of trips in the first half of 2020, with an accumulated 5,122 trips recorded, representing an increase of 36% as compared to the corresponding period of last year. The number of trips in a single month hit the historical record in consecutive four months. It has accelerated the resumption of work and production. As China Europe Railway Express has become an important channel and hub to support the trade between China and Europe and to clear the transportation of pandemic prevention supplies during international cooperation, its function of stabilizing foreign trade and promoting economic growth was highlighted.

## II. EXPLANATION ON MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable      Not applicable

Significant changes in major assets of the Company during the Reporting Period are detailed in “(III) Analysis of Assets and Liabilities” of “II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD” in “Chapter 4 Management Discussion and Analysis of Business Performance (Report of the Board)” in this Report.

Including: overseas assets RMB20,478,608,586.37 (Unit: Yuan Currency: RMB), accounting for 31.95% of the total assets.

## III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable      Not applicable

### 1. Well-established Service Network and Abundant Logistics Resources

The Group has an extensive and comprehensive domestic service network and overseas service network. The domestic service network covers 32 provinces, autonomous regions, municipalities and Hong Kong SAR in China. The Group has more than 10 million sq.m. of land in China, more than 4 million sq.m. of warehouses and eight river terminals with more than 3,700 meters of coastal line, while leasing approximately 3 million sq.m. of warehouses. The self-owned overseas network has covered 38 countries and regions with 76 business outlets worldwide. The Group has abundant logistics resources such as logistics centers, container freight stations and terminals in coastal ports, key domestic cities and overseas regions. Meanwhile, the Group also implements industry-finance integration and industry synergy with China Merchants Group’s financial, trading, industrial park development, shipping and port business segments around the world to provide customers with access to global logistics services.

## Chapter 3 Business Overview

### 2. Strong Logistics Solution Capabilities

With strong logistics resource integration, coordination and operation capabilities, as well as extensive operating experience in improving the deployment of goods and equipment of all aspects of production, manufacturing and engineering projects of customers, the Company may deliver production resources scattered around the world to the designated locations of customers as scheduled. For actual operations, the Company has experienced industry teams and overseas teams familiar with the import and export policies of various countries. They can integrate and coordinate the logistics resources in various countries, and formulate customized and whole supply chain solutions which include all complicated logistics segments. The Company focuses on key industries, including consumer goods and retail, automobile and accessories, technology & electronics products, medical and health, buyer consolidation, engineering energy, chemical, and cold chain, and provides tailor-made integrated logistics solutions covering the entire value chain to such industry leaders and their upstream and downstream customers, and ensure their smooth implementation. The Company has accumulated extensive industry-oriented service experience and has established industry-leading advantages in full-value chain logistics services.

### 3. Leading Supply Chain Logistics Service Model

Following the development trend of the industry and in response to the changes in customer demand, Sinotrans keeps innovating its logistics service model by the reorganisation of forwarding and related business products to improve product research, development and design capability. It focuses on six supply chain solution product systems, namely full container load, less than container load, railway multimodal transport, air freight, bulk cargo logistics and comprehensive carrier logistics services and increases the construction of water, land and air freight channels etc. and is capable of providing end-to-end one-stop whole supply chain logistics service to domestic and international enterprises and satisfying various logistics demands of customers in a fast and high-efficient manner.

### 4. High Brand Awareness, Good Business Reputation and Abundant Customer and Supplier Resources

With 70 years of history and experience, the Group has established good brand awareness in the logistics industry and has been granted many important awards in the industry. As an AAAAAA logistics enterprise rated by the China Federation of Logistics & Purchasing, Sinotrans has consecutively won the first prize of the Top 100 Logistics Enterprises in China and the first prize of the Top 100 International Freight Forwarding Logistics in China, and has been awarded as the “Most Competitive (Influential) Logistics Enterprises in China” for many times. As the largest third-party logistics service provider in China, the Company has good reputation and image in terms of both customers and suppliers. On the one hand, Sinotrans has established long-term and stable cooperative relationship with many well-known domestic enterprises and multinational corporations, and has been well recognized by customers. On the other hand, based on its own stable customer resources and strong logistics service capabilities, Sinotrans maintains good and stable partnership with many suppliers, such as internationally renowned shipping companies and airlines.

## Chapter 3

### Business Overview

#### 5. Innovative Technology to Accelerate Digital Transformation and Take the Lead in Developing Smart Logistics

The Company continues to enhance the coordination of digitalization and innovation, and strengthens the top-level design and the implementation of all scenarios. It has formulated a digital transformation plan, established a smart logistics technology center, established a research and development team of more than 500 people, and established Sinotrans Innovation & Technology Co., Ltd. (中外運創新科技有限公司) as the operating platform for internet-based products. In the meantime, the Company accelerates the application and promotion of logistics technology of ABCDT (Artificial Intelligence, Blockchain, Cloud Computing, Big Data, Internet of Things). Many technologies including intelligent platforms for processing of documents, logistics receiving and delivering goods sorting and identification system, intelligent fridge containers, blockchain-based golden chain logistics platform, intelligent scheduling algorithms, IoT platform plus Heimdallrs (monitoring system) modular equipment have been applied and put into operation.

#### 6. Advocation of Sinotrans Culture of “Customer as Priority, Value as Base, Innovation as Spirit and Hard-working as Foundation”

The long-term development of an enterprise largely depends on its culture and value. The Group has its distinct culture orientation and value proposition. During the 70 years development, the Company always puts customer at the first place and takes value creation as the evaluation criterion, innovation as the spirit for sustainable development and hard-working as the core for success. The Company believes “The customer is priority” and forms a distinct customer culture by returning to the basics of operation, being customer-oriented, taking customer satisfaction as the highest performance indicator and insisting on customer-first service philosophy. The Company takes value as its base and develops a distinct culture of value by setting up multi-dimensional values, insisting on value-creation as its core principle and taking value-creation as the basic standard for all operating activities. The Company deems innovation and reformation as the spirit and establishes a distinct culture of innovation and reformation, pursuant to which the Company sticks to deem innovation as destiny, reformation as genes, embracing changes as mutual attitudes, and concept of innovation and reformation as the spirit to stimulate the development of the Company. The Company also takes hard-working as the core for success and creates a distinct culture of hard-working by persisting in a pragmatic attitude of unremitting efforts.

# Chapter 4

## Management Discussion and Analysis of Business Performance (Report of the Board)

### I. DISCUSSION AND ANALYSIS OF BUSINESS PERFORMANCE

#### (I) Overall operations during the Reporting Period

In the first half of 2020, the COVID-19 oppressed significant impact on the economic, trade and logistics industry. Since the outbreak of the COVID-19, the Company has actively performed its social responsibility while conducting practical and effective pandemic prevention and control. Under the severe situation that the international and domestic transportation suspended operation, the Company has taken lead in construction of the main logistics network for anti-pandemic materials leveraging its advantages of “five channels and one platform” (五通道、一平臺), thus fulfilling the tasks of transporting pandemic prevention materials at home and abroad. In the first half of 2020, the Company organized 348 international charter flights and 670 international cargo trains in total. Sinotrans transported approximately 4,000 tonnes of pandemic prevention materials through trucking transportation for “Emergency Delivery”. Cumulatively, Sinotrans has transported 20.6 thousand tonnes of anti-pandemic materials to more than 70 countries and regions worldwide, thereby firmly performing its commission as a state-owned enterprise that “when the Country is in need, Sinotrans delivers”.

Amidst the complex and severe economic situation, Sinotrans has conscientiously implemented the approach of “strategy-oriented development to pursue quality and efficiency for the entire operation” (以戰略引領全局·以質效貫穿始終). For operating management, the Company integrated and utilized logistics network advantages through construction of “enhancing products and strengthening operation”. On the other hand, the Company fortified control of cost and expenses, focused on improvement of quality and efficiency, and achieved excellent effects in various works. In the first half of 2020, the Company achieved operating income of RMB39,691 million, representing an increase of 5.22% as compared to the corresponding period of last year, which was mainly attributable to the Company successfully turned the challenges into opportunities during the Reporting Period, actively promoted the development of major business such as Sinotrans E-LCL, cross-border e-commerce logistics and international cargo trains, the Company also completed the acquisition of 100% equity interests of KLG Group which contributed revenue of RMB678 million. Net profit attributable to shareholders of the Company was RMB1,215 million, representing a decrease of 19.93% as compared to the corresponding period of last year, mainly due to a year-on-year decrease in the revenue and net profit of the Company in the first quarter resulting from the decrease in the export related business of the Company as a result of the COVID-19. However, the revenue and net profit of the Company saw recovery in the second quarter. As such, the net profit of the Company in the first half of 2020 decreased as compared to the corresponding period of last year, but to a notable less extent as compared with the first quarter.

#### 1. *Expediting business transformation and perfecting product system*

In the **logistics business**, we expedited transformation to the value chain integration and concentrated into the refined high value-added sub-market with high growth potential. Based on the coverage of major industries, in the first half of 2020, we intensified expansion of our business to fashion industry and successfully expanded our logistics business for a number of key customers. We promoted product-based construction to provide major customers with tailor-made “inventory health analysis” product and created digitalized operation management and control solutions. We extended the service value chain focusing on our core customers’ demands for cross-border logistics. We bolstered digitalization driver and resource sharing and created a contract warehouse sharing system.

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### Management Discussion and Analysis of Business Performance (Report of the Board)

In the first half of 2020, positive progress was made in the logistics business of key industries. (1) For the consumer goods and retail industry, the loyalty of major customers continued to improve. We successfully renewed agreements with several major customers and further fortified our long-term partnership. (2) For the automobile and spare parts business, we started to engage in car transportation business and won the bid for car transportation business of BMW's certified cars in China. (3) For the technology & electronic industry, we expanded to the subdivided areas and won the bids of projects such as Baidu IDG logistics project. "Smart manufacturing" started to become a new growth driver in the technological and electronic industry. (4) For the medical and health industry, we continuously developed customers such as Sinopharm (中國醫藥) and Beiyi Medicine (北醫醫藥) and extended our service chain to the upstream and downstream of the medical industry. (5) For the buyer consolidation business, we expanded to emerging markets and successfully entered into agreements with famous brands in retail and other industries in South America. (6) For the chemical industry, we optimized the resource deployment and officially initiated the construction project (phase II) of hazardous chemical logistics base in Shanghai and commenced the construction project (phase II) of hazardous chemical logistics base in Nantong. The practical availability of key resources in key projects laid a requisite foundation for the development of the chemical logistics industry. (7) For the cold chain logistics, we developed new markets continuously, improved operational capabilities, and optimized business structure, thus realizing the increase of income and profit.

In the **forwarding and related business**, we speeded up transformation to the whole-process supply chain, fortified integration capability throughout the network and established a system of six products systems including full container load, less than container load, railway multimodal transportation logistics, air freight, bulk cargo logistics, and carrier integrated logistics services. In particular, less than container load, railway multimodal transportation and air freight services recorded an increase amidst the pandemic. In the first half of 2020, Sinotrans E-LCL service platform cumulatively delivered 2,050 thousand cubic meters of cargo, representing an increase of 12.1% as compared to the corresponding period of last year; international cargo trains cumulatively ran 670 trips, representing an increase of 41.6% as compared to the corresponding period of last year; and the revenue from air freight services increased by nearly 30%, while profit increased by 1.3 times by leveraging higher freight price to conduct precise marketing.

The Company expedited optimization of construction of freight channels by water, land and air. For water freight channel, we strongly boosted the concentrated procurement of shipping capacity for Southeast Asia route. For land freight channel, we made concentrated procurement of 375 trains in the first half of 2020, firmly supporting the delivery of international cargo trains service. For air freight channel, we cumulatively provided customers with 268 temporary charter flights covering Middle East, Asia, Europe and North America, including 225 flights converted from passenger planes and 43 flights cargo planes.

In the **e-commerce business**, we expedited transformation to platform and ecologic system, intensified full-scenario linkage capability and public aggregation capability, accelerated the online operation of full-chain products and the standardization and sharing operation of the three customs service sharing centers, and bolstered the linkage with the transaction platform.

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### Management Discussion and Analysis of Business Performance (Report of the Board)

In the first half of 2020, the Company continued to optimize services and bolstered the sales and marketing towards large scale e-commerce customers. We also improved the construction of cross-border e-commerce logistics system and upgraded and iterated the existing structure, order management, reporting management and data docking functions of the relevant main system, added new functions such as product management, charging management, pickup and delivery operation, and online services, and expedited implementation and systematic deployment of regional companies. We intensified construction of main route, channels and network and paid attention to the access of resources in strategic core regions. In the first half of 2020, we established the customs clearance, truck transportation and terminal delivery service system throughout Europe based on Hangzhou-Liege charter flights, taking 80 flights in total. We developed the route from Ningbo/Shanghai to the Port of Long Beach, Los Angeles, the USA, and also provided customs clearance of USA terminal sea freight packages and FBA (Fulfillment by Amazon) and other products and conducted delivery of small packages within the USA. We also opened up sites in Zhengzhou, Changsha and Xi'an and developed China Europe Railway Express e-commerce export service products.

#### **2. *In-depth resource integration with continuous improvement of two strategic deployments***

For overseas deployment, Sinotrans continued to promote region-based management and network restructuring in Southeast Asia, Africa, the Middle East and South Asia during the Reporting Period, with improved overseas localized service capabilities. In the first half of 2020, the Company completed the acquisition of 100% equity interests in KLG Group, which effectively expanded the European network and formed effective synergy with various existing businesses, representing a good beginning for capital operation effectiveness.

For asset deployment, the Company has positioned Sinotrans Logistics Investment Holdings Co., Ltd. (中外運物流投資控股有限公司) as the unified investment entity of strategic logistics resources and new logistics facilities in the Group, which further guaranteed its infrastructure investment management organization. Meanwhile, it closely followed up and studied the relevant policies of logistics real estate, practically explored the feasibility of asset securitization, private equity fund and cooperation development and continued to promote the separation of light and heavy assets within the Group.

#### **3. *Insisted on innovation-driven approach with full acceleration of digital transformation***

In the first half of 2020, the Company fully launched digital transformation by setting up a Digital Transformation Office (DTO), and helped to improve quality and efficiency through smart logistics, with full acceleration of digital transformation.

The first was to empower the resumption of work and production with information technology. It improved telecommuting capabilities with information technology internally, and externally empowered customers online services. Logistics Toolbox products helped the customs service sharing centers to conduct multi-places coordination, the Data Assistant integrated business orders, customers, finance, risk and settlement data, and visualization helped the Company to win the battle against the pandemic.



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### Management Discussion and Analysis of Business Performance (Report of the Board)

The second was to help reduce costs and increase efficiency with smart logistics. The Company continued to deepen the R&D and application of ABCDT smart logistics technology in combination with full-scenario and full-chain logistics. The application of such technologies as document recognition processing, smart planning of historical data, smart scheduling and Internet of Things (IoT) platforms has effectively reduced logistics costs and promoted streamlining operation in multiple scenarios such as Sinotrans E-LCL, cross-border e-commerce logistics, customs service sharing center, chemical logistics short-distance transportation, regional distribution center (RDC) receiving and delivering cargo identification and sorting, which increasingly demonstrated its influence with customers and the effect of cost reduction and efficiency enhancement.

During the Reporting Period, the Company newly launched the smart document preparation service, together with the smart document checking service to support the document smart processing platform to provide integrated services for the customs service sharing center and Sinotrans E-LCL; completed R&D and commercialization of the receiving and delivering cargo identification and sorting system with independent intellectual property rights; and completed the implementation of warehouse automation system for chemical logistics and Pudong warehouse of Sinotrans E-LCL.

#### (II) Highlights of the Business

##### 1. **Completion of the acquisition of KLG Group**

###### *Breakthrough in the European ground operation network*

In the first half of 2020, Sinotrans exercised the second step of the transaction as agreed in the Share Purchase Agreement to complete the acquisition of remaining 20% equity interests of KLG Group, thus KLG Group became a wholly-owned subsidiary of the Company. The acquisition of KLG Group is an important step for Sinotrans to exercise the overseas strategy and expand the overseas channel. KLG Group proved its strong supplementary and supporting function as Sinotrans' European ground operation extension by excellent performance in the first half of 2020. Despite the impact of COVID-19, KLG Group managed to realize revenue of equivalent to RMB678 million and operating profit to more than 74 million. At the same time, KLG Group has initiated the full business coordination with Sinotrans domestic business network, to jointly serve the existing customers and explore the potential end-to-end overseas logistics requirement.

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### Management Discussion and Analysis of Business Performance (Report of the Board)

#### 2. **Sinotrans E-LCL**

##### *Rapid volume expansion of the first nation-wide standardized product*

Sinotrans E-LCL is the first nation-wide product with unified standards. In the first half of 2020, Sinotrans E-LCL gradually expand its deployment in strategic areas, there were new central and satellite warehouses launched in Shenzhen, Shanghai, Ningbo and other cities. Sinotrans E-LCL closely followed the news of the related markets and fully brought out the logistics channel in Qianhai area to designed the special products including “Guangdong-Hong Kong e-commerce transportation” targeted at the newly launched cross-border e-commerce policy. Meanwhile, Sinotrans E-LCL made full use of the internal smart logistics technology developed by Sinotrans to continuously improve the digitalization of operation, launched and iterated functions including smart customs service, smart document checking, which didn't only improve the operational efficiency, but also largely optimize the customer experience so as to increase the customer loyalty. In the first half of 2020, impacted by the COVID-19, import volume of ordinary merchandise decreased, while the volume of fragmented e-commerce related products increased thanks to the change of shopping habit. Reacting to the above situation, Sinotrans E-LCL took the initiative to provide alternative solutions to customers and brought accretive business volume. The nation-wide standardized product of Sinotrans E-LCL was constantly recognized by the target customers and kept winning full network operation customers. In the first half of 2020, Sinotrans E-LCL contributed revenue of approximately RMB240 million, representing an increase of 22.7% as compared to the corresponding period of last year.

#### 3. **Charter plane service**

##### *Took off against the wind and doubled the profit*

In the beginning of 2020, as the COVID-19 broke out at home and abroad, different nations and regions all launched strict anti-pandemic measures and customs quarantine policies. At the same time, the volume of international air travel passengers largely dropped, and major air lines all ceased operation. As 70% of the international air cargo capacity are provided by the belly of passenger flights, the above situation caused sever inadequate supply of international air transportation capacity, plus the surge demand of transporting the anti-pandemic materials, the air transportation freight rate soared to historical high during the first half of this year. Sinotrans has been deployed the air transportation capacity to construct the air channel. Depending on the long term cooperation foundation and business operation capability, Sinotrans managed to resume the Hangzhou-Liège chartered plane ahead of time and increased the frequency from 2 flights per week to 4 flights per week; and totally flew 80 flights, loaded more than 10 thousand tons of cargo in the first half of this year, maintained an air-support live life line between China and European area. Sinotrans also promptly initiated temporary charter flights cooperation with airline companies including Air China, China Southern Airline and Emirates Airline, and also launched the first passenger plane adapted cargo plane on 7 February, to ensure the clear air cargo transportation channel. In the first half of 2020, Sinotrans totally provided 268 temporary charter flights service to customers, which didn't only solve the urgent logistics requirement problems, but also contribute to ensure the safety and stability of local supply chain. The well-established channel operation in return brought satisfactory economic results, in the first half of 2020, the operation profit of air freight forwarding business increased by 1.3 times as compared with the corresponding period of last year.

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### Management Discussion and Analysis of Business Performance (Report of the Board)

#### 4. *International railway express*

##### *Eye-catching performance with surging volume*

Affected by the COVID-19, the international transportation capacity of sea and air largely dropped in the first half of 2020. The China Europe Railway Express and China-Central Asia Railway operated by Sinotrans effectively undertook part of the transfer of capacity demand. During the time, with the support from various level of governments, the five regional subsidiaries and specialized subsidiaries made full use of the existing railway transportation channel, and constantly developed new routes of charter train. As at the end of June 2020, Sinotrans totally launched 670 international freight trains and the volume reached 67.3 thousand TEUs, representing an increase of 35.07% compared with the first half of last year, among which, the China Europe Railway Express launched 612 trains with the volume of 59.2 thousand TEUs, increased 38.24% year-on-year.

### (III) Business Segments and Segment Profit (in which, the segment profit is the operating profit of the segment deducting the impact of investment income in associates and joint ventures)

#### **Logistics**

In the first half of 2020, external revenue from the Group's logistics business amounted to RMB10,073 million, representing an increase of 1.40% from RMB9,934 million for the corresponding period of last year, because the Group started to consolidate KLG Group from 2020, which contributed RMB678 million of revenue in the first half of this year; and the segment profit amounted to RMB324 million, representing a decrease of 17.44% from RMB392 million for the corresponding period of last year, which was mainly attributable to the decreased business volume because the overseas projects were suspended as the impact of the COVID-19, resulting in the profit of project logistics of the Company dropped by RMB 63 million compared with the first half of last year.

#### **Forwarding and related business**

In the first half of 2020, external revenue from the Group's forwarding and related business amounted to RMB26,995 million, representing an increase of 2.92% from RMB26,229 million for the corresponding period of last year; and the segment profit amounted to RMB891 million, representing an increase of 0.69% from RMB885 million for the corresponding period of last year, which was mainly attributable to the volume increase in the China Europe Railway Express service and a year-on-year increase in air freight rates in the first half of 2020.

#### **E-commerce business**

In the first half of 2020, external revenue from the Group's e-commerce business amounted to RMB2,623 million, representing an increase of 68.42% from RMB1,557 million for the corresponding period of last year; and the segment profit amounted to RMB59 million, representing an increase of 177.37% from RMB21 million for the corresponding period of last year, which was mainly attributable to the increase in both volume and price of the cross-border e-commerce logistics business caused by the factors including the COVID-19.

## Chapter 4

### Management Discussion and Analysis of Business Performance (Report of the Board)

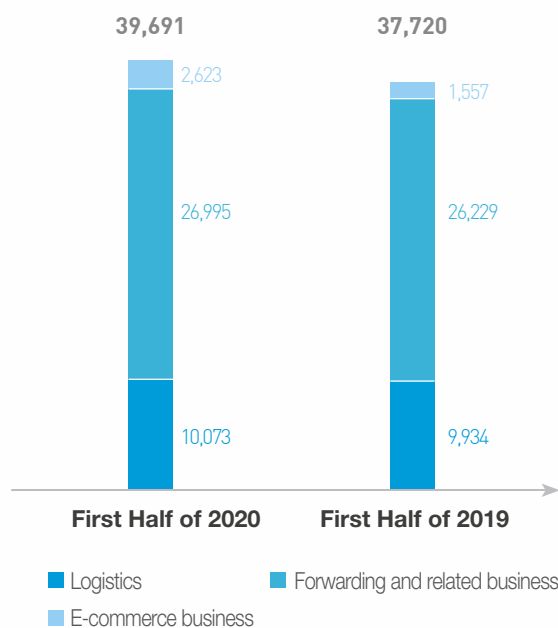
#### (IV) Operation Statistics of Principal Business

	For the six months ended 30 June	
	2020	2019
Logistics (in million tons)		
Contract Logistics*	<b>15.3</b>	19.7
Project Logistics	<b>2.6</b>	3.2
Chemical Logistics	<b>1.5</b>	1.6
Cold-chain Logistics	<b>0.4</b>	0.6
Forwarding and Related Business		
Sea Freight Forwarding (in ten thousand TEUs)	<b>582.6</b>	630.3
Air Freight Forwarding (in million kilograms)	<b>231.5</b>	235.1
Rail Freight Forwarding (in ten thousand TEUs)	<b>7.9</b>	5.4
Shipping Agency (in ten thousand TEUs)	<b>1,143.9</b>	1,303.9
Storage and Terminal Services (in million tons)	<b>8.3</b>	7.5
E-commerce Business		
Cross-border E-commerce Logistics (in ten thousand units)	<b>9,216.2</b>	7,843.3
Logistics Equipment Sharing Platform (ten thousand TEUs/day)	<b>8.1</b>	8.4

\* Does not include the business volume of KLG Group

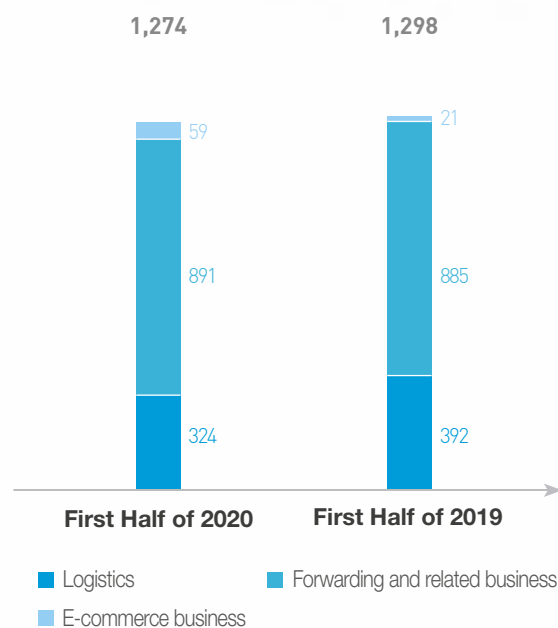
#### External Revenue

(RMB million)



#### Segment Profit

(RMB million)

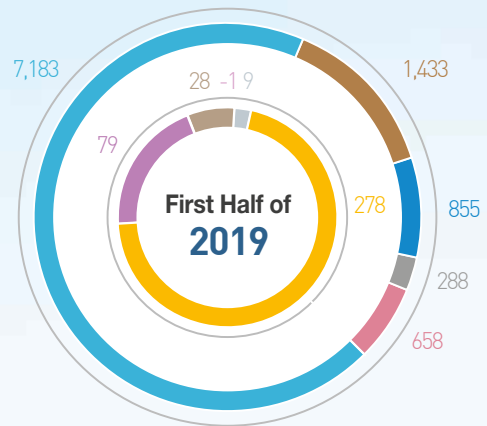
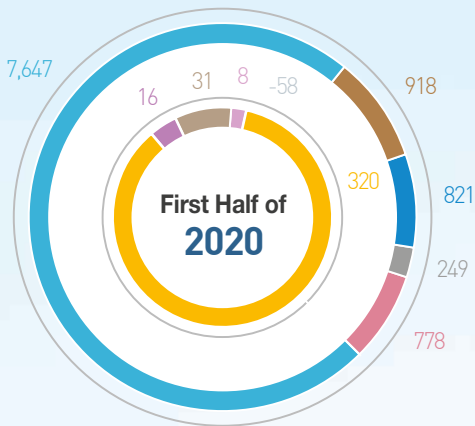


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# Key Segment Revenue and Profit

## Logistics

(RMB million)



**External Revenue**

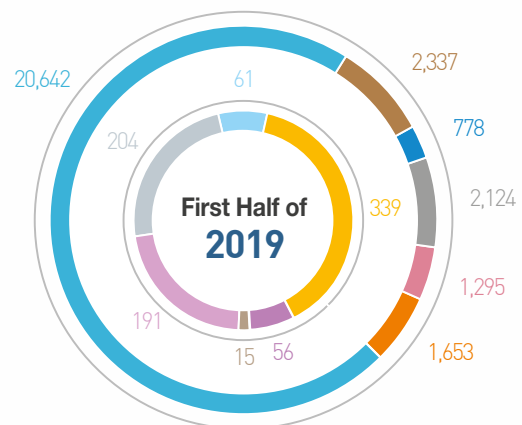
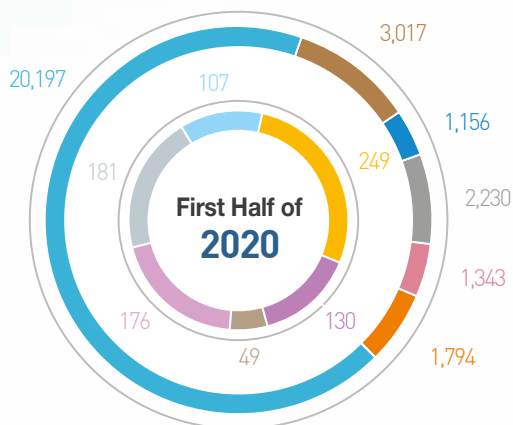
- Contract logistics
- Project logistics
- Chemical logistics
- Cold-chain logistics
- Other services

**Segment Profit**

- Contract logistics
- Project logistics
- Chemical logistics
- Cold-chain logistics
- Other services

## Forwarding and related business

(RMB million)



**External Revenue**

- Sea freight forwarding
- Air freight forwarding
- Railway freight forwarding
- Shipping agency
- Storage and terminal services
- Other services

**Segment Profit**

- Sea freight forwarding
- Air freight forwarding
- Railway freight forwarding
- Shipping agency
- Storage and terminal services
- Other services

## Chapter 4

### Management Discussion and Analysis of Business Performance (Report of the Board)

## II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD

### (I) Analysis on Principal Businesses

#### 1. Analysis Statement of Changes to Relevant Items in Statements of Income and Cash Flow

Unit: Yuan Currency: RMB

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)	Analysis of reason for changes
Operating income	<b>39,690,976,521.76</b>	37,720,583,082.13	5.22	Mainly due to the following reasons: As affected by the worldwide pandemic in the first half of 2020, the online consumption demand further expanded, the volume of the cross-border e-commerce logistics business increased; with strong market demand for air freight forwarding and rising freight price, the air freight forwarding business recorded a significant income growth; and the acquired KLG Group was consolidated into the consolidated financial statements starting from 2020.
Operating cost	<b>37,416,660,358.13</b>	35,330,227,293.42	5.91	Mainly due to the increase in cost caused by the increase in income from the e-commerce business and the air freight forwarding business. The increase in cost was slightly higher than the increase in income due to relatively constant fixed cost, though the income from forwarding business other than air freight forwarding, and logistics business decreased as affected by the pandemic.
Selling expenses	<b>393,373,867.49</b>	405,350,506.40	-2.95	Mainly due to the decrease in business entertainment fees and traveling expenses for the Reporting Period as affected by the pandemic.

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### Management Discussion and Analysis of Business Performance (Report of the Board)

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)	Analysis of reason for changes
Administrative expenses	<b>1,173,188,227.76</b>	1,144,189,453.58	2.53	Mainly due to the increase in amortisation charges from the increase in intangible assets for the Reporting Period as affected by the acquisition of KLG Group.
Finance cost	<b>185,375,900.34</b>	124,852,662.04	48.48	Because of the depreciation of the Belarusian Ruble during the Reporting Period, a subsidiary of the Company recorded foreign exchange losses.
Research and development expenses	<b>52,979,013.84</b>	6,369,330.91	731.78	Mainly due to the Company's step up of efforts in IT system research and development in order to accelerate digital construction.
Net cash flows from operating activities	<b>519,158,877.57</b>	-478,672,540.34	N/A	Because the Company improved the turnover of account receivables during the Reporting Period, and resulting in favorable cash inflow situation.
Net cash flows from investment activities	<b>-1,137,648,038.18</b>	-205,586,084.50	N/A	Mainly due to the net cash outflow of RMB517 million for the acquisition of the remaining 20% equity interest in KLG Group, being a wholly owned subsidiary of the Group for the Reporting Period.
Net cash flows from financing activities	<b>-246,122,915.98</b>	-3,441,987,484.97	N/A	Mainly due to the large amount of cash outflows for the repayment of various borrowings in the corresponding period of last year, which didn't occur in the Reporting Period.

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#### 2. Others

(1) *Particulars of Material Changes in the Company's Profit Composition or Sources*

Applicable       Not applicable

(2) *Cash Flow*

	For the six months ended 30 June	
	2020 In RMB million	2019 In RMB million
Net cash flows from operating activities	519.16	-478.67
Net cash flows from investing activities	-1,137.65	-205.59
Net cash flows from financing activities	-246.12	-3,441.99
Effect of changes in exchange rate on cash and cash equivalents	-23.81	-76.48
Net increase in cash and cash equivalents	-888.42	-4,202.73
Balance of cash and cash equivalents at the end of the period	9,498.88	11,115.09

#### Operating Activities

The net cash flows from operating activities increased by RMB998 million from RMB-479 million for the corresponding period of last year to RMB519 million for the six months ended 30 June 2020. The increase was mainly due to the accelerating of the Group's accounts receivable turnover. The cash received from sales of goods and provision of services was approximately RMB39.53 billion (RMB36.62 billion in the corresponding period of last year), and the cash paid for goods and services was RMB35.13 billion (RMB32.82 billion in the corresponding period of last year). The net amount was RMB4.4 billion (RMB3.8 billion in the corresponding period of last year), with an increase of RMB600 million over the corresponding period of last year; at the same time, cash received from other operating activities increased by RMB386 million over the corresponding period last year.

#### Investing Activities

The net cash flows from investment activities for the six months ended 30 June 2020 amounted to RMB-1.138 billion, mainly including additions in property, machine and equipment of RMB678 million, additions in intangible assets and other assets of RMB56 million, cash payment for the acquisition of the subsidiaries of RMB522 million, loans to related parties of RMB5 million and increase in investment in associates of RMB3 million, partially offset by the repayment from related parties of RMB51 million, disposal of property, machine and equipment of RMB46 million, cash consideration from disposal of financial assets of RMB22 million and collection of investment in joint ventures and associates of RMB7 million.



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The net cash flows from investment activities for the six months ended 30 June 2019 amounted to RMB-206 million, mainly including additions in property, machine and equipment of RMB736 million, additions in intangible assets and other assets of RMB141 million, additions in other equity-instrument investments of RMB18 million, and the payment of RMB9 million difference between the disposal price of subsidiary and the carrying amount, partially offset by repayments from joint ventures and associates of RMB388 million, received interest of RMB114 million on wealth management products, disposal of property, machine and equipment of RMB129 million, investment gains of RMB40 million, disposal of intangible assets of RMB17 million and collection of investment in joint ventures and associates of RMB11 million.

#### Financing Activities

The net cash flow generated from financing activities for the six months ended 30 June 2020 amounted to RMB-246 million, mainly including new borrowings of RMB1.551 billion, capital increase from non-controlling shareholders of RMB53 million, loans from related parties of RMB40 million, partially offset by cash repayment of borrowings of RMB1.245 billion, cash repayment of interest of RMB215 million, lease payment of RMB328 million, repayment of loans from related parties of RMB59 million and dividend payment of RMB43 million.

The net cash flow generated from financing activities for the six months ended 30 June 2019 amounted to RMB-3.442 billion, mainly including new borrowings of RMB132 million and capital contribution from non-controlling Shareholders of RMB58 million, partially offset by cash payment of RMB2.31 billion as the repayment of borrowings, payment of non-related party capital transactions of RMB692 million, payment of rental deposits of RMB271 million, cash repayment of interest of RMB248 million, payment of legal advisor consulting fee of RMB55 million in relation to the merger of Sinoair by absorption, payment of transfer consideration of RMB10 million in relation to the acquisition of remaining equity interest of Shenzhen Henglu Logistics Co., Ltd.\* and payment of dividend of RMB45 million.

(3) *Others*

Applicable       Not applicable

### (II) Explanation on Material Changes in the Profit Resulting from Non-Core Businesses

Applicable       Not applicable

1. Credit impairment loss for the Reporting Period was RMB62.8164 million, representing an increase of RMB40.5435 million as compared with RMB22.2730 million for the corresponding period of last year, mainly due to that the Group made full impairment provision for the long-term receivables from Uni-top for the Reporting Period.
2. Gains on disposal of assets for the Reporting Period was RMB13.8883 million, representing a decrease of RMB50.1824 million as compared with RMB64.0707 million for the corresponding period of last year, mainly due to the absence of gains on disposal of assets of RMB49.1593 million from the disposal of land by the Group's subsidiary Sinotrans Central China Co., Ltd. in the corresponding period of last year.

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3. Non-operating income for the Reporting Period was RMB37.8015 million, representing a decrease of RMB16.5063 million as compared with RMB54.3078 million for the corresponding period of last year, mainly due to more other gains from favorable judgements and penalty and compensation received in ordinary course of business in the corresponding period of last year as compared with the Reporting Period.

Non-operating expense for the Reporting Period was RMB35.7591 million, representing an increase of RMB26.6343 million as compared with RMB9.1247 million for the corresponding period of last year, mainly due to the effect of provision for accrued liabilities from litigations during the year.

### (III) Analysis of Assets and Liabilities

Applicable       Not applicable

#### 1. Assets – Liabilities Analysis Table

*Unit: Yuan    Currency: RMB*

Item	Amount at the end of the Reporting Period	Percentage of the amount at the end of the Reporting Period to total assets (%)	Amount at the end of last year	Percentage of the amount at the end of last year to total assets (%)	Percentage of the amount at the end of the Reporting Period as compared to that of last year (%)
Cash and bank balances	9,584,505,103.71	14.95	10,475,499,824.16	16.93	-8.51
Held-for-trading financial assets	142,038.83	0.00	5,641,228.80	0.01	-97.48
Bills receivable	10,559,111.09	0.02	18,389,129.53	0.03	-42.58
Long-term receivables	70,070,000.00	0.11	102,637,410.37	0.17	-31.73
Goodwill	2,315,126,472.63	3.61	172,612,157.55	0.28	1,241.23
Other non-current assets	333,739,433.55	0.52	225,023,784.54	0.36	48.31
Short-term borrowings	2,125,987,979.17	3.32	1,202,384,395.00	1.94	76.81
Bills payable	121,052,287.85	0.19	-	-	N/A
Dividends payable	952,088,235.26	1.49	47,911,902.30	0.08	1,887.16
Non-current liabilities due within one year	7,218,000,641.70	11.26	3,268,689,764.93	5.28	120.82
Long term borrowings	2,809,378,411.44	4.38	5,026,139,244.02	8.12	-44.10
Bonds payable	1,349,483,424.67	2.11	3,419,486,443.79	5.53	-60.54
Deferred income tax liabilities	185,621,224.84	0.29	84,261,559.81	0.14	120.29
Other non-current liabilities	203,084,893.91	0.32	71,319,466.31	0.12	184.75

Other explanations:

- (1) The change in cash and bank balances was primarily due to additions in assets and repayment of borrowings.
- (2) The change in held-for-trading financial assets was primarily due to that the small amount of targeted asset-backed notes of RMB5.5 million held by the Company was due.
- (3) The change in bills receivable was primarily due to the decrease in bills outstanding in the Reporting Period.

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- (4) The change in long-term receivables was primarily due to that the Group made full impairment provision for the long-term receivables from Uni-top for the Reporting Period.
- (5) The change in goodwill was mainly because the Group completed the acquisition of KLG Group and included it into the scope of consolidation in the year, resulting in the increase of goodwill.
- (6) The change in other non-current assets was primarily due to the change in receivables and payables of Lanshi Port, the Group's trusted asset under management, and the prepayment of new land-use right in the Reporting Period.
- (7) The change in short-term borrowings was primarily due to the new offshore short-term financing of RMB716 million for the acquisition of KLG Group in the Reporting Period and the increase in onshore short-term borrowings of the subsidiaries of the Group in the Reporting Period.
- (8) The change in bills payable was primarily due to the usage of bills payable for settlement by some subsidiaries of the Group in the Reporting Period.
- (9) The change in dividend payable was primarily due to the declaration and payment of 2019 annual dividend of RMB888 million by the Company for the Reporting Period.
- (10) The change in non-current liabilities due within one year was primarily due to the reclassification of the portion due within one year (RMB2.063 billion) under bonds payable and the portion due within one year (RMB1.772 billion) under long term borrowings into non-current liabilities due within one year for the Reporting Period, as well as the increase in lease liabilities due within one year.
- (11) The change in long term borrowings was primarily due to the reclassification of the portion due within one year under the long term borrowings into non-current liabilities due within one year for the Reporting Period.
- (12) The change in bonds payable was primarily due to the reclassification of the portion due within one year under the bonds payable of 2.063 billion into non-current liabilities due within one year for the Reporting Period.
- (13) The change in deferred income tax liabilities was primarily due to the increase in temporary difference as a result of the change in the scope of consolidation for the year. For details, please refer to Note VIII. 2 to the financial statements.
- (14) The change in other non-current liabilities was primarily due to the increase in liabilities related to Lanshi Port of RMB132 million (i.e. compensation received from the government for demolition and removal), the Group's trusted asset under management, in the Reporting Period.

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### 2. **Restriction on Major Assets as at the End of the Reporting Period**

Applicable       Not applicable

The major restricted assets of the Company mainly consists of cash and bank balances with limited usage, such as guaranteed deposit, and collateralized assets for obtaining long-term and short-term borrowings from banks, mainly including the following:

- (1) The capital in the accounts of the subsidiaries of the Group, which was under supervision and with limited right of use, amounted to RMB63.9201 million at the end of the Reporting Period, among which, guaranteed deposit amounted to RMB41.7833 million.
- (2) To finance the building of the logistics center under “Project Tsing Yi 181”, Global Traffic Limited (hereinafter, “Global Traffic”), a subsidiary of the Group, entered into a facility agreement with China Development Bank for the facilities of HK\$2.9 billion. China Merchants Holdings (Hong Kong) Company Limited, a related party of the Group, provided a full guarantee. Meanwhile, Global Traffic entered into a debenture with China Development Bank on 26 June 2015, under which the Global Traffic was the charger. As of 30 June 2020, the restricted assets with limited right of use were accounted in investment properties and intangible assets.

For details, please refer to Note IX. 25 to the financial statements.

### 3. **Other Explanations**

Applicable       Not applicable

## (IV) Analysis of Investments

### 1. **Overall Analysis of External Equity Investments**

Applicable       Not applicable

The Group’s long-term equity investment at the end of the Reporting Period amounted to RMB7.722 billion, representing a decrease of RMB1.646 billion and a year-on-year decrease of 17.57 % as compared to RMB9.368 billion at the beginning of the year, primarily due to the decrease of RMB2.201 billion in the Reporting Period as a result of changes in the scope of consolidation since the consolidation of KLG Group by the Group on 1 January 2020.

#### (1) **Major equity investment**

Applicable       Not applicable

#### (2) **Major non-equity investment**

Applicable       Not applicable

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#### (3) Financial assets at fair value

✓Applicable      □Not applicable

Unit: Yuan    Currency: RMB

Item	Source of funds	Cost at the beginning of the year	Acquisition during the Reporting Period	Addition	Disposal during the Reporting Period	Cost at the end of the Reporting Period	At the beginning of the year	At the end of the year	Investment income
Nanjing Port Longtan Container Co., Ltd.	Self-financing	188,756,354.15	-	7,838,446.06	-	196,594,800.21	-	-	-
China Merchants Logistics Synergy Limited Partnership	Self-financing	176,113,822.12	-	19,954,848.12	-	196,068,670.24	-	-	-
Ouyeel Equity Acquisition	Self-financing	147,747,600.00	-	-	-	147,747,600.00	-	-	-
BOE Technology Group Co., Ltd.	Self-financing	127,133,750.00	-	-	8,711,250.00	118,422,500.00	101,455,250.00	100,600,500.00	-
China United Tally Co., Ltd.	Self-financing	91,441,143.61	-	-	-	91,441,143.61	-	-	-
SINO-BLR Industrial Investment Fund	Self-financing	46,890,242.29	-	-	-	46,890,242.29	-	-	-
Shenyang Airport Logistics Co., Ltd.* (瀋陽空港物流有限公司)	Self-financing	33,730,000.00	-	-	-	33,730,000.00	-	-	-
Air China Limited	Self-financing	8,076,871.60	-	-	-	8,076,871.60	19,874,873.33	10,990,314.57	-
Pankorea Yingkou Ferry Co., Ltd.	Self-financing	2,896,775.00	-	-	-	2,896,775.00	-	-	-
Pingze Container Port Co., Ltd.* (平澤集裝箱碼頭有限公司)	Self-financing	2,870,000.00	-	1,658.77	-	2,871,658.77	-	-	146,464.00
Guangdong Waiyun Automobile Fitting Factory* (廣東外運汽車服務有限公司)	Self-financing	805,325.00	-	-	-	805,325.00	-	-	-
Chengdu Rongjie Technology Co., Ltd.* (成都蓉捷科技有限公司)	Self-financing	400,000.00	-	-	-	400,000.00	-	-	-
Ocean Network Express (China) Ltd.	Self-financing	250,000.00	-	-	-	250,000.00	-	-	-
Sichuan Tianhua Co., Ltd.	Self-financing	134,680.92	-	-	-	134,680.92	-	-	-
China Ferry Terminal Services Limited	Self-financing	131,806.25	-	2,589.63	-	134,395.88	-	-	70,389.09
Shenzhen Sealink Technology, LLC* (深圳市海易通科技有限責任公司)	Self-financing	110,000.00	-	-	-	110,000.00	-	-	-
Taizhou Yiyou Sinotrans Shipping Agency Co., Ltd.* (泰州益友中外運船務代理有限公司)	Self-financing	100,000.00	-	-	-	100,000.00	-	-	-
Shaanxi Sinotrans Sanyuan Coal Co., Ltd.* (陝西中外運三原煤炭有限公司)	Self-financing	100,000.00	-	-	-	100,000.00	-	-	-
Beijing BITEMC Electronic Co., Ltd.	Self-financing	46,500.00	-	-	-	46,500.00	-	-	-
China Merchants Port Holdings Company Limited	Self-financing	8,958.00	-	-	-	8,958.00	32,270.80	33,080.83	-
Issuance of 2019 First Tranche of RMB Targeted Asset-Backed Notes	Self-financing	5,500,000.00	-	-	5,500,000.00	-	-	-	333,320.23
<b>Total</b>		<b>833,243,828.94</b>	<b>-</b>	<b>27,797,542.58</b>	<b>14,211,250.00</b>	<b>846,830,121.52</b>	<b>121,362,394.13</b>	<b>111,623,895.40</b>	<b>550,173.32</b>

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#### (V) Disposal of Major Assets and Equity

Applicable       Not applicable

#### (VI) Analysis of Major Companies Controlled and Invested in by the Company

Applicable       Not applicable

##### 1. Major Subsidiaries Controlled by the Company

Currency: RMB

Company Name	Nature of business	Registered capital (RMB)	Shareholding (%)	Total assets (RMB: ten thousand)	Net assets (RMB: ten thousand)	Operating	
						income (RMB: ten thousand)	Net profit (RMB: ten thousand)
Sinotrans South China Co., Ltd.	Freight forwarding, logistics, and storage and terminal services	1,349,668,931.90	100.00	838,984.73	357,494.33	493,182.79	15,430.29
Sinotrans Logistics Co., Ltd	Logistics	1,444,000,000.00	100.00	2,207,207.91	624,347.03	675,063.32	5,400.96
Sinotrans Eastern Company Limited	Freight forwarding, logistics, and storage and terminal services	1,120,503,439.18	100.00	577,526.23	248,548.84	830,647.93	16,516.92
Sinotrans Air Transportation Development Co., Ltd.	Air freight forwarding and express services	905,481,720.00	100.00	1,150,473.85	937,464.10	495,948.33	56,782.40
Sinotrans Central China Co., Ltd.	Freight forwarding, logistics, and storage and terminal services	645,339,941.77	100.00	489,670.31	171,828.45	526,358.60	13,607.82

##### 2. Major Subsidiaries Invested in by the Company

Currency: RMB

Company Name	Nature of business	Registered capital	Shareholding (%)	Total assets (RMB: ten thousand)	Net assets (RMB: ten thousand)	Operating	
						income (RMB: ten thousand)	Net profit (RMB: ten thousand)
DHL-Sinotrans International Air Courier Ltd	International express	US\$14.50 million	50.00	609,570.62	344,202.41	863,670.74	90,342.94
China Merchants Loscam International Co., Ltd	Pallet leasing	US\$101	45.00	627,480.33	344,299.02	83,844.55	15,393.13
Wuhan Port Container Co., Ltd.	Containers handling and freight forwarding	RMB400 million	30.00	84,061.68	58,224.17	3,305.57	74.90

#### (VII) Structured Entities Controlled by the Company

Applicable       Not applicable

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#### III. OTHER DISCLOSURES

##### (I) Warning and Explanation on Anticipated Loss on the Cumulative Net Profits from the Beginning of the Year to the End of the Next Reporting Period or Significant Changes as Compared to the Corresponding Period of Last Year

Applicable      Not applicable

##### (II) Business Development and Outlook

New infrastructure, consumption upgrade and fragmented logistics demand in China will give rise to new growth points, and internal circulation will become an important opportunity for a period of time in the future. Therefore, China will maintain its favorable economic fundamentals in a long run. Meanwhile, the COVID-19 has accelerated the restructuring of the global industrial chain, and stabilizing the industrial chain and supply chain has become top priorities.

In the second half of 2020, the Company will review its positioning in the industrial chain, supply chain and value chain, continue to maintain strategic determination and always implement the strategy-driven and quality and efficiency-based approach, with focus on the following:

###### 1. **Enhance market share and adjust the structure to accelerate the development of new growth points**

With gradual formation of a new dual circulation development pattern, pursuant to which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, we will redefine the market position and adjust our business structure. On the one hand, we will strengthen in-depth cooperation with major strategic customers, and explore upstream and downstream opportunities in the supply chain of existing customers, so as to expand new business areas; on the other hand, we will take the initiative and lead in the restructuring of the global industrial chain and supply chain through “chain supplement, consolidation and enhancement”, further strengthen the development of consumer market, import market and online market, and accelerate the development of new growth points.

###### 2. **Focus on business transformation and integration, and continue to promote product offering**

The Company will continue to focus on the transformation of its three major business segments, form product advantages and select high-quality business lines to sort out business from the perspective of capital operation and effectively promote the integration of internal resources.

For **logistics business**, we will accelerate the transformation to the integration of value chain, and build a professional logistics product system with industrialized sale, customer driven solution, consolidated service, unified operation and digital empowerment; focus on key subdivided sectors to form standardized logistics solutions, and promote the replication of mature products; develop and promote the replication of digitalized operational management solutions based on the implementation of logistics control tower; continue to strengthen business synergy with KLG Group in such sectors as the automotive and accessories, technology & electronic products and buyer consolidation, and continue to explore the logistics demand in China of KLG Group’s existing European customers.

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For **forwarding and related businesses**, we will accelerate the transformation to the whole-process supply chain and build a whole-process supply chain product systems. As for FCL, we will further optimize FCL premium products on Southeast Asian routes; as for LCL, we will formulate a consolidated business management model based on unified service standards, continue to expand market share and achieve double-digit growth in annual business volume; as for rail express product, we will focus on the development and operation of high-quality routes, and improve the whole-process service capabilities of special delivery for major customers; as for air transportation, we will continue to develop full-chain products, establish a national air transport product R&D center, and establish a unified headquarter operation system, process management system and price management system, with a focus on close connection between the operation management system and the sales system.

For **e-commerce business**, we will strengthen and accelerate the transformation to platformization and the ecosystem-based model, and collaborate online and offline channels to develop a series of competitive digital products. The platform-based construction of Y2T will continue to follow the integrated online and offline whole chain service model to cover various principal business products; the construction of the industrial interconnection ecosystem will coordinate the development of e-commerce platforms and power seller customers, operate cross-border e-commerce full-chain products, enrich online product offerings, and continuously extend the service and value chains.

#### **3. Reshape the operating model and accelerate the enhancement of integrated operating capabilities**

The Company will drive operations with products, support products with operations, and enhance the differentiated competitiveness of “product + network + model + platform” in interactive empowerment. In this process, the Company will leverage the bridge and link role of the digital operation platform, focus on the practical scenarios of small front end of its products and the strong operational back office, accelerate digital transformation, strive to solve standardization and informatization issues, and improve data quality, process standards and operation system; concentrate on the online operation of its principal businesses and effectively transform the technological innovation achievements into its management benefit.

#### **4. Strengthen technology-driven approach and accelerate digital transformation**

In respect of digital transformation, we will promote the implementation of digital transformation plan in an all-round manner, combine digital transformation with quality and efficiency improvement in an organic way, and increase its effort in transformation and empowerment of three major business segments and the construction of large operating systems. In respect of the development of smart logistics, we will perform well in promoting the application of technology to help reduce costs and increase efficiency and intelligence-oriented operations. In respect of the innovation system and mechanism, we will focus on improving product planning and management capabilities, technology R&D and application capabilities; continue to increase research investment and explore innovative investment projects in the field of new logistics technologies; continue to improve the innovation mechanism and stimulate internal innovation vitality.



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#### (III) Potential Risks

✓Applicable      Not applicable

##### 1. **Macro economy risk**

In 2020, the global macro economy is still in a period of in depth adjustment after the international financial crisis. China's economy has entered a new normal, the macro economy growth rate has slowed down, the long-term positive trend does not change, but there appeared additional uncertain factors, while the trade friction between China and the US and the outbreak of COVID-19. The logistics industry in which the Group operates is closely related to the macroeconomic situation and international trade. Any of the events such as the growth in the macro-economy declines, international trade drops and the fluctuations in the exchange rates of US dollar and the interest rate of RMB intensify in the future may have a negative effect on the development of the logistics industry and the operation of the Group.

Counter measures: The Company strengthens the tracking, research and analysis of the macroeconomic situation, industrial policies, monetary and fiscal policies of major economies related to customers, dynamically adjusts the business structure and customer structure, focuses on high-growth industries to develop logistics business, and strengthens domestic business development, so as to constantly improve its profitability and comprehensive competitiveness. In addition, the Company strengthens the construction of overseas network in Southeast Asia and overseas business, increases the proportion of import business and actively develops new business, so as to create a new profit-making stream. Meanwhile, according to the development of COVID-19, the Company will make timely adjustments to its new marketing and service model during the pandemic to minimize the adverse effects of the pandemic.

##### 2. **Industry competition risk**

The competition of the Group's principal business in logistics industry is fairly intense. On the one hand, due to the current large number of market participants in logistics industry in China, market competition is continuously intense. In recent years, cross-industrial players like e-commerce companies, shipping companies continuously enter into this market, so that the competition for market share become more intense. On the other hand, China's outstanding logistics companies also conduct the "Going Out" strategy to provide logistics services on a global basis. The competition model in the whole industry has shifted from pure cost and price to differentiated service and management efficiency. Inadequate capabilities in new product design and research and development as well as platform integration will never create core competitiveness, and there is no guarantee that the Company will maintain its current market position and its advantages in market share.

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Counter measures: The Company adopts active measures to respond to the change of the competing model and strives for enhancing the ability in industrial solutions and differentiated services. We focus on enhancing products and strengthening operation to build product systems and operating systems, in a great effort to develop core products and enhance our core competitiveness. We attach importance to promoting the establishment of the logistics product system and the construction of the national unified standardized products such as Sinotrans E-LCL and further facilitate the construction of five transportation channels of water, land, air, truck, and overseas. We restructure the Company's business and operations through digital technology to achieve the transformation and upgrading of traditional business models as early as possible and establish a platform operating system with Y2T (運易通) as its unified interface, so as to pave solid foundation of principle business moving to online and the online transactions and strengthen external connection to actively participate in the construction of industrial connecting ecosystem.

#### **3. Operational risk**

The Group aims to provide customers with entire value chain and whole-process supply chain service, which involves many logistics operations and links; any improper design of business operation processes or failure to effectively manage and control may lead to freight loss and damage, which may result in direct loss.

Counter measures: The Company strengthens the management and control of the headquarters and the empowerment in a systematic manner. We establish an enterprise-level process framework and data governance system, and strengthen operational monitoring and analysis capabilities. We intensify risk monitoring and prevention and audit supervision. Based on analysis on risks of key enterprises, businesses and risk sectors, targeted special inspection is carried out to actively prevent and reduce risks. We conduct response and alert against risk events, improve risk information integrated framework, optimize risk information analysis template, establish a mechanism of regular analysis and tracking of key risk information, adopt targeted special management and control measures, and urge to improve response measures. We strengthen the training of business operators in front-line operating units and regulate the operation behavior, so as to reduce major potential risks and avoid significant loss in pivotal high risk areas.

#### **4. Investment risk**

To meet the Group's strategic transformation and business development, the Group will increase investment in long-term equity, logistics infrastructures such as warehouses, and IT systems, which may result in the unfinished operation of projects and failure to meet profit expectation, which may affect the future cash inflow of the Group.

Counter measures: We coordinate the management of key logistics resources, accelerate asset arrangement and strategic asset investment, optimize the current infrastructure investment management model, and gradually promote the separation of light and heavy assets; we form a forward-looking strategic investment arrangement and perform well in project feasibility analysis; focus on process management and post-investment evaluation of investment projects.

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#### (IV) Other Disclosures

Applicable      Not applicable

##### 1. **Merger of Sinoair by absorption**

On 31 May 2018, the proposal in relation to merger of Sinoair, a subsidiary of the Company, by absorption through share swap was considered and approved at the Company's extraordinary general meeting and the class general meetings. For details, please refer to the circular disclosed by the Company on the website of the Hong Kong Stock Exchange on 18 April 2018. On 8 October 2018, the merger by absorption through share swap was unconditionally approved by the CSRC. As at 10 January 2019, the Company has completed the issuance of 1,351,637,231 RMB-dominated ordinary shares (A Shares), and public investors of ordinary shares of Sinoair have exchanged the 353,600,322 A shares of Sinoair for 1,351,637,231 A Shares issued by the Company at a ratio of 1:3.8225 (adjusted), and the issuing price is RMB5.24 per share (adjusted). In the meantime, 3,904,279,644 domestic shares held by China Merchants and Sinotrans & CSC were converted into equivalent amount of A Shares. On 18 January 2019, A Shares issued by the Company (total 5,255,916,875 Shares) were officially listed on Shanghai Stock Exchange. As at the date of this report, the Company has completed the business registration of the registered capital change. At present, the Company is carrying forward the relevant legal procedures for the cancellation of the corporate qualification of Sinoair and the transfer of all its assets and liabilities to the Group.

##### 2. **Income Tax**

For the six months ended 30 June 2020, the Group's income tax expenses amounted to RMB312 million, representing an increase of 33.32% as compared to RMB234 million for the corresponding period of last year, mainly due to the reversal of provision for income tax in relation to the previous-year disposal of overseas equity recognised in the corresponding period of last year, which caused a decrease in income tax in the corresponding period of last year, while there was no such matter in this period.

##### 3. **Capital Expenditures**

For the six months ended 30 June 2020, the Group's capital expenditure amounted to RMB629 million, among which RMB351 million was used for the construction of infrastructures, ports and terminals facilities and other projects, RMB60 million was used to purchase land and software, RMB161 million was used to purchase assets such as mechanical equipment, containers and vehicles, and RMB58 million was used for renovation and improvement of assets.

## Chapter 4

# Management Discussion and Analysis of Business Performance (Report of the Board)

#### **4. Securities Investment**

As at 30 June 2020, the listed equity investments held by the Group was RMB238 million, the details of which are set out in Note IX. 13 to the financial statements.

#### **5. Contingent Liabilities and Guarantees**

As at 30 June 2020, contingent liabilities mainly comprised outstanding lawsuits of the Group arising from its ordinary course of business amounting to RMB461 million (31 December 2019: RMB120 million).

Please see “XI. MATERIAL CONTRACTS AND PERFORMANCE – (II) Guarantee” under “Chapter 5 Significant Matters” of the this Report for details of the guarantees.

#### **6. Borrowings and Bonds**

As at 30 June 2020, the Group’s total borrowings amounted to RMB9,480 million (31 December 2019: RMB9,002 million), which comprised 811 million denominated in RMB, 439 million in US dollars, 1,871 million in Euro and 6,359 million in Hong Kong dollars. Of the above bank borrowings, RMB4,545 million shall be payable within a year.

As at 30 June 2020, the Group’s total bonds payable amounted to RMB3,413 million (31 December 2019: RMB3,419 million). Of the above bonds, RMB2,063 million shall be payable within a year.

Details of borrowings and bonds of the Group as at 30 June 2020 are set out in Note IX. 27, Note IX. 36. Note IX.37 to the financial statements.

#### **7. Secured and Guaranteed Borrowings**

Details of the Group’s secured and guaranteed borrowings are set out in Note X. 4(5) to the financial statements.

#### **8. Debt-to-Asset Ratio**

As at 30 June 2020, the debt-to-asset ratio of the Group was 52.22% (at the end of 2019: 51.12%), which was calculated by dividing total liabilities by total assets of the Group as at 30 June 2020.

#### **9. Government Subsidies**

For the six months period ended 30 June 2020, government subsidies received by the Group in relation to profit amounted to RMB625 million in total, details of which are set out in Note IX.60 to the financial statements.

## Chapter 4

### Management Discussion and Analysis of Business Performance (Report of the Board)

#### 10. *Employees*

Number of employees: as at 30 June 2020, the number of employees of the Group was 34,068 (31 December 2019: 33,751).

Training plan: as at 30 June 2020, the offline training of the Group accumulated to 345,674.75 hours with 49,108 participants, while 42,755 online courses were completed (67,815.9 learning hours in total). The training program of the Group mainly included trainings on corporate strategy and corporate culture, basic working skills, business knowledge, elevation of management skills and leadership, new employee orientation and teaching skills training of internal trainer, etc., in the Reporting Period. With the development of the Group, to ensure the constant elevation of the staff quality, the Group will increase the employees' access to trainings and continuously review and improve the training courses to meet the requirement of the business operation and employee development.

Remuneration policy: A remuneration and benefit management system that matches the Company's characteristics has been established pursuant to the Labour Contract Law and relevant laws and regulations to formalise remuneration management. Emolument will be paid for the strategic implementation of key links, the development of unique competitiveness, the training of talents, as well as the effectiveness and production efficiency of staff. The remuneration standards and adjustment plans will be determined based on the Company's cost and budget management range, with reference to market data. Details of employees' remuneration are set out in Note IX.31 to the financial statements.

#### 11. *Interim dividend*

The Board did not recommend to distribute any interim dividend for the six months ended 30 June 2020.

## Chapter 5 Significant Matters

### I. BRIEF INTRODUCTION OF SHAREHOLDERS' GENERAL MEETINGS

Sessions of meeting	Date	Inquiry index of designated website for publication of the resolutions	Disclosure date of the publication of the resolutions
2019 annual general meeting	1 June 2020	The websites of SSE (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkex.com.hk)	2 June 2020
2020 first extraordinary general meeting			
2020 first H Shareholders' class meeting			
2020 first A Shareholders' class meeting			

#### Particulars of general meetings

Applicable       Not applicable

- The Company has successively convened 2019 annual general meeting, 2020 first extraordinary general meeting (the "EGM"), 2020 first H Shareholders' class meeting and 2020 first A Shareholders' class meeting (the "Class Meetings") on 1 June 2020.
- 2019 annual general meeting has considered and approved the following proposals: 1) the resolution in relation to the Work Report of the Board for the year 2019; 2) the resolution in relation to the Work Report of the Supervisory Committee for the year 2019; 3) the resolution in relation to debriefing the Work Report of the Independent Non-executive Directors for the year 2019; 4) the resolution in relation to the Final Financial Accounts Report of the Company for the year 2019; 5) the resolution in relation to the Annual Report of the Company and its summary for the year 2019; 6) the resolution in relation to the financial budget of the Company for the year 2020; 7) the resolution in relation to the profit distribution plan of the Company for the year 2019; 8) the resolution in relation to the re-appointment of auditor for the year 2020; 9) the resolution in relation to the Directors' remuneration for the year 2019; 10) the general mandate to issue, allot and deal with Shares; 11) the general mandate to repurchase H Shares; 12) the resolution in relation to the Updated Mandate of the issue of Debt Financing Instruments; 13) the resolution in relation to the estimated guarantees of the Company for the year 2020; 14) the resolution in relation to the renewal of Liability Insurance for Directors, Supervisors and Senior Management of the Company; and 15) the re-election of executive Directors of the Company, in which the 11th resolution was also approved by the Class Meetings.
- The EGM has considered the following proposals: 1) the Share Option Incentive Scheme of Sinotrans Limited (revised draft) (《中國外運股份有限公司股票期權激勵計劃(草案修訂稿)》) and a summary thereof; 2) the Share Option Incentive Scheme of Sinotrans Limited (Phase I) (revised draft) (《中國外運股份有限公司股票期權激勵計劃(第一期)(草案修訂稿)》) and a summary thereof; 3) the Appraisal Measures for Implementation of the Share Option Incentive Scheme of Sinotrans Limited (《中國外運股份有限公司股票期權激勵計劃實施考核辦法》); 4) the grant of a mandate to the board of directors by the general meeting to deal with matters regarding the Share Option Incentive Scheme of the Company; 5) the grant of a mandate to the board of directors by the general meeting to deal with matters regarding the Share Option Incentive Scheme (Phase I) of the Company; and 6) the amendments to the Articles of Association and the Procedural Rules for General Meetings of the Company. All the above proposals have been submitted to the Class Meetings for consideration at the same time. Among Which, the resolution No.6 has been considered and passed by the EGM and the Class Meetings, while the resolutions from No.1 to No.5 in relation to the share option incentive scheme and share option incentive scheme (phase I) of the Company were not duly passed by way of poll. The Company will actively communicate with Shareholders and continue to study and promote effective long-term incentive schemes when relevant conditions are fully developed, so as to enhance the Company's long-term incentive mechanism, thereby attracting and retaining outstanding talents and promoting the healthy development of the Company and facilitating the maximization of Shareholder's value.

## Chapter 5 Significant Matters

### II. PROPOSALS OF PROFIT DISTRIBUTION OR CONVERSION OF COMMON RESERVE FUND INTO SHARE CAPITAL

#### (I) Profit Distribution Proposal and Proposal of Conversion of Common Reserve Fund into Share Capital for the Half Year

Whether to distribute or to convert	No
Number of bonus share per 10 shares (share)	0
Amount of dividend per 10 shares (tax included)	0
Number of shares converted per 10 shares (share)	0
Notes to proposals of profit distribution or conversion of capital reserve fund into share capital	Nil

#### (II) Implementation of the Profit Distribution Plan for the Year 2019

The Profit Distribution Plan for the year 2019 of the Company has been considered and approved at the 2019 annual general meeting of the Company on 1 June 2020. The dividend for 2019 of RMB1.2 per ten shares (tax included), i.e. RMB0.12 per share (tax included) was declared based on the total share capital of 7,400,803,875 shares, amounting to RMB888,096,465.00 in total (tax included). The aforesaid dividend has been fully distributed in cash on 16 July 2020.

### III. PERFORMANCE OF COMMITMENTS

#### (I) Commitments during or Carried forward to the Reporting Period by the Actual Controllers, Shareholders, Related Parties, Acquirers of the Company and the Company and Other Relevant Parties

Applicable       Not applicable

Commitment background	Commitment type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Whether timely and strictly fulfilled
Commitments related to material asset restructuring	Others	Sinotrans & CSC The Company All Directors, Supervisors and Senior Management of the Company	Within three years from the listing date of A shares of the Company, if the closing prices of the A shares for 20 consecutive trading days are below the latest audited net assets per share of the Company other than due to force majeure and malicious speculation of a third party, subject to law, regulation, normative documents and the Listing Rules in Listing Places and under the premise that the shareholding will be in compliance with the listing requirement, measures including but not limited to increase in shareholding of the A shares by Sinotrans & CSC and repurchase of the A share by the Company will be taken legally to stabilize the share price of the Company's A shares.	Time of commitment: 13 April 2018; Term of the commitment: 18 January 2019 – 17 January 2022	Yes	Yes

## Chapter 5 Significant Matters

From 1 April 2020 to 29 April 2020, the closing prices of the Company's A shares had been lower than the latest audited net assets per share for twenty consecutive trading days for the first time (the latest audited net assets per share of the Company is RMB3.84, with the base date being 31 December 2019, which was stated in the 2019 Annual Report published by the Company), and the preconditions for implementing the measures to stabilize the A share price have been triggered. Considering the actual situation and the practicality of related measures, through discussion, the Company and the controlling shareholder, Sinotrans & CSC have decided to adopt the measure of increasing the shareholding in the A shares of the Company by Sinotrans & CSC to stabilize the A share price of the Company. Sinotrans & CSC will use no less than RMB60 million to increase the shareholding in the A shares of the Company during twelve months starting from 7 May 2020, and the price shall be no higher than the latest audited net assets per share of the Company (since the Company has distributed the dividend for 2019, namely RMB0.12 per share on 16 July 2020, net assets per share of the Company has been adjusted from RMB3.84 to RMB3.72. So far Sinotrans & CSC has been fulfilling its commitment by increasing the shareholding in the A shares of the Company. For details, please refer to the announcements of the Company dated 30 April 2020, 7 May 2020 and 17 July 2020 on the website of SSE.

For other commitments of the Company within their terms, please refer to section titled "PERFORMANCE OF COMMITMENTS" in the 2019 annual report of the Company.

### IV. APPOINTMENT AND DISMISSAL OF AUDITORS

#### Description of the appointment and dismissal of auditors

Applicable       Not applicable

On 31 March 2020, the 19th meeting of the second session of the Board was convened, at which the proposal in relation to the re-appointment of auditor for the year 2020 was considered and approved. The Board agreed to re-appoint ShineWing Certified Public Accountants LLP as the auditor of the Company for financial reports and internal control for the year 2020, with a term of office until the conclusion of the 2020 annual general meeting of the Company. The total audit fee is RMB9.7 million, among which the audit fees for financial reports and internal control are RMB8.2 million and RMB1.5 million, respectively. The proposal has been considered and approved at the 2019 annual general meeting convened on 1 June 2020 by the Company.

#### Explanations on change in the auditor during the auditing period

Applicable       Not applicable

#### Explanations of the Company on "Non-Standard Auditing Report" issued by auditors

Applicable       Not applicable



## Chapter 5 Significant Matters

**Explanations of the Company on “Non-Standard Auditing Report” issued by the certified public accountant in the financial report of last year’s annual report**

Applicable      Not applicable

### V. EVENTS RELATED TO BANKRUPTCY AND REORGANIZATION

Applicable      Not applicable

### VI. MATERIAL LITIGATION AND ARBITRATION

The company was involved in material litigation or arbitration proceedings.  
The company was not involved in material litigation or arbitration proceedings.

### VII. PENALTIES AND RECTIFICATION OF LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLERS AND ACQUIRERS

Applicable      Not applicable

### VIII. EXPLANATION ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS DURING THE REPORTING PERIOD

Applicable      Not applicable

### IX. THE COMPANY’S EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND THE IMPACT THEREOF

**(I) Incentives Disclosed in the Temporary Announcements and without Progress or Changes in Subsequent Implementation**

Applicable      Not applicable

**(II) Incentives Undisclosed in Temporary Announcements or with Progress in Subsequent Implementation**

***Equity incentives***

Applicable      Not applicable

## Chapter 5 Significant Matters

### Other explanations

Applicable       Not applicable

### Summary of Events

### Enquiry Index

On 31 March 2020, the 19th meeting of the second session of the Board was convened, at which the proposal in relation to the Share Option Incentive Scheme of Sinotrans Limited (revised draft) (《中國外運股份有限公司股票期權激勵計劃(草案修訂稿)》) and a summary thereof and the Share Option Incentive Scheme of Sinotrans Limited (Phase I) (revised draft) (《中國外運股份有限公司股票期權激勵計劃(第一期)(草案修訂稿)》) and a summary thereof were considered and approved.

On 3 April 2020, the Company has received the related notice that the SASAC has approved in principle the implementation of the share option scheme.

On 1 June 2020, the Company has convened the EGM and Class Meetings, at which all the proposals in relation to share option incentive scheme were considered but not passed by more than two-thirds of the shares with voting rights.

For details, please refer to the announcements of the Company dated 31 March 2020 on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

For details, please refer to the announcements of the Company dated 3 April 2020 on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

For details, please refer to the announcements of the Company dated 1 June 2020 on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

### Employee stock ownership scheme

Applicable       Not applicable

### Other incentives

Applicable       Not applicable

## X. MATERIAL RELATED PARTY TRANSACTIONS

### (I) Material Related Party Transactions

The material related party transactions undertaken by the Group for the six months ended 30 June 2020 are set out in Note X to the unaudited consolidated interim financial statements.

### (II) The Related Party Transactions in Relation to The Ordinary Operations

#### 1. Events Disclosed in the Temporary Announcements and without Progress or Changes in Subsequent Implementation

Applicable       Not applicable

## Chapter 5 Significant Matters

### 2. *Events Disclosed in the Temporary Announcements but with Progress or Changes in Subsequent Implementation*

Applicable      Not applicable

- (1) On 10 November 2017, the Company entered into a Master Services Agreement with China Merchants, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the annual cap of the amount of transportation and logistics services provided by the Group to China Merchants Group shall be RMB2,500 million, RMB3,250 million and RMB4,225 million in 2018, 2019 and 2020, respectively; the annual cap of the amount of transportation and logistics services received by the Group from China Merchant Group shall be RMB3,500 million, RMB4,550 million and RMB5,915 million in 2018, 2019 and 2020, respectively. For the six months ended 30 June 2020, the transportation and logistics services provided by the Group to China Merchants amounted to RMB398 million, while the transportation and logistics services received from China Merchants was RMB726 million.
- (2) On 10 November 2017, the Company entered into a Master Lease Agreement with China Merchants, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the annual cap of the amount of property leased by the Group from China Merchants Group shall be RMB300 million, RMB330 million and RMB363 million in 2018, 2019 and 2020, respectively. For the six months ended 30 June 2020, the expenses of the Group in respect of leasing of properties from China Merchants Group was RMB123 million.
- (3) On 10 November 2017, the Company entered into a Financial Services Agreement with the Finance Company, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the daily outstanding balance of the Group's deposit at the Finance Company shall not exceed RMB4 billion for the year of 2018, and RMB5 billion for the year of 2019 and 2020 respectively. For the six months period ended 30 June 2020, the Group's daily maximum deposit balance at the Finance Company was RMB3.857 billion.

The aforesaid related party transactions in relation to the daily operations/continuing connected transactions (1)-(3) have been considered and approved at the extraordinary general meeting convened on 28 December 2017. For details, please refer to the announcements dated 10 November 2017 and 28 December 2017 published by the Company on the website of Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

## Chapter 5 Significant Matters

- (4) On 7 March 2019, the Company convened the 2019 first extraordinary general meeting, at which the related party transaction in relation to the ordinary operations with China Merchants Bank was considered and approved. According to the proposal, no limit will be imposed on the loan issued by China Merchants Bank, and the annual cap of deposit is RMB3,500 million and RMB4,000 million in 2019 and 2020, respectively. As at 30 June 2020, the Group's deposit balance at China Merchants Bank was RMB705 million.

For details, please refer to relevant announcements dated 21 January 2019 and 7 March 2019 published by the Company on the websites of SSE ([www.sse.com.cn](http://www.sse.com.cn)) and Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

### 3. *Events Not Disclosed in the Temporary Announcements*

Applicable       Not applicable

## (III) Related Party Transactions from Acquisition and Disposal of Assets or Equity Interests

### 1. *Events Disclosed in the Temporary Announcements and without Progress or Changes in Subsequent Implementation*

Applicable       Not applicable

### 2. *Events Disclosed in the Temporary Announcements but with Progress or Changes in Subsequent Implementation*

Applicable       Not applicable

### 3. *Events Not Disclosed in the Temporary Announcements*

Applicable       Not applicable

### 4. *The Performance Achievements during the Reporting Period Shall be Disclosed if Undertakings on Performance is Involved*

Applicable       Not applicable

## (IV) Material Related Party Transactions involving Joint External Investments

### 1. *Events Disclosed in the Temporary Announcements and without Progress or Changes in Subsequent Implementation*

Applicable       Not applicable

### 2. *Events Disclosed in the Temporary Announcements but with Progress or Changes in Subsequent Implementation*

Applicable       Not applicable

### 3. *Events Not Disclosed in the Temporary Announcements*

Applicable       Not applicable

## Chapter 5 Significant Matters

### (V) Claims and Liabilities between Related Parties

**1. Events Disclosed in the Temporary Announcements and with No Progress or Changes in Subsequent Implementation**

Applicable      Not applicable

**2. Events Disclosed in the Temporary Announcements but with Progress or Changes in Subsequent Implementation**

Applicable      Not applicable

**3. Events Not Disclosed in the Temporary Announcements**

Applicable      Not applicable

Unit: Yuan    Currency: RMB

Related parties	Capital provided to related parties			Capital provided by related parties to listed company		
	Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Other companies controlled by the same parent company and ultimate controlling party	4,040,417,559.57	-850,661,272.40	3,189,756,287.17	1,492,491,576.86	-95,135,707.42	1,397,355,869.44
Associates and joint ventures	683,736,803.34	325,348,304.67	1,009,085,108.01	182,723,536.53	114,909,057.64	297,632,594.17
Other related parties	7,746,417.75	2,837,776.64	10,584,194.39	35,758,741.22	-5,709,605.83	30,049,135.39
Total	4,731,900,780.66	-522,475,191.09	4,209,425,589.57	1,710,973,854.61	14,063,744.39	1,725,037,599.00
Reasons for related debts and liabilities	Proceeds in dealings with related companies					
The impact of related debts and liabilities on the operating results and financial condition of Company	Related debts and liabilities are conducted based on the time agreed under the contract or agreement in accordance with the financial settlement process and have no material effect on the operation results and financial position of the Company.					

### (VI) Other Material Related Party Transactions

Applicable      Not applicable

### (VII) Others

Applicable      Not applicable

## Chapter 5 Significant Matters

### XI. MATERIAL CONTRACTS AND PERFORMANCE

#### 1. Trusteeship, Contracting and Leasing

Applicable  Not applicable

#### 2. Guarantee

Applicable  Not applicable

Unit: Yuan Currency: RMB

Guarantors	Relationship between guarantors and listed company	The guaranteed party	Guaranteed amount	Date of the guarantee (the date of the agreement)				Type of guarantee	Whether the guarantee has been fulfilled	Is the guarantee overdue	Guarantee overdue amount	Is counter guarantee available	Guarantee provided to the related parties	Related relationships
				Guarantee beginning date	Guarantee maturity date	Guarantee date	Guarantee date							
Sinotrans South China Company Limited	Subsidiaries	Shenzhen Haixing Harbor Development Co., Ltd.	98,184,899.10	1 July 2019	1 July 2019	1 July 2027	Financing guarantee/ Joint liability guarantee	No	No	-	No	Yes	Associates Ventures	
Sinotrans South China Company Limited	Subsidiaries	Dongguan Humen Port International Container Terminal Co., Ltd.	13,009,500.00	27 August 2015	27 August 2015	9 January 2023	Financing guarantee/ General guarantee	No	No	-	No	Yes	Joint Ventures	
Sinotrans Bulk Logistics Company Limited	Subsidiaries	Sinotrans Sarens Logistics Company Limited	11,949,644.39	6 June 2016	1 July 2016	30 June 2021	Financing guarantee/ General guarantee	No	No	-	No	Yes	Joint Ventures	
Total guaranteed amount during the Reporting Period (excluding guarantees provided to subsidiaries)													-	
Balance of total guarantees as at the end of the Reporting Period (A) (excluding guarantees provided to subsidiaries)													123,144,043.49	
Guarantees provided by the Company to subsidiaries														
Total guaranteed amount to subsidiaries during the Reporting Period													-	
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)													5,362,372,209.99	
Total guarantees (including guarantees to subsidiaries) provided by the Company													5,485,516,253.48	
Total guaranteed amount (A+B)													17.91	
Total guaranteed amount as a percentage of the net asset value of the Company (%)														
Of which:														
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)													-	
Debt guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)													3,100,331,818.39	
Total guaranteed amount in excess of 50% of net asset value (E)													-	
Total guaranteed amount of the above three items (C+D+E)													3,100,331,818.39	
Statement on the contingent joint liability in connection with unexpired guarantees													No	
Details of guarantee													In addition to the above guarantees, the Company and its holding subsidiaries provide guarantees for the credit lines applied for by companies within the scope of the consolidated statements. As at 30 June 2020, the total credit guarantees were RMB2,977,900,000.00	

## Chapter 5 Significant Matters

### 3. Other Material Contracts

Applicable      Not applicable

## XII. THE WORK OF THE LISTED COMPANY ON POVERTY ALLEVIATION

Applicable      Not applicable

### 1. Targeted Poverty Alleviation Plan

Applicable      Not applicable

2020 is the decisive year for the establishment of a moderately prosperous society. Under the overall arrangement of China Merchants, Sinotrans focuses on the general objective of ensuring rural poor people free from worries over food and clothing and accessible to compulsory education, basic medical services and safe housing. Considering the task of poverty elimination in impoverished counties, Sinotrans relies on China Merchants Group Foundation as a professional unified platform for public welfare and spares no effort in carrying out target poverty alleviation work, particularly, in improving education and healthcare condition for people in the impoverished areas. It also attaches importance to the building of brand for agricultural products, driving the endogenous development of communities and solidifying the foundation of regional economic development in order to secure a sustainable effect of poverty alleviation.

### 2. Summary of Targeted Poverty Alleviation during the Reporting Period

Applicable      Not applicable

In 2020, Sinotrans donated RMB12 million through the China Merchants Group Foundation as a poverty alleviation fund, the utilization of which shall be planned and implemented by the Foundation. Affected by COVID-19, by the end of June 2020, the China Merchants Group Foundation's expenditure for targeted poverty alleviation amounted to RMB39.863 million and 8 poverty alleviation projects have been launched, which are expected to accelerate in the second half of the year. The main targeted poverty alleviation projects participated by Sinotrans were as follows:

#### **(1) Community development project in rural areas of Qichun, Hubei Province**

Sinotrans has introduced professional social organizations to join in the poverty alleviation work in Qichun. A community development project has been implemented in the impoverished rural area, which provides supports to farmers in establishing mutual-aid groups and cooperative, as well as trainings on aquaculture techniques and industrial development to help the poor households to live with their own efforts. In 2020, the project will intensify the capacity building of cooperative, advance the development of agricultural products and industry cultivation to facilitate poverty elimination and income growth of poor households.

## Chapter 5 Significant Matters

### (2) **Kindergarten project in rural areas of Qichun, Hubei Province**

In addressing the shortage of pre-school education in remote rural areas, Sinotrans has introduced social organizations to establish a kindergarten in the northern mountain area of Qichun County and organized trainings for nursery teachers to provide quality pre-school education to rural children. In 2020, in addition to financing the operation of the existing 16 classes, it will open 5 new classes to further expand the pre-school education coverage and break the intergenerational transmission of poverty.

### (3) **“China Merchants – 27° Agriculture” farmer assistance project (招商局·27°農公益助農項目)**

In order to fortify brand building in impoverished areas and leveraging on “27° Agriculture” as a platform, Sinotrans helps to develop more agricultural products, expand distribution channel, create more jobs to assist the poor households to realize sustainable development.

### (4) **Targeted poverty alleviation projects in Chuxiong, Yunnan Province**

Sinotrans supports the infrastructure improvement project in Waipulada Village, Yongren County, the comprehensive community development project in Yongren County, and the project of education-oriented poverty reduction project in Wuding County. Launched in 2019, all the three projects continue in 2020 to further enhance the rural infrastructures and motivate the endogenous growth force of the public. In 2020, Sinotrans financed the construction of a village clinic in Huangguayuan Town, Chuxiong prefecture and Yuanmou County to improve the medical and health conditions of local villagers.

### (5) **“China Merchants – Happy Community” rural community assistance project (“招商局·幸福家園”鄉村社區支持計劃)**

Sinotrans supports nationwide professional organizations to be engaged in rural communities to “improve the endogenous development sense and ability of the communities and address their public needs in a systematic manner”, focuses on the “establishment of self-organizing communities” and starts with community public affairs, encourages the villagers’ sense and ability of public participation and continuously promotes the positive role of rural governance in poverty alleviation.

## 3. Effectiveness of Targeted Poverty Alleviation

Applicable      Not applicable



## Chapter 5

### Significant Matters

#### 4. Milestones in Performing the Social Responsibility of Targeted Poverty Alleviation

Applicable      Not applicable

##### (1) ***Pandemic fight and poverty alleviation***

After the outbreak of COVID-19, located in the severely afflicted Hubei Province, Qichun County was exposed to significant pressures of preventing from poverty returning. As required by the pandemic prevention and control, Sinotrans in association with the China Merchants Group Foundation, launched the first-level emergency response of its non-profit logistics platform “Emergency Delivery” to provide professional logistics service to all sectors of society for the delivery of pandemic prevention and control materials to Hubei without any charges. Total approximately 4,000 tons of anti-pandemic materials were delivered via “Emergency Delivery”, which strongly secured the effective supply of anti-pandemic materials in Wuhan, Qichun and other affected areas. Besides, given the unmarketable agricultural products in Qichun due to the pandemic, Sinotrans assisted the farmers to deliver their agricultural products.

##### (2) ***Fulfilment of letters of commitment on targeted poverty alleviation entered into with the central government***

Sinotrans carried out poverty alleviation work in targeted counties through the China Merchants Group Foundation. As at 30 June 2020, the China Merchants Group Foundation provided poverty alleviation supports to four targeted counties, i.e. Weining in Guizhou, Qichun in Hubei, Yecheng in Xinjiang and Shache in Xinjiang with direct support funds of RMB196.583 million. Besides, it helped attract poverty alleviation funds of RMB4.785 million, provided trainings to 266 grass-roots cadres and 2,109 technicians, purchased agricultural products of RMB6.277 million in targeted poverty alleviation counties, assisted agricultural products sales of RMB5.866 million in targeted poverty alleviation counties and purchased agricultural products of RMB1.948 million in other poverty-stricken counties.

#### 5. Follow-up Targeted Poverty Alleviation Plan

Applicable      Not applicable

In the second half of 2020, Sinotrans will continue to implement the central government’s overall task in respect of winning the decisive battle against poverty. Under the overall arrangement and planning of China Merchants, Sinotrans will further intensify and refine the anti-poverty measures and help the targeted poverty alleviation counties to win the decisive battle against poverty as scheduled and in a quality manner.

##### (1) ***Accelerating key project construction and securing poverty elimination***

Sinotrans will focus on the general objective of ensuring rural poor people free from worries over food and clothing and accessible to compulsory education, basic medical services and safe housing, especially facilitate the smooth implementation of education, healthcare, housing and other infrastructure projects and oversees the utilization of project fund and progress to expediate poverty elimination in impoverished counties.

## Chapter 5 Significant Matters

### **(2) Intensifying industry and consumption-based poverty alleviation for long-term development**

Sinotrans will continue to advance the agricultural reform in those poverty-stricken counties and help the farmers to eliminate poverty and broaden revenue streams in an industry-oriented and brand-focused manner. In terms of consumption-based poverty alleviation, Sinotrans will continue to rely on the platform “27° Agriculture” and step up both online and offline efforts in order to make the agricultural products in the poor counties to “develop stably, further and better” and allow the poverty-stricken regions to enjoy more benefits from the market economy.

### **(3) Improving standardized project management for maximum benefit**

Sinotrans will improve project management, adhere to the principle of “open and fair poverty alleviation” (陽光扶貧) and “transparent poverty alleviation” (透明扶貧) and perform special audits on the key projects in poor counties in order to ensure the poverty alleviation projects can stand the test of time and secure poverty alleviation effect.

## XIII. CONVERTIBLE BONDS

Applicable      Not applicable

## XIV. ENVIRONMENTAL INFORMATION

### **(I) Explanation on Environmental Protection of Companies and Their Significant Subsidiaries Classified as the Key Pollutant Discharging Units Announced by the Environmental Protection Department**

Applicable      Not applicable

### **(II) Environmental Protection of the Companies Other than Key Pollutant Discharging Units**

Applicable      Not applicable

The Company is not classified as the key pollutant discharging units announced by the environmental protection department. In the process of operating activities, the Company has complied with relevant national laws and regulations on environmental protection, persisted in carrying out the concept of environmental protection throughout its business operation and management and adhered to the principle that “The environmental protection efforts including energy conservation, emission reduction, quality improvement and efficiency enhancement benefit the country and its people”. Regarding the achievement of sustainable development as its target, the Company attaches great importance to improving the energy efficiency and intensifies the establishment of an energy-saving and environment-friendly enterprise.

## Chapter 5 Significant Matters

In terms of the establishment of organization mechanism, the Company further improved its environmental protection management system, optimized its organization structure and insisted on implementing the energy saving and environmental protection works effectively throughout the production and operation activities to make sure that the main responsibilities of enterprises in energy saving and environmental protection are further fulfilled. Meanwhile, the Company further established and improved the accountability system for energy saving and environmental protection works in line with actual situation to make sure the implementation of all tasks and measures, which has made substantial achievements.

In terms of energy conservation and emission reduction, the Company reduced tail gas pollution emissions through strict implementation of vehicle emission standards, rational deployment and operation of vehicles, optimization of transportation structure and improvement of vehicle loading rate and mileage utilization; optimized energy consumption structure by using solar energy, LED energy-saving lamps, photovoltaic power generation, as well as clean energy vehicles and eliminating old high energy-consumption equipment; improved operation efficiency and reduced energy consumption by improving business operation process and technology, and introducing automatic operation equipment, combining with the application of new technology and intelligent solution. Through these efforts, we achieved a win-win situation for environmental protection and economic benefits.

In terms of the publicity of environmental protection, the Company extensively carried out the publicity and education campaigns on energy conservation and environmental protection based on actual situation, strived to advocate all employees to strengthen environment protection awareness and take green and low-carbon actions to conserve energy and protect environment, so as to shape the concept of working hard and being thrifty.

During the Reporting Period, the Company had a total energy consumption of 40,854 tons of standard coal, representing a decrease of 14.75% as compared to the corresponding period of last year.

### **(III) Explanation of Reasons for Non-Disclosure of Environmental Information of Companies other than Key Pollutant Discharging Units**

Applicable      Not applicable

### **(IV) Explanation of the Subsequent Progress or Changes on the Environmental Information Disclosed during the Reporting Period**

Applicable      Not applicable



## **XV. CORPORATE GOVERNANCE**

During the Reporting Period, the Company kept improving its corporate governance structure in accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China promulgated by the CSRC and other applicable laws and regulations, as well as the requirements on corporate governance by the SSE and Hong Kong Stock Exchange. The Company has set up a sound internal control system and constantly promotes the standardized and systematic management to enhance corporate governance.

The Company has reviewed and adopted the principles and provisions of the CG Code as set out in Appendix 14 of the SEHK Listing Rules during the period from 1 January 2020 to 30 June 2020 as our code on corporate governance, and has complied with all code provisions set out in the CG Code.

### **(I) Members of the Board**

As at 30 June 2020, the Board comprised 11 Directors, including: Mr. Li Guanpeng as the chairman; Mr. Song Dexing as the vice chairman; Mr. Song Rong as executive Director; Mr. Su Jian, Mr. Xiong Xianliang, Mr. Jiang Jian, and Mr. Jerry Hsu as non-executive Directors; and Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian as independent non-executive Directors.

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

### **(II) Changes in Information of Directors, Supervisors and Senior Management**

During the period from 1 January 2020 to 30 June 2020, Directors, Supervisors and Senior Management of the Company have not changed, and no other latest changes in information of Directors, Supervisors and Senior Management of the Company are required to be disclosed in accordance with Rule 13.51B of the SEHK Listing Rules.

On 27 August 2020, the 21th meeting of the second session of the Board was convened, at which the proposal in relation to appointment of general counsel of the Company was considered and approved. The Board approved that Tian Lei was appointed as the general counsel of the Company.

### **(III) Executive Committee**

The executive committee is a standing organization under the Board and reports to the Board. The principal responsibilities of executive committee include conducting research and providing advice on the development strategy and material investment decisions of the Company; guiding, examining and monitoring operation management members to carry out the development strategies, operation plans and other decisions made by the Board; and executing the resolutions during the adjournment of Board meetings based on the authorization of the Board.

## Chapter 5 Significant Matters

As at 30 June 2020, executive committee comprised chairman of the Board Mr. Li Guanpeng, vice chairman Mr. Song Dexing, and executive Director Mr. Song Rong, with Mr. Li Guanpeng acting as the chairman of the executive committee. On 27 August 2020, the 21th meeting of the second session of the Board was convened, at which the Board approved that the executive committee was renamed as the strategy committee, and its responsibilities related to business management decision-making were delegated to the general manager's meeting, only retaining the responsibilities of the strategic decision-making. In addition, the Board supplemented non-executive director Mr. Xiong Xianliang and independent non-executive director Mr. Song Haiqing as members of the strategy committee.

### (IV) Audit Committee

The principal responsibilities of the audit committee include reviewing the financial reporting procedure, internal audit and internal control system of the Company, and monitoring integrity of the Company's financial statements, annual reports and accounts and interim reports.

The current audit committee comprises all independent non-executive Directors, namely 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 Certified Public Accountants LLP, the Company's auditor, have reviewed the unaudited consolidated interim financial statements of the Company and its subsidiaries for the six months period ended 30 June 2020.

### (V) Remuneration Committee

The principal responsibilities of the remuneration committee include formulating appraisal standards of the Company's Directors and Senior Management as classified by the Articles of Association, arranging assessment, and developing and reviewing the Company's remuneration policy and structure for all Directors and Senior Management.

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

### (VI) Nomination Committee

The principal responsibilities of the nomination committee include selecting and making recommendations on candidates for Directors, president of the Company and other Senior Management as classified by the Articles of Association, and the selecting criteria and procedures, and assessing the independence of independent non-executive Directors.

The current nomination committee comprises all independent non-executive Directors and chairman of the Board, namely Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing, Ms. Li Qian and Mr. Li Guanpeng, with Mr. Wang Taiwen acting as the chairman of the nomination committee.

## Chapter 5 Significant Matters

### (VII) Supervisory Committee

The Supervisory Committee reports to general meeting. As a standing supervisory organization of the Company, the principal responsibilities of the Supervisory Committee include supervising the Board and its members, as well as Senior Management (including president, vice president, chief financial officer, board secretary, chief digital officer), to prevent them from abusing authority or infringing the legitimate interests of Shareholders, the Company or Company's staffs, and to safeguard legitimate interests of the Company and Shareholders.

The current Supervisory Committee comprises one shareholder-representative Supervisor, two independent Supervisors and two staff-representative Supervisors, namely Mr. Liu Yingjie, Mr. Zhou Fangsheng, Mr. Fan Zhaoping, Ms. Ren Dongxiao and Ms. Mao Zheng, with Mr. Liu Yingjie acting as the chairman of the Supervisory Committee.

### (VIII) Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code contained in Appendix 10 to the SEHK 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 enquiries 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 for the six months from 1 January 2020 to 30 June 2020.

## XVI. EXPLANATION ON OTHER MATERIAL MATTERS

### (I) Changes of Accounting Policies, Accounting Estimates and Calculation Methods and Their Reasons and Impact Compared to Last Accounting Period

Applicable       Not applicable

#### 1. CHANGES OF ACCOUNTING POLICIES AND THEIR EFFECTS

The Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 13 (Cai Kuai [2019] No. 21) on 10 December 2019, Interim Provisions on Accounting Treatment Related to Carbon Emission Trading (Cai Kuai [2019] No. 22) on 16 December 2019, and Accounting Treatment of Rent Concessions Related to the COVID-19 (Cai Kuai [2020] No. 10) on 19 June 2020. The Group has adopted the above interpretations and provisions for the preparation of the financial statements for the six months ended 30 June 2020. Interpretation of the Accounting Standards for Business Enterprises No. 13 and Interim Provisions on Accounting Treatment Related to Carbon Emission Trading have no significant impact on the Group and the Company.

In accordance with the "Accounting Treatment of Rent Concessions Related to the COVID-19", the Group adopts the simplified method for all rent concessions, such as rent reductions and deferred payments, concluded between the Group as a party to a lease contract and a lessor or lessee under an existing lease contract, directly caused by the COVID-19, and does not evaluate whether a lease change has occurred or whether a lease classification has been reevaluated.

## Chapter 5 Significant Matters

From January-June 2020, the Group obtained rent concessions from the lessor as lessee in the amount of RMB6.1329 million, increasing the total profit by RMB6.1329 million. The amount of rent concessions granted by the Group as lessor to the lessee was RMB2.7708 million, decreasing the total profit by RMB2.7708 million. The rent deferment concession granted by the Group as lessor to the lessee involved an amount of RMB943.9 thousand, and the period of rent deferment was 1-3 months after the rent payment date under the original lease agreement.

### 2. ACCOUNTING ESTIMATE CHANGE AND ITS IMPACT

According to the relevant provisions of “Accounting Standard for Business Enterprises No. 4 – Fixed Assets”, at the end of each fiscal year, enterprises shall review the estimated useful lives, net residual values and depreciation methods of fixed assets, and if the estimated useful lives and net residual values of fixed assets differ from the original accounting estimates, adjustments shall be made accordingly. In addition, in accordance with the relevant provisions of Notice of the Ministry of Finance and the State Administration of Taxation on improving the enterprise income tax policy for accelerated depreciation of fixed assets (Cai Shui [2014] No. 75), all fixed assets with a unit value of not more than RMB5,000 held by enterprises are allowed to be deducted in the calculation of taxable income by one-time inclusion of current costs, and depreciation shall no longer be calculated over a period of years. In order to better match the depreciable lives of fixed assets with their actual useful lives, to more accurately reflect the depreciation of fixed assets, and thus to more fairly and appropriately reflect the Group’s financial position and operating results, and with reference to the common practice of relevant companies in the same industry, the Group, upon approval at the 19th Meeting of the 2nd Board of Directors of the Company held on 31 March 2020, has, from 1 April 2020 onwards, changed the useful life of the building construction category to 30 years for steel structures, 25 years for steel concrete structures and 20 years for brick concrete structures; changed the useful life of vehicles to 5 years; and changed the fixed asset recognition criteria to RMB5,000. The useful lives and fixed asset recognition criteria before and after this change are as follows:

Category/item	Before change	Category/item	After change
	Useful life (years)/ amount (Yuan)		Useful life (years)/ amount (Yuan)
Buildings – production buildings,	40	Buildings – steel structure	30
Buildings – office buildings		Buildings – steel concrete structure	25
		Buildings – brick concrete structure	20
Buildings – storage buildings	25	Buildings – steel structure	30
		Buildings – steel concrete structure	25
		Buildings – brick concrete structure	20
Vehicles	6	Vehicles	5
Fixed asset recognition threshold	2,000	Fixed asset recognition threshold	5,000

## Chapter 5 Significant Matters

According to the provisions of “Accounting Standard for Business Enterprises No. 28 – Changes in Accounting Estimates, Accounting Policies and Error Correction”, the future applicable method is adopted in this accounting estimate change, which has no impact on the financial status and operating results of the Group and the Company in previous years.

This change in accounting estimate resulted in a decrease in total profit of RMB13.0864 million for the period.

### **(II) Correction of Significant Accounting Errors Required to be Restated, the Amount after Correction, Reasons and Impact during the Reporting Period**

Applicable      Not applicable

### **(III) Others**

Applicable      Not applicable



## Chapter 6 Movement of Ordinary Shares and Particulars of Shareholders

### I. CHANGES IN SHARE CAPITAL

#### (I) Table of Changes in Shares

**1. Table of Changes in Shares**

During the Reporting Period, there is no change in the total share numbers and shareholding structure of ordinary shares of the Company.

**2. Particulars of Changes in Shares**

Applicable      Not applicable

**3. Effect of Changes in Shares on Financial Indicators such as Earnings per Share and Net Assets per Share within the Period from the End of the Reporting Period to Disclosure Date of the Interim Report (if any)**

Applicable      Not applicable

**4. Other Contents that the Company Deems Necessary or Security Regulatory Authorities Require to Disclose**

Applicable      Not applicable

#### (II) Changes in Restricted Shares

Applicable      Not applicable

### II. PARTICULARS OF SHAREHOLDERS

#### (I) Number of Shareholders:

Number of ordinary Shareholders at the end of the Reporting Period (shareholders)	72,058
Number of preferred Shareholders with restored voting rights at the end of the Reporting Period (shareholders)	0

Note: At the end of the Reporting Period, the Company has 71,930 A shareholders and 128 registered H shareholders.

## Chapter 6

### Movement of Ordinary Shares and Particulars of Shareholders

#### (II) The Shareholding of the Top 10 Shareholders and Top 10 Outstanding Shareholders (or holders of unrestricted shares) at the End of the Reporting Period

*Unit: share*

Name of Shareholders (Full Name)	Shareholding of the top 10 shareholders				Pledged or frozen status		
	Increase or decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares lock-up	Shares Status	Number	Nature of shareholders
Sinotrans & CSC Holdings Co., Ltd.	6,090,000	2,467,686,200	33.34	2,461,596,200	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED	-46,050	2,107,429,399	28.48	0	Unknown	Unknown	Overseas legal person
China Merchants Group Limited	0	1,600,597,439	21.63	1,442,683,444	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	12,467,607	54,439,330	0.74	0	Nil	0	Overseas legal person
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	0	51,346,878	0.69	0	Nil	0	State-owned legal person
China National Machinery Imp. & Exp. Corp. (中國機械進出口(集團)有限公司)	0	37,849,623	0.51	0	Nil	0	State-owned legal person
DEUTSCHE POST BETEILIGUNGEN HOLDING	0	35,616,000	0.48	0	Unknown	Unknown	Overseas legal person
China Securities Finance Co., Ltd. (中國證券金融股份有限公司)	0	31,129,481	0.42	0	Nil	0	State-owned legal person
Chen Jingjian	-2,613,022	14,730,606	0.20	0	Nil	0	Domestic natural person
BTG Hotels (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司)	0	13,354,749	0.18	0	Nil	0	State-owned legal person

## Chapter 6

### Movement of Ordinary Shares and Particulars of Shareholders

#### Shareholding of the Top 10 Holders of Unrestricted Shares

Name of shareholders	Number of unrestricted shares	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	2,107,429,399	Foreign shares listed overseas	2,107,429,399
China Merchants Group Limited	157,913,995	Ordinary shares denominated in RMB	157,913,995
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	54,439,330	Ordinary shares denominated in RMB	54,439,330
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	51,346,878	Ordinary shares denominated in RMB	51,346,878
China National Machinery Imp. & Exp. Corp. (中國機械進出口(集團)有限公司)	37,849,623	Ordinary shares denominated in RMB	37,849,623
DEUTSCHE POST BETEILIGUNGEN HOLDING	35,616,000	Foreign shares listed overseas	35,616,000
China Securities Finance Co., Ltd. (中國證券金融股份有限公司)	31,129,481	Ordinary shares denominated in RMB	31,129,481
Chen Jingjian	14,730,606	Ordinary shares denominated in RMB	14,730,606
BTG Hotels (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司)	13,354,749	Ordinary shares denominated in RMB	13,354,749
Chen Lijuan	10,470,777	Ordinary shares denominated in RMB	10,470,777
Explanations on the related-party relations or acting in concert among the above shareholders	Sinotrans & CSC is a wholly-owned subsidiary of China Merchants.		
Explanations on the shares and voting rights restored of preferred shareholders	Nil		

## Chapter 6

### Movement of Ordinary Shares and Particulars of Shareholders

#### **Shareholdings of Top 10 Shareholders with Trading Restrictions and Conditions of Such Restrictions**

✓Applicable      Not applicable

*Unit: share*

No.	Name of holders of restricted shares	Number of restricted shares	Availability of the restricted shares for listing and trading		Restriction conditions
			Available time for listing and trading	Number of additional shares available for listing and trading	
1	Sinotrans & CSC Holdings Co., Ltd.	2,461,596,200	18 July 2022	0	Note 1
2	China Merchants Group Limited	1,442,683,444	18 July 2022	0	
	Explanations on the related-party relationships or acting in concert among the above shareholders	Sinotrans & CSC is a wholly-owned subsidiary of China Merchants.			

Note 1: Upon the Company's merger of Sinoair by absorption through share swap, China Merchants and Sinotrans & CSC undertook that, within 36 months from the listing date of A Shares of the Company (From 18 January 2019 to 17 January 2022), they shall not transfer the Shares held directly or indirectly by themselves which issued prior to the merger by absorption (excluding H Shares) to any other person (including the Company), or entrust the management of such Shares to any other person. Such lock-up period will be extended for another 6 months if the closing price of A Shares is below the issue price for 20 consecutive trading days during the first 6 months after listing or the closing price of A Shares on the last trading day of such first 6 months is below the issue price. The A Shares of the Company have been listed on SSE on 18 January 2019. Given the situation that the closing price of the Company's A Shares was below the issue price as described above occurred within six months from the listing date, the lockup period of A Shares converted from original domestic shares held by China Merchants and Sinotrans & CSC will automatically be extended for another six months to 17 July 2022.

## Chapter 6

### Movement of Ordinary Shares and Particulars of Shareholders

#### (III) Interests and Short Positions of Substantial Shareholders Disclosed as Required by SFO

As at 30 June 2020, so far as the Directors of the Company were aware, the following persons (other than Directors, Supervisors and chief executives) had interests and short positions in the Shares of the Company which were required to be disclosed to the Company and Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of SFO, or to be recorded in the register kept by the Company pursuant to Section 336 of SFO.

Name	Corporate interests	Class of Shares	Percentage in total issued Share capital	Percentage in issued H Share capital
China Merchants (Note 1)	4,068,283,639 (L)	A Shares	54.97%	–
	176,444,000 (L)	H Shares	2.38%	8.23%
Pandanus Associates Inc. (Note 2)	238,545,000 (L)	H Shares	3.22%	11.12%
Brown Brothers Harriman & Co. (Note 3)	182,953,138 (L)	H Shares	2.47%	8.53%
	182,953,138 (P)	H Shares	2.47%	8.53%
Citigroup Inc. (Note 4)	141,203,541 (L)	H Shares	1.91%	6.58%
	19,389,000 (S)	H Shares	0.26%	0.90%
	121,812,086 (P)	H Shares	1.65%	5.68%
FIDELITY FUNDS (Note 5)	130,884,721 (L)	H Shares	1.77%	6.10%
LSV ASSET MANAGEMENT (Note 6)	128,534,000 (L)	H Shares	1.74%	5.99%

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

Notes:

- As of 30 June 2020, China Merchants held 57.35% of the Company's total issued shares. China Merchants directly held 1,600,597,439 A Shares (long position), and indirectly held 2,467,686,200 A Shares (long position) and 176,444,000 H Shares (long position) through Sinotrans & CSC, its wholly owned subsidiary, and Sinotrans & CSC indirectly held 176,444,000 H Shares (long position) through its subsidiaries, among which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares (long position), Sinotrans Shipping Inc. held 500,000 H Shares (long position), and Sinotrans Shipping Limited held 69,261,000 H Shares (long position).
- According to the Disclosure of Interests Form submitted by Pandanus Associates Inc. on the website of Hong Kong Stock Exchange, 238,545,000 H Shares (long position) are interests of corporations controlled by substantial shareholders, of which 47,248,000 H Shares (long position) are reported as unlisted derivatives settled in cash, and 2,279,562 H Shares (long position) are reported as unlisted derivatives physically settled.
- According to the Disclosure of Interests Form submitted by Brown Brothers Harriman & Co. on the website of Hong Kong Stock Exchange, Brown Brothers Harriman & Co. held 182,953,138 H Shares (long position) in the capacity of agent, all of which were lending pool.
- According to the Disclosure of Interest Form submitted by Citigroup Inc. on the website of Hong Kong Stock Exchange, Citigroup Inc. held 121,812,086 H Shares (long position) in the capacity of approved lending agent, and 19,391,455 H Shares (long position) and 19,389,000 H Shares (short position) are interests of corporations controlled by substantial shareholders, in which 33,000 H Shares (long position) and 678,000 H Shares (short position) are reported as unlisted derivatives settled in cash.
- According to the Disclosure of Interests Form submitted by FIDELITY FUNDS on the website of Hong Kong Stock Exchange, FIDELITY FUNDS held 130,820,000 H Shares (long position) in the capacity of beneficial owner, and 64,721 H Shares (long position) are interests of corporations controlled by substantial shareholders.

## Chapter 6

### Movement of Ordinary Shares and Particulars of Shareholders

6. According to the Disclosure of Interests Form submitted by LSV ASSET MANAGEMENT on the website of Hong Kong Stock Exchange, LSV ASSET MANAGEMENT held 87,013,000 H Shares (long position) in the capacity of investment manager. 41,521,000 H Shares (long position) are deemed interest through its general partnership interest in certain limited partnerships.

Save as disclosed above, as at 30 June 2020, so far as the Directors of the Company were aware, there was no other person (other than Directors, Supervisors or chief executives) who had any interests and short positions in the Shares of the Company which would fall to be recorded in the register kept by the Company pursuant to Section 336 of SFO and disclosed to the Company and Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of SFO.

#### (IV) Strategic Investors or General Legal Person Become Top 10 Shareholders Due to the Placement of New Shares

Applicable       Not applicable

### III. CHANGES OF CONTROLLING SHAREHOLDERS OR ACTUAL CONTROLLERS


Applicable       Not applicable

### IV. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, none of the members of the Group has repurchased, sold or redeemed any listed securities of the Company.

## Chapter 7 Particulars of Preferred Shares

Applicable       Not applicable



## Chapter 8

# Directors, Supervisors and Senior Management

### I. CHANGES IN SHAREHOLDING

#### (I) Changes in Shareholding of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period

Applicable      Not applicable

##### **Other information**

Applicable      Not applicable

#### (II) The Equity Incentives Granted to the Directors, Supervisors and Senior Management During the Reporting Period

Applicable      Not applicable

#### (III) Interests and Short Positions of the Directors, Supervisors and Chief Executives

As at 30 June 2020, so far as the Directors of the Company were aware, none of the Directors, Supervisors, chief executives 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 Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they are deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of 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 Hong Kong Stock Exchange pursuant to the Model Code.

### II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable      Not applicable

Name	Position held	Changes
Tian Lei	General counsel	Appointed

#### Explanations of changes of Directors, Supervisors and Senior Management of the Company

Applicable      Not applicable

On 27 August 2020, the 21th meeting of the second session of the Board was convened, at which the proposal in relation to appointment of general counsel of the Company was considered and approved. The Board approved that Tian Lei was appointed as the general counsel of the Company. For details, please refer to relevant announcements of the Company disclosed on the websites of SSE ([www.sse.com.cn](http://www.sse.com.cn)) and Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

### III. OTHERS

Applicable      Not applicable



## Chapter 9 Particulars of Corporate Bonds

Applicable       Not applicable

### I. BASIC INFORMATION OF CORPORATE BONDS

Unit: hundred million Yuan Currency: RMB

Name of bond	Short name	Code	Date of issuance	Maturity date	Balance of bond	Interest rate (%)	Manner of payment of principal and interest	Transaction site
Sinotrans Limited 2016 Corporate Bond (First Tranche)	16 SINOTRANS 01	136248	2 March 2016	2 March 2021	20	3.20	Annual interest, no compound interest, repayment of principal upon maturity	SSE
Sinotrans Limited 2016 Corporate Bond (Second Tranche)	16 SINOTRANS 03	136654	24 August 2016	24 August 2021	13.5	2.94 (24 August 2016 – 23 August 2019); 3.70 (24 August 2019 – 23 August 2021)	Annual interest, no compound interest, repayment of principal upon maturity	SSE

Investor Suitability Arrangements: “16 Sinotrans 01” and “16 Sinotrans 03” are bonds traded to qualified investors.

#### Interest Payment of Corporate Bonds

Applicable       Not Applicable

The Company paid the interest of RMB64 million on the 16 Sinotrans 01 corporate bonds on 2 March 2020, and paid the interest of RMB49.95 million on the 16 Sinotrans 03 corporate bonds on 24 August 2020, all of which were announced on the website of the SSE.

#### Other Particulars of Corporate Bonds

Applicable       Not Applicable

According to the announcement disclosed on 29 July 2019, the Company increased the coupon rate of the “16 Sinotrans 03” corporate bonds for the subsequent duration by 76 basis points, namely the coupon rate would be 3.70% for last 2 years within the duration of the bond and remain unchanged. According to the results of put-back of “16 Sinotrans 03” corporate bond, the number of put-back of “16 Sinotrans 03” corporate bonds was 150,000 lots (10 bonds for one lot, and each bond with a nominal value of RMB100), and the amount of put-back was RMB150,000,000 (exclusive of interest), the release date of the put-back funds was 26 August 2019. After the completion of put-back, the number of “16 Sinotrans 03” corporate bonds listed and traded on the SSE was 1,350,000 lots (the total par value is RMB1,350,000,000). For details, please refer to the announcements of the Company dated 29 July 2019 and 21 August 2019 disclosed on the website of SSE.

## Chapter 9 Particulars of Corporate Bonds

### II. CONTACT PERSON AND CONTACT METHOD OF BOND TRUSTEE AND CONTACT INFORMATION OF CREDIT RATING AGENCIES

Bonds trustee	Name	BOCI Securities Limited
	Address	No. 110, Xidan North Avenue, Xicheng District, Beijing
	Contact Person	He Yinhui, Zhou Yuqing
	Telephone	010-66229138
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Address	14FL. Huasheng Building, No.398 Hankou Rd, Huangpu District, Shanghai

Other Explanations:

Applicable      Not Applicable

### III. USE OF PROCEEDS FROM CORPORATE BONDS

Applicable      Not Applicable

Upon receipt of the proceeds, the Company has transferred the proceeds from the special account to its own fund account. To use such fund, the Company exercised the related approval procedure of fund expend, and strictly followed the purposes of proceeds agreed in the prospectus, which mainly included the port charges, supplier payment, storage fees and other paying in relation to the daily operation. There is no exception situations, and the closing balance of the proceeds is 0 currently.

### IV. RATING OF CORPORATE BONDS

Applicable      Not Applicable

Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. has given a credit rating of AAA on the issuer in relation to the corporate bonds, demonstrating that the issuer has a strong ability to repay its debts and is basically not affected by the adverse economic environment, with low level of default risk; and the current debt rating of the corporate bonds “16 Sinotrans 01” and “16 Sinotrans 03” is AAA, demonstrating that the bonds have strong creditworthiness and security to be repaid, and is basically not affected by the adverse economic environment, with low level of default risk. The rating is dated 26 May 2020 and the rating outlook is stable, with no changes as compared to last rating results. The Company has disclosed the Rating Report on Sinotrans Limited and Corporate Bonds “16 Sinotrans 01” and “16 Sinotrans 03” issued by Sinotrans Limited on the website of the SSE.

### V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

Applicable      Not Applicable

After the issuance of the Corporate Bonds, the Company will further strengthen the management of assets and liabilities, liquidity management and the management of the use of proceeds according to the debt structure, ensure that the funds are used as planned, and timely and fully prepare the funds for the annual interest payment and principal repayment upon maturity, so as to fully protect the interests of investors.

## Chapter 9

### Particulars of Corporate Bonds

In order to fully and effectively protect the interests of bondholders, the Company has formulated a series of work plans for the timely and full repayment of corporate bonds, including formulating the Rules for Bondholders' Meetings, giving full play to the role of bond trustee manager, setting up a special repayment working group, strictly fulfilling the information disclosure obligations and the Company's commitments, etc., striving to form a set of guarantee measures to ensure the safe payment of interest and redemption of bonds.

The debt repayment plan and other debt repayment supporting measures have not been changed and are implemented normally, which is in line with the relevant undertakings in the prospectus.

#### VI. CONVENING OF CORPORATE BOND HOLDERS' MEETING

Applicable       Not Applicable

#### VII. PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

Applicable       Not Applicable

During the term of the corporate bonds, BOCI Securities Limited ("BOCI Securities"), the bonds trustee manager, strictly complied with the stipulations in the Bonds Trustee Management Agreement to continuously track the Company's credit status, management and use of proceeds, repayment of principal and interest of the corporate bonds, and urge the Company to perform its obligations as stipulated in the prospectus of the corporate bonds. It has actively exercised the duties of the trustee manager and safeguarded the legitimate rights and interests of the bondholders. The entrusted management for corporate bonds of Sinotrans Limited in 2019 by BOCI Securities was disclosed on the website of the SSE in June 2020.

#### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND LAST YEAR (OR DURING THE REPORTING PERIOD OR THE CORRESPONDING PERIOD OF LAST YEAR)

Applicable       Not Applicable

Main indicators	As at the end of the Reporting Period	As at the end of last year	Changes as compared to the end of last year (%)
Current ratio	1.01	1.25	-19.20
Quick ratio	0.91	1.14	-20.18
Debt-to-asset ratio (%)	52.22	51.12	increased by 1.1 percentage points
Loan repayment ratio (%)	100	100	-

## Chapter 9 Particulars of Corporate Bonds

	<b>Reporting Period (January to June)</b>	Corresponding period of last year	Changes as compared to the corresponding period of last year (%)
EBITDA interest coverage ratio	<b>10.63</b>	9.73	9.25
Interest payment ratio (%)	<b>100</b>	100	-

### IX. OVERDUE DEBTS

Applicable       Not applicable

### X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable       Not applicable

*Unit: hundred million    Currency: RMB*

Type	Abbreviation of bonds	Issue size	Term of issuance	Subject/ Debt Rating	Coupon rate
ABN	19 Sinotrans ABN001 Priority Products	10.45	0.52 year	AAA	3.45%
ABN	19 Sinotrans ABN001 Subprime Products	0.55	0.52 year	-	-

On 19 December 2019, the Company issued “Sinotrans Limited 2019 First Tranche of RMB Targeted Asset-backed Notes for Accounts Receivable (ABN)” in the inter-bank market, with a total reserve of RMB ABN amounting to RMB5 billion. The issuance size was RMB1.1 billion for this time. During the Reporting Period, the products were due and have been fully redeemed.

### XI. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

Applicable       Not applicable

As at 30 June 2020, the Company has obtained a total of 28.091 billion (equivalent to RMB) of credit facilities, of which RMB10.324 billion has been utilized. The bank loans involved have been repaid on time.

## Chapter 9 Particulars of Corporate Bonds

### **XII. PERFORMANCE OF RELEVANT AGREEMENTS OR UNDERTAKINGS IN THE PROSPECTUS OF CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD**

Applicable      Not applicable

### **XIII. SIGNIFICANT MATTERS OF THE COMPANY AND THEIR IMPACT ON THE OPERATION AND SOLVENCY OF THE COMPANY**

Applicable      Not applicable



# Chapter 10

## Consolidated Statement of Financial Position

30 June 2020

Unit: RMB

Items	Note	30 June 2020	31 December 2019
<b>Current assets</b>			
Cash and bank balances	IX.1	9,584,505,103.71	10,475,499,824.16
Held-for-trading financial assets	IX.2	142,038.83	5,641,228.80
Derivative financial assets		-	-
Bills receivable	IX.3	10,559,111.09	18,389,129.53
Accounts receivable	IX.4	11,536,561,808.33	10,114,964,014.88
Receivables financing	IX.5	611,782,370.73	600,596,569.69
Prepayments	IX.6	2,672,717,846.94	2,246,807,826.72
Other receivables	IX.7	1,574,839,729.65	1,637,377,987.43
Including: Interest receivable	IX.7	1,396,067.84	1,281,663.75
Dividends receivable	IX.7	58,462,551.98	53,247,750.69
Inventories	IX.8	108,771,328.88	125,293,322.01
Including: Raw materials	IX.8	31,104,352.56	32,116,251.48
Finished goods	IX.8	62,714,203.09	72,872,532.03
Contract assets		-	-
Held-for-sale assets		-	-
Non-current assets due within one year	IX.9	12,205,000.00	12,085,000.00
Other current assets	IX.10	581,828,237.38	626,309,693.00
<b>Total current assets</b>		<b>26,693,912,575.54</b>	<b>25,862,964,596.22</b>
<b>Non-current assets</b>			
Debt investments		-	-
Other debt investments		-	-
Long-term receivables	IX.11	70,070,000.00	102,637,410.37
Long-term equity investments	IX.12	7,721,774,959.45	9,368,359,302.17
Other equity instrument investments	IX.13	238,090,186.17	256,540,744.93
Other non-current financial assets	IX.14	720,221,791.93	692,424,249.35
Investment properties	IX.15	2,395,331,683.17	2,384,160,216.45
Fixed assets	IX.16	12,283,671,605.50	12,472,503,554.46
Construction in progress	IX.17	2,402,098,808.89	2,154,496,943.35
Right-of-use assets	IX.18	2,291,027,930.75	1,990,676,405.63
Intangible assets	IX.19	6,101,110,537.07	5,688,540,222.83
Development expenditure	IX.20	84,663,311.11	81,415,404.91
Goodwill	IX.21	2,315,126,472.63	172,612,157.55
Long-term prepaid expenses	IX.22	215,976,989.78	220,746,710.04
Deferred tax assets	IX.23	237,836,762.68	213,306,245.86
Other non-current assets	IX.24	333,739,433.55	225,023,784.54
<b>Total non-current assets</b>		<b>37,410,740,472.68</b>	<b>36,023,443,352.44</b>
<b>Total assets</b>		<b>64,104,653,048.22</b>	<b>61,886,407,948.66</b>

The notes form an integral part of the financial statements

The financial statements are signed by the following persons-in-charge:

Li Guanpeng  
Person-in-charge of  
the Company

Wang Jiuyun  
Person-in-charge for  
Accounting work

Mai Lina  
Person-in-charge of  
Accounting Department

## Chapter 10

### Consolidated Statement of Financial Position

30 June 2020

Unit: RMB

Items	Note	30 June 2020	31 December 2019
<b>Current liabilities</b>			
Short-term borrowings	IX.27	<b>2,125,987,979.17</b>	1,202,384,395.00
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Bills payable	IX.28	<b>121,052,287.85</b>	–
Accounts payable	IX.29	<b>9,547,286,216.70</b>	9,147,046,027.11
Advances from customers		–	–
Contract liabilities	IX.30	<b>3,049,692,183.63</b>	2,608,389,707.64
Employee remuneration payable	IX.31	<b>1,292,878,013.63</b>	1,589,693,735.12
Including: Wages payable	IX.31	<b>1,055,888,559.45</b>	1,380,010,118.64
Welfare payable	IX.31	<b>28,950,883.97</b>	3,103,605.13
Taxes and dues payable	IX.32	<b>371,113,955.82</b>	344,533,438.22
Including: Taxes payable	IX.32	<b>354,654,348.11</b>	330,229,457.47
Other payables	IX.33	<b>2,415,771,477.59</b>	2,322,174,917.92
Including: Interest payable	IX.33	<b>28,223,909.54</b>	26,339,510.69
Dividends payable	IX.33	<b>952,088,235.26</b>	47,911,902.30
Held-for-sale liabilities		–	–
Non-current liabilities due within one year	IX.34	<b>7,218,000,641.70</b>	3,268,689,764.93
Other current liabilities	IX.35	<b>184,224,950.88</b>	177,858,416.72
<b>Total current liabilities</b>		<b>26,326,007,706.97</b>	20,660,770,402.66
<b>Non-current liabilities</b>			
Long-term borrowings	IX.36	<b>2,809,378,411.44</b>	5,026,139,244.02
Bonds payable	IX.37	<b>1,349,483,424.67</b>	3,419,486,443.79
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities	IX.38	<b>1,755,115,255.85</b>	1,519,924,346.73
Long-term payables	IX.39	<b>187,457,752.59</b>	197,265,698.20
Long-term employee remuneration payable	IX.40	<b>2,871,823.21</b>	2,927,039.77
Estimated liabilities	IX.41	<b>283,797,569.38</b>	269,495,938.63
Deferred income	IX.42	<b>375,277,451.05</b>	383,338,591.29
Deferred tax liabilities	IX.23	<b>185,621,224.84</b>	84,261,559.81
Other non-current liabilities	IX.43	<b>203,084,893.91</b>	71,319,466.31
<b>Total non-current liabilities</b>		<b>7,152,087,806.94</b>	10,974,158,328.55
<b>Total liabilities</b>		<b>33,478,095,513.91</b>	31,634,928,731.21

## Chapter 10

### Consolidated Statement of Financial Position

30 June 2020

*Unit: RMB*

Items	Note	30 June 2020	31 December 2019
<b>Shareholders' equity:</b>			
Share capital	IX.44	7,400,803,875.00	7,400,803,875.00
Other equity instruments		-	-
Including: Preferred shares		-	-
Perpetual bonds		-	-
Capital reserve	IX.45	6,073,127,048.74	6,072,706,510.86
Less: Treasury shares		-	-
Other comprehensive income	IX.65	-130,746,103.26	-157,971,711.23
Including: Translation difference of the financial statements in foreign currency	IX.65	-289,347,183.86	-346,519,139.10
Specific reserve	IX.46	65,544,747.02	53,520,819.76
Surplus reserve	IX.47	899,046,022.99	899,046,022.99
Including: Statutory reserve fund	IX.47	899,046,022.99	899,046,022.99
Discretionary reserve fund		-	-
Retained earnings	IX.48	14,504,852,538.79	14,170,510,834.74
<b>Total equity attributable to shareholders of the Company</b>		<b>28,812,628,129.28</b>	28,438,616,352.12
Non-controlling interests		1,813,929,405.03	1,812,862,865.33
<b>Total shareholders' equity</b>		<b>30,626,557,534.31</b>	30,251,479,217.45
<b>Total liabilities and shareholders' equity</b>		<b>64,104,653,048.22</b>	61,886,407,948.66

The notes form an integral part of the financial statements



## Chapter 10

# Statement of Financial Position of the Company

30 June 2020

Unit: RMB

Items	Note	30 June 2020	31 December 2019
<b>Current assets</b>			
Cash and bank balances	XVII.1	3,143,672,051.64	4,073,217,980.63
Held-for-trading financial assets		–	5,500,000.00
Derivative financial assets		–	–
Bills receivable	XVII.2	397,802.00	2,397,802.00
Accounts receivable	XVII.3	575,856,845.63	923,919,956.37
Receivables financing	XVII.4	24,956,140.30	31,467,958.31
Prepayments		17,221,476.68	42,499,589.99
Other receivables	XVII.5	9,785,772,967.90	9,724,300,157.45
Including: Interest receivable	XVII.5	–	–
Dividends receivable	XVII.5	55,399,600.47	90,850,271.49
Inventories		–	–
Including: Raw materials		–	–
Finished goods		–	–
Contract assets		–	–
Held-for-sale assets		–	–
Non-current assets due within one year		244,828,165.97	474,753,841.96
Other current assets		51,034,421.09	49,001,005.00
<b>Total current assets</b>		<b>13,843,739,871.21</b>	<b>15,327,058,291.71</b>
<b>Non-current assets</b>			
Debt investments		–	–
Other debt investments		–	–
Long-term receivables	XVII.6	1,637,288,242.96	1,395,344,773.34
Long-term equity investments	XVII.7	18,362,779,537.04	18,235,853,446.45
Other equity instrument investment		–	–
Other non-current financial assets		901,731,350.32	901,731,350.32
Investment properties		–	–
Fixed assets		38,945,890.35	37,188,420.62
Construction in progress		5,729,534.72	9,981,594.87
Right-of-use assets		553,646,821.91	566,551,383.29
Intangible assets		112,102,860.56	110,015,988.57
Development expenditure		72,430,728.80	68,007,661.41
Goodwill		–	–
Long-term prepaid expenses		1,161,682.05	1,452,172.11
Deferred tax assets		–	–
Other non-current assets		–	–
<b>Total non-current assets</b>		<b>21,685,816,648.71</b>	<b>21,326,126,790.98</b>
<b>Total assets</b>		<b>35,529,556,519.92</b>	<b>36,653,185,082.69</b>

The notes form an integral part of the financial statements

## Chapter 10

### Statement of Financial Position of the Company

30 June 2020

Unit: RMB

Items	Note	30 June 2020	31 December 2019
<b>Current liabilities</b>			
Short-term borrowings		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Bills payable		–	–
Accounts payable		<b>428,983,287.69</b>	465,817,720.54
Advances from customers		–	–
Contract liabilities		<b>28,010,103.28</b>	52,705,643.61
Employee remuneration payables		<b>59,840,241.77</b>	108,608,409.41
Including: Wages payable		<b>40,159,749.98</b>	88,564,582.22
Welfare payable		<b>4,739,226.83</b>	49,614.66
Taxes and dues payable		<b>9,565,795.64</b>	10,656,185.73
Including: Taxes payable		<b>9,352,289.26</b>	10,438,832.19
Other payables		<b>8,875,917,284.19</b>	10,603,685,432.96
Including: Interest payable		–	–
Dividends payable		<b>888,387,102.89</b>	290,637.89
Held-for-sale liabilities		–	–
Non-current liabilities due within one year		<b>2,079,027,255.06</b>	515,427,269.58
Other current liabilities		–	–
<b>Long-term borrowings</b>		<b>11,481,343,967.63</b>	11,756,900,661.83
<b>Non-current liabilities</b>			
Long-term borrowings	XVII.8	<b>116,875,000.00</b>	116,875,000.00
Bonds payable	XVII.9	<b>1,349,483,424.67</b>	3,419,486,443.79
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		<b>576,859,477.66</b>	585,032,846.05
Long-term payables		–	–
Long-term employee remuneration payable		–	–
Estimated liabilities		–	–
Deferred income		–	–
Deferred tax liabilities		–	–
Other non-current liabilities		–	–
<b>Total non-current liabilities</b>		<b>2,043,217,902.33</b>	4,121,394,289.84
<b>Total liabilities</b>		<b>13,524,561,869.96</b>	15,878,294,951.67

## Chapter 10

### Statement of Financial Position of the Company

30 June 2020

Unit: RMB

Items	Note	30 June 2020	31 December 2019
<b>Shareholders' equity:</b>			
Share capital		7,400,803,875.00	7,400,803,875.00
Other equity instruments		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserve	XVII.10	10,764,008,546.37	10,764,008,546.37
Less: Treasury shares		–	–
Other comprehensive income		-13,127,595.65	-12,970,901.77
Including: Translation difference of the statements in foreign currency		1,015,121.22	1,171,815.10
Specific reserve		4,036,718.36	4,080,696.43
Surplus reserve		899,046,022.99	899,046,022.99
Including: Statutory reserve fund		899,046,022.99	899,046,022.99
Discretionary reserve fund		–	–
Retained earnings	XVII.11	2,950,227,082.89	1,719,921,892.00
<b>Total shareholders' equity</b>		<b>22,004,994,649.96</b>	20,774,890,131.02
<b>Total liabilities and shareholders' equity</b>		<b>35,529,556,519.92</b>	36,653,185,082.69

The notes form an integral part of the financial statements

# Chapter 10

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

Unit: RMB

Items	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
<b>I. Total income from operations</b>	IX.49	<b>39,690,976,521.76</b>	37,720,583,082.13
Including: Operating income	IX.49	<b>39,690,976,521.76</b>	37,720,583,082.13
<b>II. Total costs of operation</b>		<b>39,303,590,404.24</b>	37,108,851,749.63
Including: Operating costs	IX.49	<b>37,416,660,358.13</b>	35,330,227,293.42
Tax and surcharges	IX.50	<b>82,013,036.68</b>	97,862,503.28
Selling expenses	IX.51	<b>393,373,867.49</b>	405,350,506.40
Administrative expenses	IX.52	<b>1,173,188,227.76</b>	1,144,189,453.58
Research and development expenses	IX.53	<b>52,979,013.84</b>	6,369,330.91
Finance costs	IX.54	<b>185,375,900.34</b>	124,852,662.04
Including: Interest expenses	IX.54	<b>255,626,050.59</b>	285,154,240.86
Interest income	IX.54	<b>82,416,739.99</b>	131,911,131.46
Net exchange loss (income denoted by “-”)	IX.54	<b>12,090,390.03</b>	-27,303,864.61
Add: Other income	IX.55	<b>642,682,349.85</b>	493,041,415.84
Investment income (loss denoted by “-”)	IX.56	<b>580,899,833.38</b>	625,647,215.09
Including: Share of results of associates and joint ventures	IX.56	<b>581,298,071.77</b>	592,996,770.87
Income from derecognition of financial assets measured at amortised cost (loss denoted by “-”)	IX.56	-	-
Hedging income (loss denoted by “-”)		-	-
Gain from changes in fair value (loss denoted by “-”)		-	-
Credit loss impairment (loss denoted by “-”)	IX.57	<b>-62,816,446.17</b>	-22,272,959.42
Impairment of assets (loss denoted by “-”)		-	-
Income from disposal of assets (loss denoted by “-”)	IX.58	<b>13,888,297.34</b>	64,070,728.81
<b>III. Operating profit (loss denoted by “-”)</b>		<b>1,562,040,151.92</b>	1,772,217,732.82
Add: Non-operating income	IX.59	<b>37,801,457.35</b>	54,307,782.62
Including: Government grants	IX.59	<b>23,509,684.89</b>	12,485,688.08
Less: Non-operating expenses	IX.61	<b>35,759,092.53</b>	9,124,743.65
<b>IV. Total profit (total loss denoted by “-”)</b>		<b>1,564,082,516.74</b>	1,817,400,771.79
Less: Income tax expenses	IX.62	<b>312,442,987.79</b>	234,358,439.67
<b>V. Net profit (net loss denoted by “-”)</b>		<b>1,251,639,528.95</b>	1,583,042,332.12
(I) Classified by attribution of ownership		-	-
1. Net profit attributable to shareholders of the Company (net loss denoted by “-”)		<b>1,215,123,919.62</b>	1,517,484,875.36
2. Net profit attributable to non-controlling interests (net loss denoted by “-”)		<b>36,515,609.33</b>	65,557,456.76
(II) Classified by the continuity of operations		-	-
1. Net profit from continuing operations (net loss denoted by “-”)		<b>1,251,639,528.95</b>	1,583,042,332.12
2. Net profit from discontinued operations (net loss denoted by “-”)		-	-

The notes form an integral part of the financial statements.

## Chapter 10

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

Items	Note	<i>Unit: RMB</i>	
		Six months ended 30 June 2020	Six months ended 30 June 2019
<b>VI. Other comprehensive income, net of tax</b>	IX.65	<b>8,571,560.47</b>	1,606,646.75
Other comprehensive income attributable to shareholders of the Company, net of tax	IX.65	<b>34,539,857.40</b>	-3,184,834.58
(I) Other comprehensive income not to be subsequently reclassified to profit or loss	IX.65	<b>-2,425,059.33</b>	46,350,772.21
1. Amount of change arising from re-measurement of the defined benefit plan		-	-
2. Other comprehensive income not to be reclassified to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instrument investments	IX.65	<b>-2,425,059.33</b>	46,350,772.21
4. Changes in fair value attributable to changes in credit risk		-	-
5. Others		-	-
(II) Other comprehensive income to be subsequently reclassified to profit or loss	IX.65	<b>36,964,916.73</b>	-49,535,606.79
1. Other comprehensive income to be reclassified to profit or loss under the equity method	IX.65	<b>-20,207,038.51</b>	7,793,447.85
2. Changes in fair value of other debt investments		-	-
3. Reclassification of financial assets		-	-
4. Credit loss impairment of other debt investments		-	-
5. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)		-	-
6. Exchange differences on translation of foreign operations	IX.65	<b>57,171,955.24</b>	-57,329,054.64
7. Others		-	-
Other comprehensive income attributable to non-controlling interests, net of tax		<b>-25,968,296.93</b>	4,791,481.33
<b>VII. Total comprehensive income</b>	IX.65	<b>1,260,211,089.42</b>	1,584,648,978.87
Total comprehensive income attributable to shareholders of the Company	IX.65	<b>1,249,663,777.02</b>	1,514,300,040.78
Total comprehensive income attributable to non-controlling interests	IX.65	<b>10,547,312.40</b>	70,348,938.09
<b>VIII. Earnings per share:</b>			
Basic earnings per share (RMB/share)	IX.63	<b>0.16</b>	0.21
Diluted earnings per share (RMB/share)	IX.63	<b>0.16</b>	0.21

The notes form an integral part of the financial statements.

# Chapter 10 Statement of Profit or Loss and Other Comprehensive Income of the Company

For the six months ended 30 June 2020

Unit: RMB

Items	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
<b>I. Income from operations</b>	XVII.12	<b>1,111,408,150.24</b>	826,536,613.30
Less: Operating cost	XVII.12	<b>983,003,480.45</b>	653,973,419.87
Tax and surcharges		<b>185,247.10</b>	188,508.37
Selling expenses		<b>39,595,373.78</b>	59,895,889.56
Administrative expenses		<b>98,772,387.97</b>	106,038,356.31
Research and development expenses		<b>41,024,085.49</b>	4,125,643.65
Finance costs	XVII.13	<b>-59,426,587.52</b>	8,705,457.43
Including: Interest expenses		<b>113,774,080.78</b>	141,876,998.00
Interest income		<b>140,112,585.07</b>	131,061,252.84
Net exchange loss (gain denoted by “-”)		<b>-25,889,765.99</b>	-3,825,013.64
Add: Other income		-	-
Investment income (loss denoted by “-”)	XVII.14	<b>2,104,338,238.08</b>	928,711,100.23
Including: Share of result of associates and joint venture		<b>36,404,500.12</b>	30,055,931.22
Income from derecognition of financial assets measured at amortised cost (loss denoted by “-”)		-	-
Hedging income (loss denoted by “-”)		-	-
Gain from changes in fair value (loss denoted by “-”)		-	-
Credit loss impairment (loss denoted by “-”)		<b>7,477,864.23</b>	4,820,187.10
Impairment of assets (loss denoted by “-”)		-	-
Income from disposal of assets (loss denoted by “-”)		<b>-475.58</b>	10,000.00
<b>II. Operating profits (loss denoted by “-”)</b>		<b>2,120,069,789.70</b>	927,150,625.44
Add: Non-operating income		<b>339,784.55</b>	1,707,510.88
Including: Government grants		-	5,000.00
Less: Non-operating expenses		<b>2,007,918.36</b>	515,859.95
<b>III. Total profit (total loss denoted by “-”)</b>		<b>2,118,401,655.89</b>	928,342,276.37
Less: Income tax expenses		-	153,600.00
<b>IV. Net profit (net loss denoted by “-”)</b>		<b>2,118,401,655.89</b>	928,188,676.37
Net profit from continuing operations (net loss denoted by “-”)		<b>2,118,401,655.89</b>	928,188,676.37
Net profit from discontinued operations (net loss denoted by “-”)		-	-

**Chapter 10****Statement of Profit or Loss and Other Comprehensive Income of the Company**

For the six months ended 30 June 2020

*Unit: RMB*

Items	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
<b>V. Other comprehensive income, net of tax</b>		<b>-156,693.88</b>	-353.74
(I) Other comprehensive income not to be subsequently reclassified to profit or loss		-	-
1. Amount of change arising from re-measurement of the defined benefit plan		-	-
2. Other comprehensive income not to be reclassified to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instruments investments		-	-
4. Changes in fair value attributable to changes in credit risk		-	-
5. Others		-	-
(II) Other comprehensive income to be subsequently reclassified to profit or loss		<b>-156,693.88</b>	-353.74
1. Other comprehensive income to be reclassified to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Reclassification of financial assets		-	-
4. Credit loss impairment of other debt investments		-	-
5. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)		-	-
6. Translation difference of the financial statements in foreign currency		<b>-156,693.88</b>	-353.74
7. Others		-	-
<b>VI. Total comprehensive income</b>		<b>2,118,244,962.01</b>	928,188,322.63

The notes form an integral part of the financial statements.

# Chapter 10

## Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

Unit: RMB

Items	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and provision of services		<b>39,530,210,727.84</b>	36,622,618,858.29
Tax rebate received		<b>5,662,755.53</b>	1,771,297.86
Cash received from other operating activities	IX.66	<b>992,291,988.78</b>	606,626,246.66
<b>Sub-total of cash inflows from operating activities</b>		<b>40,528,165,472.15</b>	37,231,016,402.81
Cash paid for goods and services		<b>35,134,022,954.64</b>	32,824,929,664.02
Cash paid to and on behalf of employees		<b>3,072,643,828.70</b>	2,916,645,777.22
Cash paid for taxes and dues		<b>640,833,329.45</b>	793,696,973.45
Cash paid for other operating activities	IX.66	<b>1,161,506,481.79</b>	1,174,416,528.46
<b>Sub-total of cash outflows from operating activities</b>		<b>40,009,006,594.58</b>	37,709,688,943.15
<b>Net cash flows from operating activities</b>	IX.66	<b>519,158,877.57</b>	-478,672,540.34
<b>II. Cash flows from investment activities</b>			
Cash received from disposal of investments		<b>22,001,712.16</b>	10,843,782.83
Cash received from investment income		<b>7,377,020.17</b>	40,078,948.86
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>45,549,842.09</b>	146,042,121.57
Net cash received from disposal of subsidiaries and other operating units		<b>-</b>	<b>-</b>
Cash received from other investment activities	IX.66	<b>50,954,211.86</b>	501,954,254.43
<b>Sub-total of cash inflows from investment activities</b>		<b>125,882,786.28</b>	698,919,107.69
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>734,089,799.48</b>	876,982,356.42
Cash paid for investments		<b>2,500,000.00</b>	18,137,829.66
Net cash paid for acquisition of subsidiaries and other operating units	IX.66	<b>521,941,024.98</b>	<b>-</b>
Cash paid for other investment activities	IX.66	<b>5,000,000.00</b>	9,385,006.11
<b>Sub-total of cash outflows from investment activities</b>		<b>1,263,530,824.46</b>	904,505,192.19
<b>Net cash flows from investment activities</b>		<b>-1,137,648,038.18</b>	-205,586,084.50
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		<b>52,838,252.00</b>	58,307,400.00
Including: Cash received by subsidiaries from capital contributions of non-controlling interests		<b>52,838,252.00</b>	58,307,400.00
Cash received from borrowings		<b>1,551,443,357.29</b>	132,285,392.18
Cash received from other financing activities	IX.66	<b>39,912,768.23</b>	<b>-</b>
<b>Sub-total of cash inflows from financing activities</b>		<b>1,644,194,377.52</b>	190,592,792.18
Cash paid for repayment of debts		<b>1,245,535,037.18</b>	2,309,901,422.03
Cash paid for distribution of dividends or profits or settlement of interest		<b>257,983,464.62</b>	292,935,872.56
Including: Dividends and profits paid by the subsidiaries to non-controlling interests		<b>43,148,412.68</b>	44,740,223.30
Cash paid for other financing activities	IX.66	<b>386,798,791.70</b>	1,029,742,982.56
<b>Sub-total of cash outflows from financing activities</b>		<b>1,890,317,293.50</b>	3,632,580,277.15
<b>Net cash flows from financing activities</b>		<b>-246,122,915.98</b>	-3,441,987,484.97
<b>IV. Effect of foreign exchange rate changes</b>		<b>-23,805,980.64</b>	-76,484,492.59
<b>V. Net increase (decrease) in cash and cash equivalents</b>	IX.67	<b>-888,418,057.23</b>	-4,202,730,602.40
Add: Balance of cash and cash equivalents at the beginning of the period		<b>10,387,299,779.72</b>	15,317,824,974.56
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	IX.67	<b>9,498,881,722.49</b>	11,115,094,372.16

The notes form an integral part of the financial statements.



## Chapter 10

# Statement of Cash Flows of the Company

For the six months ended 30 June 2020

Unit: RMB

Items	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and provision of services		1,450,765,402.89	731,388,092.90
Tax rebate received		—	—
Cash received from other operating activities		120,193,754.93	23,087,189.73
<b>Sub-total of cash inflows from operating activities</b>		<b>1,570,959,157.82</b>	<b>754,475,282.63</b>
Cash paid for goods and services		966,772,508.17	713,742,455.46
Cash paid to and on behalf of employees		151,164,628.49	113,373,863.60
Cash paid for taxes and dues		425,857.26	5,704,661.01
Cash paid for other operating activities		446,890,182.57	80,840,139.64
<b>Sub-total of cash outflows from operating activities</b>		<b>1,565,253,176.49</b>	<b>913,661,119.71</b>
<b>Net cash flows from operating activities</b>	XVII.15	<b>5,705,981.33</b>	<b>-159,185,837.08</b>
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investments		5,500,000.00	—
Cash received from investment income		2,103,792,572.25	626,941,045.44
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		585.60	246,487.85
Cash received from other investment activities		95,255,059.84	462,362,571.72
<b>Sub-total of cash inflows from investment activities</b>		<b>2,204,548,217.69</b>	<b>1,089,550,105.01</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		25,021,589.41	28,141,836.64
Cash paid for investments		90,929,753.74	100,000,000.00
Cash paid for other investment activities		181,584,489.79	2,121,773,417.13
<b>Sub-total of cash outflows from investment activities</b>		<b>297,535,832.94</b>	<b>2,249,915,253.77</b>
<b>Net cash flows from investment activities</b>		<b>1,907,012,384.75</b>	<b>-1,160,365,148.76</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		—	—
Cash received from borrowings		500,000,000.00	—
Cash received from other financing activities		8,423,986.40	3,511,980,495.71
<b>Sub-total of cash inflows from financing activities</b>		<b>508,423,986.40</b>	<b>3,511,980,495.71</b>
Cash paid for repayment of debts		1,000,000,000.00	—
Cash paid for distribution of dividends or profits or settlement of interest		99,254,800.11	132,277,569.76
Cash paid for other financing activities		2,273,196,691.67	1,039,770,862.31
<b>Sub-total of cash outflows from financing activities</b>		<b>3,372,451,491.78</b>	<b>1,172,048,432.07</b>
<b>Net cash flows from financing activities</b>		<b>-2,864,027,505.38</b>	<b>2,339,932,063.64</b>
<b>IV. Effect of foreign exchange rate changes</b>		<b>2,960,476.97</b>	<b>8,382,889.09</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-948,348,662.33</b>	<b>1,028,763,966.89</b>
Add: Balance of cash and cash equivalents at the beginning of the period		4,072,964,005.08	2,232,379,636.67
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>3,124,615,342.75</b>	<b>3,261,143,603.56</b>

The notes form an integral part of the financial statements.

# Chapter 10

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June 2020											Total shareholders' equity			
	Equity attributable to owners of the Company										Non-controlling interests				
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including Translation difference of the financial statements in foreign currency	Specific reserve		Surplus reserve	Retained earnings	Sub-total	
I. Closing balance of the prior period	7,400,803,875.00	-	-	-	-	6,072,706,510.86	-	-157,971,711.23	-346,519,193.10	53,520,819.76	899,046,022.99	14,170,510,834.74	28,439,616,352.12	1,812,862,865.33	30,251,479,217.45
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning in current period	7,400,803,875.00	-	-	-	-	6,072,706,510.86	-	-157,971,711.23	-346,519,193.10	53,520,819.76	899,046,022.99	14,170,510,834.74	28,439,616,352.12	1,812,862,865.33	30,251,479,217.45
Increases/decreases in current period	-	-	-	-	-	420,537.88	-	27,225,607.97	57,171,955.24	12,023,927.26	-	394,947,044.05	374,011,777.16	1,066,539.70	375,078,316.86
(I) Total comprehensive income	-	-	-	-	-	-	-	34,539,857.40	57,171,955.24	-	-	1,215,123,919.92	1,249,663,777.02	10,547,312.40	1,260,211,089.42
(II) Capital contributed and reduced by shareholders	-	-	-	-	-	420,537.88	-	-	-	-	-	-	420,537.88	52,838,252.00	53,268,789.88
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	52,838,252.00	52,838,252.00
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payments included in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	420,537.88	-	-	-	-	-	-	420,537.88	-	420,537.88
(III) Appropriation and use of specific reserve	-	-	-	-	-	-	-	-	-	12,023,927.26	-	-	12,023,927.26	1,409,055.94	13,431,983.20
1. Appropriation of specific reserve	-	-	-	-	-	-	-	-	-	41,111,170.95	-	-	41,111,170.95	3,538,524.80	44,649,695.75
2. Use of specific reserve	-	-	-	-	-	-	-	-	-	-29,087,243.69	-	-	-29,087,243.69	-2,130,468.86	-31,217,712.55
(IV) Profit distribution	-	-	-	-	-	-	-	-	-	-	-888,096,465.00	-888,096,465.00	-888,096,465.00	-63,727,080.64	-951,823,545.64
1. Appropriation of surplus reserve including: Statutory reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-888,096,465.00	-888,096,465.00	-888,096,465.00	-59,229,280.64	-947,324,745.64
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-4,498,800.00	-4,498,800.00

## Chapter 10

### Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June 2020														
	Share capital	Preferred shares	Other equity instruments	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including Translation difference of the financial statements in foreign currency	Specific reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
(V) Internal transfers of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	7,314,249.43	-	-	-
1. Capital transferred from capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer of changes in defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	7,314,249.43	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end in current period	7,400,803,875.00	-	-	-	6,073,127,948.74	-	-	-	65,544,747.02	899,046,022.99	14,504,632,538.79	28,812,628,129.28	1,813,929,405.03	30,626,557,534.31	

The notes form an integral part of the financial statements.



## Chapter 10

### Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June 2019													
	Share capital	Preferred shares	Other equity instruments	Less: Treasury shares	Other comprehensive income in foreign currency	Including: Translation difference of the financial statements	Retained earnings	Surplus reserve	Specific reserve	Sub-total	Total shareholders' equity			
(V) Internal transfers of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-			
1. Capital transferred from capital reserve	-	-	-	-	-	-	-	-	-	-	-			
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-			
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-			
4. Transfer of changes in defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-			
5. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-			
6. Others	-	-	-	-	-	-	-	-	-	-	-			
IV. Balance at the end in current period	7,400,803,875.00	-	-	-	6,054,300,776.16	-	-278,168,144.87	-384,464,982.28	49,831,779.60	811,845,310.51	12,971,801,087.66	27,010,476,683.06	1,339,435,906.09	28,349,912,589.15

The notes form an integral part of the financial statements.



## Chapter 10

### Statement of Changes in Equity of the Company

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June 2020													
	Share capital	Preferred shares	Other equity instruments	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other income	Including: Translation difference of the financial statements in foreign currency	Specific reserve	Surplus reserve	Retained earnings	Sub-total
(V) Internal transfers of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital transferred from capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer of changes in defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end in current period	7,400,803,875.00	-	-	-	-	10,764,008,546.37	-	-13,127,595.65	1,015,121.22	4,636,718.36	899,046,022.99	2,950,227,082.89	22,004,994,649.96	

The notes form an integral part of the financial statements.





## Chapter 10

### Statement of Changes in Equity of the Company

For the six months ended 30 June 2020

Unit: RMB

Items	Six months ended 30 June 2019						Including: Translation difference of the financial statements in foreign currency	Retained earnings	Sub-total				
	Share capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Treasury shares				Less: comprehensive income	Other comprehensive income	Specific reserve	Surplus reserve
(V) Internal transfers of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital transferred from capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer of changes in defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end in current period	7,400,803,875.00	-	-	-	10,766,818,357.69	-	-	-13,225,685.69	917,131.18	4,377,943.16	811,845,310.51	1,863,304,156.05	20,833,924,066.72

The notes form an integral part of the financial statements.

# Chapter 10

## Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

### I. GENERAL INFORMATION OF THE COMPANY

Sinotrans Limited (hereinafter referred to as “the Company”) is a joint stock limited company established in the People’s Republic of China (hereinafter referred to as “PRC”) on 20 November 2002, initiated by China National Foreign Trade Transportation (Group) Corporation (hereinafter referred to as “China Foreign Transportation Group Company”).

The Company was established with a total capital of 2,624,087,200 shares with a par value of RMB1 per share. On 21 November 2002, the State Economy and Trade Commission made the Approval on the Conversion of Sinotrans Limited into an Overseas Fund-raising Company (GJMQG [2002] No.870), agreed that the Company converted into a company that raised shares overseas and to be listed. On 22 November 2002, according to the Disclosure on the Issuance of Overseas Listed Foreign Capital Shares by Sinotrans Limited (ZJGHZ [2002] No.35), the China Securities Regulatory Commission (hereinafter referred to as “CSRC”) agreed the Company to issue no more than 1,787,407,050 overseas listed foreign capital shares (including 233,140,050 over-allotment shares), with a par value of RMB1 per share; the shares issued this time are all ordinary shares, in which the Company issued no more than 1,624,915,500 new shares, and the shareholders sold no more than 162,491,550 Pre-IPO Shares.

In February 2003, the Company completed its initial public offering on the Stock Exchange of Hong Kong (hereinafter referred to as “Hong Kong Stock Exchange”), issuing 1,787,406,000 overseas listed foreign shares (hereinafter referred to as “H-shares”), including 1,624,915,000 newly issued shares and 162,491,000 H-shares allocated by China Foreign Transportation Group Company. So far, the Company’s issued capital has increased from 2,624,087,200 shares to 4,249,002,200 shares, including 2,461,596,200 domestic shares and 1,787,406,000 H-shares held by China Foreign Transportation Group Company, accounting for 57.9% and 42.1% of the issued capital respectively.

In 2009, China Foreign Transportation Group Company changed its name to China Foreign Transportation & Changjiang Shipping Group Co., Ltd. (hereinafter referred to as “SINOTRANS & CSC”) after merging with China Changjiang National Shipping (Group) Corporation. Since then, the Company has become a subsidiary of SINOTRANS & CSC.

On 11 June 2014, according to the resolution passed by the board of directors and the shareholders’ meeting of the Company, approved by the State-owned Assets Supervision and Administration Commission of the State Council (hereinafter referred to as “SASAC”) of Approval on Issues Relevant to the Private Issuance of H-share Stocks by Sinotrans Limited (State-owned Assets Right [2014] No.441) and on 9 July 2014, CSRC approved the Approval on Additional Issuance of Overseas Listed Foreign Shares by Sinotrans Limited (Securities Regulatory License [2014] No.688), the Company allocated 357,481,000 H-shares in total to various places, with a par value of RMB1 per share, accounting for 8.41% of the issued capital, the Company’s issued capital has increased from 4,249,002,200 shares to 4,606,483,200 shares. Hereby, the registered capital of the Company is changed to RMB4,606,483,200.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

#### I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

On 29 December 2015, after SASAC reported to the State Council and approved by the State Council, SINOTRANS & CSC and China Merchants Group (hereinafter referred to as “China Merchants”) implemented strategic restructuring. SINOTRANS & CSC merged into China Merchants as a whole by means of free transfer, and became its wholly-owned subsidiary. The Company has therefore become a listed subsidiary of China Merchants. Since 1 January 2016, China Merchants has taken control of SINOTRANS & CSC, so China Merchants has become the ultimate holding company of the Company.

On 22 August 2017, the Company entered into an acquisition agreement with China Merchants. Pursuant to the acquisition agreement, the Company agreed to purchase all the shares of the China Merchants Logistics Holding Co., Ltd. (its name was changed as Sinotrans Logistics Co., Ltd. in 2019, hereinafter referred to as “Sinotrans Logistics”) held by China Merchants from it, and the total consideration was RMB5,450,000,000, which was paid by issuing 1,442,683,444 domestic shares. On 16 October 2017, the Company’s extraordinary general meeting and H-share shareholders’ meeting voted to agree the above acquisition. Meanwhile, the related acquisition was approved by the SASAC on 11 October 2017 on the Approval of the Related Issues of Assets Restructuring of Sinotrans Limited (State-owned Assets Right [2017] No.1052), the Company completed the registration and issuance of 1,442,683,444 domestic shares in China Securities Depository and Clearing Co., Ltd. on 3 November 2017, the newly issued shares accounted for 31.32% of issued capital, the Company’s issued capital has increased from 4,606,483,200 shares to 6,049,166,644 shares. Hereby, the registered capital of the Company is changed to RMB6,049,166,644.

On 31 May 2018, a motion for the exchange of shares and the consolidation by merger of Sinotrans Air Transportation Development Corporation Limited (hereinafter referred to as “Sinoair”) as a subsidiary by the Company was considered and adopted at the Company’s extraordinary general meeting and the meeting of class shareholders in 2018, which approved the issuance of A shares by the Company to all the shareholders of Sinoair (excluding the Company) in exchange for the shares of Sinoair held by it. On 1 November 2018, China Securities Regulatory Commission issued an Reply on Approval of the Application of Sinotrans Limited for Consolidation by Merger of Sinotrans Air Transportation Development Co., Ltd. (ZJXK [2018] No. 1772), approving the issuance by the Company of 1,351,637,231 shares for the consolidation by merger of Sinoair. On 10 January 2019, the Company completed the issuance of A shares, and it was officially listed on Shanghai Stock Exchange (hereinafter referred to as “SSE”) on 18 January 2019. The registered capital of the Company was changed into RMB7,400,803,875.

The Company belongs to the logistics and transport industry, specifically involving non-vessel transport business (valid until 9 March 2024); domestic waterway transport shipping agency and passenger cargo transport agency business; undertake the international freight forwarding business of marine, land, air import and export goods, international exhibits, private goods and transit goods, etc. Registered address of the Company: A43, Xizhimen Beidajie, Haidian District, Beijing. Legal representative: Li Guanpeng.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

#### I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

The Company and its subsidiary (hereinafter referred to as “the Group”) are principally engaged in the provision of forwarding and related, logistics, e-commerce and other services. The Group’s main business is located in China.

Details of the principal activities of major subsidiaries of the Company are set out in Note VIII “Business Combination and Consolidated Financial Statements”.

#### II. BASIS FOR THE PREPARATION

The Group has evaluated its ability to continue as a going concern for the 12 months from 30 June 2020, including, but not limited to, an assessment for the potential impact of COVID-19, and has not identified any events or circumstances that may cast a significant doubt over its ability to continue as a going concern.

Therefore, the financial statements are prepared on a going concern and accrual basis and are prepared in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter referred to as “Accounting Standards for Business Enterprises”), and the relevant disclosures required by *the Rules for Compiling Information Disclosure of Public Securities Companies No. 15 – General Provisions on Financial Reporting* (revised in 2014) of CSRC and relevant provisions, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the “Listing Rules”) and based on the accounting policies and accounting estimates as described in the note “IV. Significant Accounting Policies and Accounting Estimates of the Company”.

#### III. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements prepared by the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2020; as well as the consolidated and the Company’s operating results and cash flows from January to June 2020.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

#### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY

##### 1. Fiscal Year

The Group' adopts the calendar year, i.e. from 1 January to 31 December of each year, as its fiscal year.

##### 2. Functional Currency

Renminbi is the currency in the main economic environment where the Company and its domestic subsidiaries operate. The functional currency of the Company and its domestic subsidiaries is in Renminbi. The overseas subsidiaries of the Company determine its functional currency according to the principal currency of its business income and expenditure. The presentation currency used by the Company in preparing these financial statements is Renminbi.

##### 3. Accounting Basis and Measurement

The accounting of the Group is based on the accrual basis. The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Where an asset is impaired, the corresponding impairment shall be made in accordance with the applicable standard.

Under the historical cost basis, assets are measured according to the amount of cash or cash equivalents paid at the time of acquisition or the fair value of the consideration paid. Liabilities are measured according to the amount of cash or value of assets actually received due to the assumption of current obligations, or the contract amount of the current obligation, or in accordance with the amount of cash or cash equivalents expected to be paid in daily activities to discharge such liabilities.

Fair value is the price that market participants can receive or transfer a liability in an orderly transaction on the measurement date. Whether the fair value is observable or estimated by using valuation techniques, the fair value measured and/or disclosed in the financial statements is determined on this basis.

The fair value measurement is divided into three levels based on the observability of the input value of the fair value and the importance of the input value to the fair value measurement as a whole.

- The Level I input value is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market.
- The Level II input value is the direct or indirect observable input value of related assets or liabilities other than the Level I input value.
- The Level III input value is the unobservable input value of related assets or liabilities.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 4. Business Combination

Business combination includes business combinations involving entities under common control and business combinations not involving entities under common control.

#### 4.1 Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities of the combining entities or businesses are consolidated using the existing carrying amount at the date of acquisition from the controlling party's perspective. The difference between the carrying amount of the net assets acquired and the consideration is adjusted to capital reserve (capital premium). If the capital premium is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

Costs that are directly attributable to the business combination are charged to profit or loss when incurred.

#### 4.2 Business combination not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The consideration paid for business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred, including the expenses for audit, legal services, assessment, and other relevant administrative expenses, are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

The difference between the consideration paid for business combination over the share of the fair value of the acquiree's identifiable net assets acquired in the business combination is recognised as an asset and initially measured at cost as goodwill. If the consideration paid for business combination is less than the fair value share of the acquiree's identifiable net assets acquired in the business combination, the fair value of each of the acquiree's identifiable assets, liabilities and contingent liabilities acquired and the measurement of the consideration paid for business combination are reviewed. If, after review, the consideration paid for business combination remains less than the fair value share of the acquiree's identifiable net assets acquired in the business combination, it is recognised in profit or loss for the current period.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 5. Goodwill

Goodwill resulting from business combination shall be separately presented in the consolidated financial statements and shall be measured on the basis of its costs less the accumulative impairment losses. Goodwill shall be tested for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit.

Recoverable amount is the higher of value in use and fair value less costs of disposal.

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### 6. Consolidated Financial Statements

The scope of consolidation in the consolidated financial statements is determined on a control basis. Control means that the investor has power over the investee, exposes a variable return through participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its return. In the event that changes in relevant facts and circumstances result in a change in the relevant elements involved in the above definition of control, the Group will reassess.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

For subsidiaries disposed of by the Group, the operating results and cash flows prior to the disposal date (the date of loss of control) shall be properly included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows since the acquisition date (the date of control) shall be properly included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

For the subsidiaries acquired through business combination under common control, whether the business combination occurs at any point in the reporting period, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period, as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

#### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

##### 6. Consolidated Financial Statements (continued)

The significant accounting policies and accounting periods adopted by the subsidiaries shall be determined in accordance with the accounting policies and accounting periods uniformly stipulated by the Company.

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

Interests in the subsidiaries that do not belong to the Company are accounted for as non-controlling interests and shall be presented as “non-controlling interests” under the shareholders’ equity line item in the consolidated statement of financial position. The share of the current net profit or loss of a subsidiary belonging to non-controlling interests shall be presented as “non-controlling interests” under the net profit line item in the consolidated statement of profit or loss and other comprehensive income. The share of other comprehensive income of a subsidiary belonging to non-controlling interests shall be presented as “Total comprehensive income attributable to non-controlling interests” under the line item of total comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

The excess of subsidiaries’ loss shared by the non-controlling interests over the initial interests is still adjusted to non-controlling interests.

For the transaction of acquiring non-controlling interests of the subsidiary or disposing part of the equity investment without losing the control of the subsidiary, it is regarded as equity transaction accounting, and the carrying amount of the Company’s shareholders’ equity and non-controlling interests is adjusted to reflect the changes of related equity in the subsidiary. Differences between the adjustment of non-controlling interests and the fair value of consideration are adjusted to capital reserve. If the differences exceed capital reserve, retained earnings shall be adjusted.

When a business combination is achieved in stages and not involving entities under common control, it is further determined if it is a “package deal” or not: if it belongs to a “package deal”, accounting treatment of transactions as a transaction in which control is acquired. If it does not belong to a “package deal”, accounting treatment as the acquisition of control on the purchase date, the equity of the acquiree held before the purchase date shall be remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and the carrying amount shall be recorded into the profit or loss of the current period; where the acquisition of the acquirer’s equity held prior to the acquisition date involves other comprehensive income and other changes in owners’ equity under the equity and equity accounting method, it shall be recognised as current profit or loss or retained earnings on the acquisition date.



## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 6. Consolidated Financial Statements (continued)

When the Group loses control of a subsidiary due to partial disposal or other reasons, the retained interest shall be remeasured at fair value at the date when control is lost. The difference between (1) the aggregate of the fair value of consideration received and the fair value of any retained interest (2) the share of the former subsidiary's net assets accumulated from the acquisition date based on the original proportion of ownership interest shall be included in the investment income in the period when control is lost and relevant goodwill shall be written off at the same time. Other comprehensive income related to the equity investment of the former subsidiary shall be reclassified into profit or loss when the control is lost.

Where the loss of control is achieved in stages and is determined to be a "package deal", the Company accounts for each of these transactions similar as disposal of the subsidiary. Where the accounting policy/accounting period adopted by the subsidiary are inconsistent with the Company before the loss of control, necessary adjustments have been performed to conform with the accounting policy/accounting period of the Company. The difference between (1) each consideration received before the loss of control (2) the corresponding share of the former subsidiary's net assets accumulated from the acquisition date shall be included in other comprehensive income, and it shall be transferred to current profit or loss when losing control.

### 7. Joint Arrangement

A joint arrangement refers to an arrangement under the joint control of two or more participants. The joint arrangement of the Group has the following characteristics: (1) Each participant is bound by the arrangement; (2) Two or more participants have joint control over the arrangement. No participant can control the arrangement independently, and any participant with joint control over the arrangement can prevent other participant or a combination of participants from controlling the arrangement independently.

Joint control refers to the sharing of control over an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the unanimous consent of the participants sharing the control.

Joint venture arrangement is classified into joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

#### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

##### 8. Cash and Cash Equivalents

Cash refers to cash on hand and deposits that are available for payment at any time. Cash equivalents refer to short-term high liquid investments held by the Group which are easily convertible into known amount of cash and subject to an insignificant risk of changes in value.

##### 9. Financial Instruments

When the Group becomes a party to a financial instrument, it shall recognise a financial asset or financial liability.

For the purchase or sale of financial assets in a conventional method, the assets to be received and the liabilities to be borne for this shall be recognised on the trading day, or the assets to be sold shall be derecognised on the trading day.

Financial assets and financial liabilities are measured at fair value at initial recognition. For financial assets and financial liabilities measured at fair value through profit or loss, related transaction costs are directly included in profit or loss; for other types of financial assets and financial liabilities, related transaction costs are included in the initially recognised amount. When the Group initially recognises receivables that do not contain significant financing components or do not consider financing components in contracts not exceeding one year in accordance with *Accounting Standards for Business Enterprises No. 14 – Revenue* (“New Revenue Standards”), the transaction price as defined by the revenue standard is initially measured.

The effective interest rate method refers to the method of calculating the amortised cost of a financial asset or financial liability, and the allocation of interest income or interest expenses to each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flows of a financial asset or financial liability over the expected duration of the financial asset’s carrying amount or the amortised cost of the financial liability. In determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms of financial assets or financial liabilities (such as prepayment, rollover, call options, or other similar options, etc.), but without considering expected credit losses.

The amortised cost of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability minus the principal repaid, plus or minus the difference between the initial recognition amount and the amount due on the effective interest method. The accumulated amortisation amount formed by the difference is amortised, and then the accumulated loss provision is deducted (only applicable to financial assets).

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.1 Classification and measurement of financial assets

After the initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and that the business model of the Group for managing the financial asset is to collect contract cash flows as the goal. The Group classifies the financial asset as a financial asset measured at amortised cost. Such financial assets mainly include cash and bank balances, accounts receivable, other receivables and long-term receivables.

The contract terms of financial assets stipulate that the cash flows generated on a specific date are only payments of principal and interest based on the outstanding principal amount, and that the business model of the Group for managing the financial assets is both to collect contract cash flows and for the purpose of selling the financial asset. The financial asset is classified as a financial asset measured at fair value through other comprehensive income. If such financial assets have a maturity period of more than one year, they are listed as other debt investments, and if they mature within one year (including one year) from the date of the statement of financial position, they are listed as non-current assets due within one year; If the acquisition time limit is within one year (including one year), it is listed in other current assets.

Financial assets measured at fair value through profit or loss include financial assets classified as measured at fair value through profit or loss and financial assets designated as measured at fair value through in profit or loss, except derivative financial assets are listed in transactional financial assets. Those are due more than one year (or have no fixed term) from the date of the statement of financial position and are expected to be held for more than one year are listed in other non-current financial assets.

- Financial assets that do not meet the criteria for classification as financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.
- At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as financial assets measured at fair value through profit or loss.

Upon initial recognition, the Group may irrevocably designate non-tradable equity instrument investments other than those recognised or contingently recognised in business combinations not under common control as a single financial asset, which is measured at fair value through other comprehensive income. Such financial assets are listed as other equity instrument investments.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.1 Classification and measurement of financial assets (continued)

If a financial asset meets one of the following conditions, it indicates that the Group's purpose in holding the financial asset is transactional:

- The purpose of obtaining relevant financial assets is mainly for the recent sale.
- The relevant financial assets are part of the identifiable financial instrument portfolio under centralised management at the time of initial recognition, and there is objective evidence that a short-term profit model actually exists in the near future.
- The relevant financial assets are derivatives, except when the derivatives meet the definition of a financial guarantee contract and derivatives that are designated as effective hedging instruments.

#### 9.1.1 Financial assets measured at amortised cost

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from impairment or derecognition are recognised in profit or loss for the current period.

The Group recognises interest income on financial assets measured at amortised cost using the effective interest method. Except for the following cases, the Group determines the interest income based on the financial asset carrying amount multiplied by the effective interest rate:

- For credit assets that have been or were originally credit-impaired, the Group calculates its interest income from the initial recognition of the financial asset based on the amortised cost of the financial asset and the effective interest rate adjusted for credit.
- For financial assets that have been purchased or originated without credit impairment but have become credit impairment in subsequent periods, the Group calculates its interest income in the subsequent periods based on the amortised cost of the financial asset and the effective interest rate. If the financial instrument has no credit impairment due to an improvement in its credit risk in subsequent periods, and this improvement can be linked to an event that occurs after the application of the above provisions, the Group will multiply the financial interest rate by the effective interest rate. The book balance of assets is used to calculate and determine interest income.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.1 Classification and measurement of financial assets (continued)

##### **9.1.2 Financial assets measured at fair value through other comprehensive income**

For financial assets measured at fair value through other comprehensive income, their impairment losses or reversals, interest income calculated using the effective interest rate and exchange gains and losses are included in the profit or loss. Otherwise, changes in the fair value of the financial asset are included in other comprehensive income. The amount of this financial asset included in the profit or loss of each period is equal to the amount that has been included in the profit or loss of each period as if it had been measured at amortised cost. When the financial asset is derecognised, the accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to profit or loss in current period.

After a non-tradable equity instrument investment is designated as a financial asset that is measured at fair value through other comprehensive income, the changes in the fair value of the financial asset are recognised in other comprehensive income. The accumulated gains or losses included in other comprehensive income are transferred from other comprehensive income to retained earnings. During the period when the Group holds investments in these non-tradable equity instruments, the Group's right to receive dividends has been established, and economic benefits related to dividends are likely to flow into the Group, and when the amount of dividends can be reliably measured, dividend income is recognised and calculated into profit or loss.

##### **9.1.3 Financial assets measured at fair value through profit or loss**

Financial assets measured at fair value through profit or loss are measured at fair value at the end of each reporting period. Gains or losses resulting from changes in fair value, dividends and interest income related to the financial assets are included in the profit or loss.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.2 Impairment of financial instruments

For financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets, the Group conducts impairment treatment based on expected credit losses and recognises loss provisions.

For all contract assets and accounts receivable formed by transactions regulated by revenue standard and lease receivables formed by transactions regulated by *Accounting Standards for Business Enterprises No. 21 – Leases*, the Group measures loss provision equivalent to the amount of expected credit losses throughout the duration period.

For other financial instruments, except the financial assets purchased or originated with credit impairment, the Group shall evaluate the credit risk changes of the relevant financial instruments since the initial recognition at the end of each reporting period. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Group shall measure its loss provision according to the amount equivalent to the expected credit loss of the financial instrument during the entire duration; If the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group shall measure its loss provision at an amount equivalent to the expected credit loss of the financial instruments within the next 12 months. Except for financial assets measured at fair value through other comprehensive income, the increased or retracted amount of credit loss provision shall be recorded in profit or loss of the period as impairment loss or gain. For financial assets measured at fair value through other comprehensive income, the Group shall recognise its credit loss provision in other comprehensive income, and record impairment loss or gain into profit or loss of the current period, without reducing the carrying amount of the financial assets listed in the statement of financial position.

The Group measured expected credit loss throughout the duration period of the financial instruments in the prior accounting period. However, at current balance sheet date, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss provision for the financial instrument at 12-month expected credit loss at each balance sheet date. Relevant reversal of loss provision is included in profit or loss for the current period as gain on impairment.

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.2 Impairment of financial instruments (continued)

##### 9.2.1 Significant increase in credit risk

By comparing the default risk of financial instruments at the end of the reporting period with that on initial recognition date, the Group uses reasonable and well-founded forward-looking information available to determine whether the credit risk of financial instruments has increased significantly since initial recognition. For loan commitments, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable commitment as the initial recognition date.

The Group will take the following factors into consideration when evaluating whether the credit risk is significantly increased:

- (1) Whether there is a significant change in the internal price index caused by the change of credit risk;
- (2) If an existing financial instrument is originated or issued as new financial instruments at the end of the reporting period, whether the interest rate or other terms of the financial instrument have changed significantly (such as more stringent contract terms, increased collateral or security or higher yield, etc.);
- (3) Whether the external market indicators of the credit risk of the same financial instrument or similar financial instrument with the same expected duration have changed significantly. These indicators including: credit spreads, the price of credit default swaps for borrowers, the length and extent to which the fair value of financial assets is less than its amortised cost, and other market information related to borrowers (such as the price changes of borrowers' debt instruments or equity instruments);
- (4) Whether the external credit rating the financial instruments there is any significant change in the actual or expected;
- (5) Whether the actual or expected internal credit rating of the debtor is downgraded;
- (6) Adverse changes in business, financial or economic conditions that are expected to result in a significant change in the ability of the debtor to meet its obligations;
- (7) Whether the actual or expected operating results of the debtor have changed significantly;
- (8) Whether the credit risk of other financial instruments issued by the same debtor increases significantly;

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.2 Impairment of financial instruments (continued)

##### 9.2.1 Significant increase in credit risk (continued)

- (9) Whether there has been a significant adverse change in the regulatory, economic or technological environment of the debtor;
- (10) Whether there has been a significant change in the value of the collateral or in the quality of the collateral or credit enhancement provided by a third party as collateral for a debt. These changes are expected to reduce the debtor's financial incentive to repay the debt within the time limit specified in the contract or affect the probability of default;
- (11) Whether there is a significant change in the borrower's economic motivation to repay the loan within the agreed term;
- (12) Anticipated changes to the loan contract, including whether the anticipated breach of contract may result in the release or amendment of contractual obligations, the granting of interest-free periods, the jump in interest rates, the demand for additional collateral or collateral, or other changes to the contractual framework of the financial instrument;
- (13) Whether the expected performance and repayment behavior of the debtor change significantly;
- (14) Whether the Group has changed the credit management method of financial instruments;

Regardless of whether the credit risk has increased significantly after the above assessment, when the contractual payment of a financial instrument has been overdue (inclusive) for more than 30 days, it indicates that the credit risk of the financial instrument has increased significantly.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. If the default risk of financial instruments is low, the borrower's ability to fulfill its contractual cash flow obligations in the short term is strong, and even if there are adverse changes in the economic situation and operating environment over a long period of time, the borrower's performance of its contractual cash obligations may not necessarily be reduced. The financial instrument is considered to have a lower credit risk.



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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.2 Impairment of financial instruments (continued)

##### 9.2.2 Credit-impaired financial assets

A financial asset is credit impaired when one or more events of the Group are expected to have adverse effects on the future cash flow of the financial assets. Evidence of financial asset that is credit impaired includes the following observable information:

- (1) The issuer or debtor has major financial difficulties;
- (2) Breach of contract by the debtor, such as breach or delay in payment of interest or principal;
- (3) The creditor gives the debtor concessions that would not be made under any other circumstances for economic or contractual reasons in connection with the debtor's financial difficulties;
- (4) The debtor is likely to go bankrupt or undergo other financial restructuring;
- (5) The financial difficulties of the issuer or debtor result in the disappearance of the active market of the financial asset;
- (6) Purchase or originate a financial asset at a substantial discount that reflects a credit loss.

Based on the Group's internal credit risk management, when the internally recommended or externally obtained information indicates that the debtor of the financial instrument cannot fully pay its creditors including the Group (regardless of any guarantees obtained by the Group), the Group believes that a default has occurred event.

Regardless of the above assessment results, if the contractual payment of a financial instrument has been overdue (inclusive) for more than 90 days, the Group presumes that the financial instrument has defaulted.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.2 Impairment of financial instruments (continued)

##### 9.2.3 Determination of expected credit losses

The Group recognises the credit losses of lease receivables on the basis of individual assets and uses the impairment matrix to recognise the credit losses of related financial instruments on a portfolio basis for accounts receivable, other receivables, contract assets, and debt investments. The Group divides financial instruments into different groups based on common risk characteristics. Common credit risk characteristics adopted by the Group Including: type of financial instrument, credit risk rating, type of collateral, initial recognition date, remaining contract term, industry in which the debtor is located, geographical location of the debtor, value of collateral relative to financial assets, etc.

The Group determines the expected credit loss of the relevant financial instruments according to the following methods:

- For financial assets, the credit loss shall be the present value of the difference between the contractual cash flow to be collected by the Group and the expected cash flow to be collected.
- For lease receivables, the credit loss shall be the present value of the difference between the contractual cash flow to be collected by the Group and the expected cash flow to be collected.
- For credit-impaired financial assets other than the purchased or internally generated of credit-impaired financial assets at the date of the statement of financial position, the credit loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flow discounted at the original real interest rate.

The Group considers the following factors in measuring the expected credit losses of financial instruments: an unbiased probabilistic weighted average amount determined by evaluating a range of possible outcomes; time value of money; reasonable and evidence-based information about past events, current conditions and projections of future economic conditions that can be obtained at the end of the reporting period without unnecessary additional cost or effort.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.2 Impairment of financial instruments (continued)

##### 9.2.4 Write-off of financial assets

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

#### 9.3 Transfer of financial assets

Financial assets that meet one of the following conditions shall be derecognised: (1) The contractual right to collect the cash flow of the financial assets is terminated; (2) The financial assets have been transferred, and almost all the risks and rewards in the ownership of the financial assets have been transferred to the transferee; (3) The financial assets have been transferred, though the Group neither transfers nor retains almost all the risks and rewards in the ownership of the financial assets, it does not retain control over the financial assets.

If the Group neither transfers nor retains almost all the risks and rewards in the ownership of the financial assets, and retains control over the financial assets, it shall continue to recognise the transferred financial assets according to the extent to which it continues to be involved in the transferred financial assets, and recognise the relevant liabilities accordingly. The Group measures the related liabilities in the following ways:

- For the transferred financial assets are measured at amortised cost, the carrying amount of the related liabilities is equal to the carrying amount of the continued involvement in the transferred financial assets less the amortised cost of the rights retained by the Group (if the Group retains the relevant rights due to the transfer of financial assets) and the obligations undertaken by the Group (if the Group assumes the relevant obligations due to the transfer of financial assets). Relevant liabilities are not designated as financial liabilities measured at fair value through profit or loss.
- For the transferred financial assets are measured at fair value, the carrying amount of the related liabilities is equal to the carrying amount of the continued involvement in the transferred financial assets minus the fair value of rights retained by the Group (if the Group retains the relevant rights due to the transfer of financial assets) and the obligations undertaken by the Group (if the Group assumes the relevant obligations due to the transfer of financial assets). The fair value of the right and obligation shall be the fair value measured on an independent basis.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.3 Transfer of financial assets (continued)

The overall transfer of financial assets meets the conditions for derecognition, for the classification of financial assets measured at amortised cost and the classification of financial assets measured at fair value through other comprehensive income, the difference between the carrying amount of the transferred financial assets and the sum of the consideration received due to the transfer and the accumulative amount of changes in fair value originally recorded in other comprehensive income is recorded in the current profit or loss. For non-tradable equity instruments designated by the Group to be measured at fair value through other comprehensive income, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred from other comprehensive income and be recorded in retained earnings.

If the partial transfer of financial assets meets the conditions for the derecognition, the total carrying amount of the financial assets before the transfer shall be allocated between the part of the derecognition and the part of the continuing recognition according to their respective relative fair value on the transfer date. The difference between the sum of the consideration received from the transfer and the accumulative amount of the fair value changes originally recorded in other comprehensive income plus the carrying amount allocated to the part of the derecognition shall be recorded into the current profit or loss or retained earnings.

If the overall transfer of financial assets fails to meet the conditions for derecognition, the Group shall continue to recognise the overall transfer of financial assets, and the consideration received due to the transfer of assets shall be recognised as a liability upon receipt.

#### 9.4 Classification of financial liabilities and equity instruments

The Group classifies the financial instrument or its components as financial liabilities or equity instruments at the time of initial recognition in accordance with the terms of the contract of the financial instrument issued and the economic substance reflected therein, rather than only in legal form, in combination with the definition of financial liabilities and equity instruments.

##### 9.4.1 Classification and measurement of financial liabilities

Financial liabilities are classified into financial liabilities and other financial liabilities at fair value through profit or loss upon initial recognition.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.4 Classification of financial liabilities and equity instruments (continued)

##### 9.4.1 Classification and measurement of financial liabilities (continued)

###### 9.4.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated at fair value through profit or loss. Except that the derivative financial liabilities are separately listed. Financial liabilities at fair value through profit or loss are listed as held-for-trading financial liabilities.

The financial liabilities meet one of the following conditions, indicating that the purpose of the financial liabilities of the Group is transactional:

- The purpose of undertaking related financial liabilities is mainly for recent repurchase.
- At the time of initial recognition, relevant financial liabilities were part of a centrally managed identifiable financial instrument portfolio, and there was objective evidence that a short-term profit model actually existed in the near future.
- Related financial liabilities are derivatives. The exceptions are derivatives that meet the definition of financial guarantee contracts and derivatives that are designated as effective hedging instruments.

The financial liabilities that meet one of the following conditions can be designated at initial recognition as financial liabilities at fair value through profit or loss: (1) the designation can eliminate or significantly reduce accounting mismatches; (2) management and performance evaluation of financial liability portfolios or financial asset and financial liability portfolios based on fair value according to the risk management or investment strategy stated in the Group's official written documents, and use this as a basis of key management reporting; (3) Eligible mixed contracts with embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value. Gains or losses arising from changes in fair value and dividends or interest expenses related to these financial liabilities are included in the current profit or loss.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.4 Classification of financial liabilities and equity instruments (continued)

##### 9.4.1 Classification and measurement of financial liabilities (continued)

###### 9.4.1.1 Financial liabilities at fair value through profit or loss (continued)

For financial liabilities designated at fair value through profit or loss, changes in the fair value of such financial liabilities arising from changes in the Group's own credit risk are recognised in other comprehensive income and changes in other fair values are recognised in profit or loss in the current period. On derecognition of the financial liability, the cumulative change in fair value attributable to changes in own credit risk previously recognised in other comprehensive income is transferred to retained earnings. Dividends or interest expenses related to these financial liabilities are recognised in profit or loss for the period. If the treatment of the effects of changes in the own credit risk of such financial liabilities as described above would cause or enlarge an accounting mismatch in profit or loss, the Group recognises the entire gain or loss on such financial liabilities (including the amount of the effect of changes in own credit risk) in profit or loss for the period.

For financial liabilities resulting from contingent consideration recognised by the Group as the acquirer in a business combination not under common control, the Group measures the financial liabilities at fair value and recognises the change in current profit or loss.

###### 9.4.1.2 Other financial liabilities

Other financial liabilities, except those arising from the transfer of financial assets that does not meet the conditions for derecognition or continue to involve in the financial liabilities formed by the transferred financial assets, shall be classified as financial liabilities measured at amortised costs, and shall be subsequently measured at amortised costs. The profits or losses generated by derecognition or amortisation shall be recorded into profit or loss of the current period.

If the Group revises or renegotiates the contract with the counterparty, which does not result in the derecognition of financial liabilities that are subsequently measured at amortised cost, but results in changes in contractual cash flows, the Group recalculates the carrying amount of the financial liability and gains or losses are included in profit or loss. The recalculated carrying amount of the financial liability is determined based on the discounted present value of the contractual cash flow to be renegotiated or modified at the original effective interest rate of the financial liability. For all costs or expenses incurred by revising or renegotiating the contract, the Group adjusts the carrying amount of the revised financial liability and amortises it over the remaining period of the revised financial liability.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.4 Classification of financial liabilities and equity instruments (continued)

##### 9.4.1 Classification and measurement of financial liabilities (continued)

###### 9.4.1.2 Other financial liabilities (continued)

###### 9.4.1.2.1 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when a specific debtor fails to repay the debt in accordance with the terms of the original or modified debt instrument. Subsequent to initial recognition, for financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss or financial liabilities formed by failing to meet derecognition or continuing to involve in the transferred financial assets, they are measured at the higher of the amount of loss provisions and the initial recognition amount after deducting the accumulated amortisation amount determined in accordance with the relevant provisions of the revenue standard.

##### 9.4.2 Derecognition of financial liabilities

If all or part of the current obligation of the financial liabilities has been released, the recognition of the financial liabilities or part thereof shall be terminated. The Group (debtor) and the creditor enter into an agreement to replace the original financial liabilities with new financial liabilities, and if the contract terms of the new financial liabilities and the original financial liabilities are substantially different, the Group derecognises the original financial liabilities and simultaneously recognises the new financial liabilities.

If the financial liabilities is derecognised in whole or in part, the difference between the carrying amount of the part to be derecognised and the consideration paid (including the transferred non-cash assets or the new financial liabilities) shall be recorded into profit or loss of the current period.

##### 9.4.3 Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the Group's assets after deducting all liabilities. The Group issues (including refinancing), repurchases, sales or write-offs of equity instruments as changes in equity. The Group does not recognise changes in the fair value of equity instruments. Transaction costs associated with an equity transaction are deducted from the equity.

The distribution of equity instruments holders by the Group are treated as profit distribution, and the stock dividends issued by the Group does not affect the total amount of shareholders' equity.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.5 Derivative instruments and embedded derivative instruments

Derivative financial instruments include forward foreign exchange contracts, currency exchange rate swap contracts, interest rate swap contracts and foreign exchange options contracts, etc. Derivative instruments are initially measured at fair value on the signing date of relevant contracts, and are subsequently measured at fair value.

For the mixed contracts composed of the embedded derivative instruments and the main contract, if the main contract belongs to financial assets, the Group does not split the embedded derivative instruments from the mixed contracts, but applies the accounting standards for the classification of financial assets as a whole to the mixed contracts.

If the main contract contained in the mixed contracts does not belong to financial assets and meets the following conditions, the Group will split the embedded derivative instruments from the mixed instruments and deal it as separate derivative financial instruments.

- (1) The embedded derivative instruments are not closely related to the main contract in terms of economic characteristics and risks;
- (2) The separate instruments with the same terms as the embedded derivative instruments comply with the definition of derivative instruments;
- (3) The mixed contracts are not measured at fair value through profit or loss.

Where the embedded derivative instruments are split from the mixed contracts, the Group shall account for the main contract of the mixed contracts in accordance with the applicable accounting standards. If the Group is unable to reliably measure the fair value of the embedded derivative instruments according to the terms and conditions of the embedded derivative instruments, the fair value of the embedded derivative instruments shall be determined according to the difference between the fair value of the mixed contracts and the fair value of the main contract. After using the above method, if the fair value of the embedded derivative instruments still cannot be measured separately either on the acquisition date or subsequent to the end of the reporting period, the Group will designate the mixed contracts as financial instruments at fair value through profit or loss.



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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 9. Financial Instruments (continued)

#### 9.6 Offsetting of financial assets and financial liabilities

When the Group has legal right to offset recognised financial assets and liabilities, and this legal right is the currently executable, at the same time, while the Group plans to settle or simultaneously realise the financial assets and liquidate the financial liabilities in the net amount, the financial assets and financial liabilities are shown in the consolidated statement of financial position with the amount offset by each other. Except for the above circumstances, financial assets and financial liabilities are shown separately in the statement of financial position and shall not be offset against each other.

### 10. Inventory

The Group's inventory mainly includes raw materials, finished goods and consumables (packaging, low-priced consumables, etc.). Inventories are initially measured at cost. The cost of inventories includes purchase cost, processing cost and other expenses incurred to bring the inventories to their current location and state.

The weighted average method is adopted to determine the actual cost of the inventory. Consumables are expensed by immediate write-off.

At the end of the reporting period, inventories are measured at the lower of cost and net realisable value. When the net realisable value is lower than the cost, a provision is made for decline in value.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The net realisable value of inventories is determined based on the concrete evidence obtained, taking into account the purpose of holding inventory and the impact of events after the end of the reporting period.

Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories. Provision is considered on a consolidated basis for inventories in series produced and sold in the same region, same or similar end-use purpose or which are difficult to be measured separately from other items.

When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

The Group adopts perpetual inventory system as the inventory accounting system.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 11. Long-Term Equity Investment

#### 11.1 Determine the Basis for Joint Control and Significant Influence on the Invested Entities

Control refers to the investor has the power over the investee, and exposes variable returns by participating in the relevant activities of the investee, and has the ability to use the power of the investee to influence the amount of returns. Joint control refers to the joint control over an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the consensus of the parties sharing the control. Significant influence refers to the power to participate in the decision-making of the financial and operational policies of the investee, but cannot control or jointly control the determination of these policies with other parties. In determining whether it is possible to exercise control over or exert significant influence over the invested entities, it has taken into account the potential voting right factors such as the current convertible bonds of the investee unit and the current executable warrants held by the investor and other parties.

#### 11.2 Determination of Investment Cost

For the long-term equity investment acquired through business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the share of the owner's equity of the acquiree in the carrying amount of the ultimate controlling party's consolidated financial statements on the acquisition date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. To issue equity securities as the cost of business combination, the initial investment cost of the long-term equity investment shall be the share of the owner's equity of the acquiree in the carrying amount of the final ultimate controlling party's consolidated financial statements on the acquisition date, The face value of the total issued shares are recognised as share capital. The difference between the initial investment cost adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

As for the long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment shall be taken as the cost of business combination on the acquisition date.

The intermediary fees such as auditing, legal services, evaluation and consultation and other related administrative expenses incurred by the acquirer for business combination shall be recorded into the profits or losses of the current period when incurred.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 11. Long-Term Equity Investment (continued)

#### 11.2 Determination of Investment Cost (continued)

The initial measurement of the long-term equity investment obtained by other means other than the long-term equity investment formed by the business combination shall be measured at initial cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and the additional investment cost.

#### 11.3 Subsequent Measurement and Profit or Loss Recognition Method

##### 11.3.1 Long-term Equity Investment accounted for using the Cost Method

The Company's financial statements adopt the cost method to calculate the long-term equity investment in subsidiaries. Subsidiaries refer to invested entities which is controlled by the Group.

The long-term equity investment accounted for using the cost method is measured at the initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. The current investment income is recognised according to the cash dividend or profit distributions declared by the invested entity.

##### 11.3.2 Long-term Equity Investment Accounted for Using the Equity Method

In addition to investments in associates and joint ventures classified in whole or in part as held-for-sale assets, the Group's investment in associates and joint ventures is accounted for using the equity method. Associates refer to invested entity to which the Group can exert a significant influence, and joint venture is a joint venture arrangement in which the Group has only the right to the net assets of the arrangement.

When adopt equity method accounting, if the initial investment cost of long-term equity investment is greater than the fair value share of identifiable net assets of the invested entity, the initial investment cost of long-term equity investment shall not be adjusted; If the initial investment cost is less than the fair value share of the identifiable net assets of the invested entity, the difference shall be recorded into the current profit or loss, and the long-term equity investment cost shall be adjusted accordingly.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 11. Long-Term Equity Investment (continued)

#### 11.3 Subsequent Measurement and Profit or Loss Recognition Method (continued)

##### 11.3.2 Long-term Equity Investment Calculated Accounted for Using the Equity Method (continued)

When adopt equity method accounting, the investment income and other comprehensive income shall be recognised respectively according to the share of net profit or loss and other comprehensive income of the invested unit. The carrying amount of long-term equity investment shall be adjusted accordingly. The carrying amount of long-term equity investment shall be reduced accordingly by calculating the share of the profit distribution or cash dividend declared by investee. The carrying amount of long-term equity investment shall be adjusted and included in capital reserve for other changes in the owner's equity of investee rather than net or and loss, other comprehensive income and profit distribution. When recognising the share of the net profit and loss of the investee, the net profit of investee shall be adjusted and recognised on the basis of the fair value of the identifiable assets of the invested unit at the acquisition date. If the accounting policies and periods adopted by the invested unit are inconsistent with those of the Group, the financial statements of the investee shall be adjusted in accordance with the accounting policies of the Group and the accounting period of the Group, and the investment income and other comprehensive income shall be recognised accordingly. Unrealised profit or loss resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised profit or loss resulting from the Group's transactions with its investee which represent impairment losses on the transferred assets are not eliminated.

When it is recognised that the net loss of the invested unit shall be shared, the carrying amount of the long-term equity investment and other long-term interests that substantially constitute the net investment of the invested unit shall be written down to zero. In addition, if the Group has the obligation to bear additional losses to the investee entity, it shall recognise the estimated liabilities according to the expected obligations and record them into the current investment loss. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 11. Long-Term Equity Investment (continued)

#### 11.4 Long-term Equity Investment Disposal

At the time of the disposal of long-term equity investment, the difference between its carrying amount and the actual price obtained shall be recorded into the current profit and loss. For long-term equity investment accounted for using equity method, the remaining shares after disposal are still accounted for using the equity method. Other comprehensive income recognised by equity method is accounted for on the same basis as the assets or liabilities directly disposed of by the investee, and is carried forward proportionately to the current profit and loss; Owner's equity is carried forward proportionately to the current profit and loss. For long-term equity investments accounted for using the cost method, if the remaining equity after disposal is still accounted for using the cost method, other comprehensive income recognised due to the use of the equity method before gaining control over the investee is accounted for on the same basis as the relevant assets or liabilities directly disposed of by the investee, and is carried forward proportionately to the current profit and loss; the net assets of the investee recognised due to the use of the equity method are excluded from the equity method. Changes in net profit or loss, other comprehensive income and other equity other than profit distributions are carried forward on a pro rata basis to the current period's profit or loss.

Where the Group loses control over the investee due to the disposal of part of its equity investment, when preparing individual financial statements, the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for using the equity method instead, and the residual equity shall be accounted for using the equity method when it is deemed to be acquired; if the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for according to the relevant provisions of the financial instruments recognition and measurement standards, and the difference between its fair value and carrying amount on the date of loss of control shall be included in the profits and losses of the current period. Other comprehensive income recognised as a result of the equity method of accounting before the Group acquired control over the investee is accounted for on the same basis as the assets or liabilities associated with the direct disposal of the investee when control over the investee is lost. Changes in owner's equity other than net gains and losses, other comprehensive income and profit distribution are carried forward to current gains and losses when the control of the investee is lost. Among them, if the residual equity after disposal is accounted for by equity method, other comprehensive income and other owners' equity are carried forward proportionally; if the residual equity after disposal is accounted for according to the criteria of recognition and measurement of financial instruments, all other comprehensive income and other owners' equity are carried forward.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 11. Long-Term Equity Investment (continued)

#### 11.4 Long-term Equity Investment Disposal (continued)

If the Group loses joint control or significant influence on the invested entity due to the disposal of part of its equity investment, the remaining equity after disposal shall be accounted for according to the criteria of recognition and measurement of financial instruments, and the difference between the fair value and carrying amount on the date of the loss of joint control or significant impact shall be included in the profits and losses of the current period. Other comprehensive income recognised by the original equity method shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity when the equity method is terminated. Owner's equity recognised by the invested party due to the change of owner's rights and interests other than net profit and loss, other comprehensive income and profit distribution shall be terminated when the equity method is terminated. All of them will be transferred to the current investment income.

The Group disposes of its subsidiary's equity investment step by step through multiple transactions until it loses control, if the aforementioned transaction belongs to a package deal, the transaction shall be treated as a transaction dealing with subsidiary equity investment and losing control. Before losing control, the difference between the carrying amount of each disposal price and the long-term equity investment corresponding to the disposal equity shall be recognised as other comprehensive income for the current period. When losing control, the difference shall be transferred from other comprehensive income to profit or loss of the same period.

### 12. Investment Properties

Investment properties refer to the properties held by the Group for the purpose of earning rent or capital appreciation, or both, including leased land use rights, leased buildings, etc.

Investment properties are initially measured at cost. Subsequent expenditures related to investment properties are included in the cost of investment properties if the economic benefits related to the asset are likely to flow in and its cost can be measured reliably. Other subsequent expenditures shall be recorded into the current profits and losses when incurred.

The Group adopts the cost model for the subsequent measurement of investment properties, and carries out depreciation or amortisation in accordance with the policies consistent with the buildings or land use rights.

The difference of the disposal income of the sale, transfer, scrap or destruction of the investment properties after deducting its carrying amount and relevant taxes and fees shall be recorded into the current profit and loss.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 13. Fixed Assets and Depreciations

Fixed assets refer to the tangible assets held for the production of goods, provision of labor services, lease or management and whose service life exceeds one fiscal year. Fixed assets are recognised only when their economic benefits are likely to flow to the group and their costs can be measured reliably. Fixed assets are initially measured in terms of cost and taking into account the impact of expected disposal costs.

Subsequent expenditures related to fixed assets, if the economic benefits related to the fixed assets are likely to flow in and their costs are measured reliably, shall be included in the cost of fixed assets and the carrying amount of the replaced part shall be derecognised. Other subsequent expenditures, when incurred, shall be included in the current profits and losses.

Fixed assets shall be depreciated within their service life by the straight-line method from the next month when they reach their intended usable state. The useful life, estimated residual value rates and annual depreciation rate of all types of fixed assets are as follows:

<b>Category</b>	<b>Useful life (years)</b>	<b>Estimated net residual value rates (%)</b>	<b>Annual depreciation rate (%)</b>
Buildings	5-25	0-5	3.80-20.00
Port and wharf facilities	20-40	5	2.38-4.75
Motor vehicles and vessels	5-25	5	3.80-19.00
Machinery and equipment, furniture, appliances and other equipment	5-25	5	3.80-19.00

Estimated residual value refers to the amount obtained by the Group from the disposal of the fixed asset after deducting the estimated disposal expenses, assuming that the expected service life of the fixed asset has been completed and is in the expected state at the end of its service life.

When a fixed asset is disposed of or is not expected to generate economic benefits through use or disposal, the recognition of the fixed asset shall be terminated. The difference of the disposal income from the sale, transfer, scrapping or destruction of fixed assets after deducting its carrying amount and relevant taxes and fees shall be recorded into the current profit and loss.

The Group shall, at least at the end of the year, review the service life, estimated residual value and depreciation method of the fixed assets, and shall treat any change as accounting estimation change.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 14. Construction in Progress

The construction in process is measured by actual cost, which includes the expenditure incurred during the construction period, the capitalised borrowing cost before the project reaches its intended usable state, and other related costs. There is no depreciation in construction. Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

### 15. Intangible Assets

#### 15.1 Intangible assets

Intangible assets include land use right, software use right, trademark right and so on.

Intangible assets are initially measured at cost. Since the intangible assets with limited service life are available for use, the original value minus the estimated residual value and the accumulated amount of impairment reserve are amortised by the straight-line method in phases during their expected service life. Intangible assets with uncertain service life shall not be amortised.

At the end of the period, the service life and amortisation method of intangible assets with limited service life shall be reviewed and adjusted if necessary.

#### 15.2 Research and development expenditures

Expenditure at the research stage shall be recorded into current profits and losses when incurred.

Expenditures in the development stage that meet the following conditions at the same time shall be recognised as intangible assets, and expenditures in the development stage that cannot meet the following conditions shall be recorded into current profits and losses:

- (1) The completion of the intangible asset so that it can be used or sold is technically feasible;
- (2) It has the intention to complete the intangible asset and use or sell it;
- (3) The ways in which intangible assets generate economic benefits include proving the existence of a market for the products produced by using the intangible assets or the existence of a market for the intangible assets themselves;
- (4) Having sufficient technical, financial and other resources to support the completion of the development of the intangible assets, and having the ability to use or sell the intangible assets;
- (5) Expenditure attributable to the development stage of the intangible asset can be measured reliably.

If it is impossible to distinguish the expenditure in the research stage from the expenditure in the development stage, all the R&D expenditure incurred shall be recorded into the current profits and losses.



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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 16. Long-Term Prepaid Expenses

Long-term prepaid expenses represent expenditures incurred which should be recognised as expenses over one year and should be allocated in current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the estimated beneficial period.

### 17. Impairment of Non-Financial Assets Other Than Goodwill

At the end of each reporting period, the Group inspects whether there are signs of possible impairment of long-term equity investments, investment properties, fixed assets, construction in process and intangible assets with certain service life. If there are any indication that those assets have suffered an impairment loss, the recoverable amount of the assets is estimated. For intangible assets with uncertain service life and intangible assets that have not yet reached the usable state, the impairment test shall be conducted every year regardless of whether there are signs of impairment.

If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The recoverable amount is the higher of the net amount of the fair value of the asset or group of assets minus the disposal expenses and the present value of the expected future cash flow.

If the recoverable amount of an asset is less than its carrying amount, the difference between the amount and the carrying amount of the asset shall be calculated and the asset impairment provision shall be included in the current profits and losses.

Once the impairment loss of the aforesaid assets is recognised, it is not reversed in subsequent accounting periods.

### 18. Estimated Liabilities

When the contingent obligation is the current obligation undertaken by the Group, and the performance of the obligation is likely to lead to outflow of economic benefits, and the amount of the obligation can be measured reliably, it is recognised as an estimated liability.

At the end of the reporting period, the estimated liabilities are measured in accordance with the best estimate of the expenditure required to fulfill the relevant current obligations, taking into account the risk, uncertainty and time value of money related to contingencies. If the time value of money has a significant impact, the best estimate is determined by the amount discounted by the expected future cash outflow.

If all or part of the expenditure required to pay off the estimated liabilities is expected to be compensated by a third party, the amount of compensation shall be recognised as an asset when it is basically confirmed that it can be received, and the confirmed amount of compensation shall not exceed the carrying amount of the estimated liabilities.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 19. Employee Remunerations

Employee remunerations refer to the remuneration or compensation in various forms provided by the Group for the purpose of obtaining the service provided by the employee or the termination of labor relations. Employee remunerations include short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits.

In addition to the compensation for the termination of the labor relationship with the employee, the Group shall recognise the employee compensation payable as a liability during the accounting period when the employee provides services.

The Group shall participate in the employee social security system established by government institutions according to the regulations, including basic endowment insurance, medical insurance, housing provident fund and other social security systems, and the corresponding expenditure shall be included in the cost of related assets or current profit and loss when incurred.

Short-term remunerations refer to the compensation that the Group needs to pay to all employees within 12 months after the end of the annual reporting period for the relevant services provided by employees, with the exception of post-retirement benefits and termination benefits. Short-term remuneration includes wages, bonuses, allowances and subsidies, employee benefits, social insurance premiums such as medical insurance, work injury insurance and maternity insurance, housing fund, trade union funds and employee education funds, short-term paid absences, short-term profit-sharing plans, non-monetary benefits and other short-term remuneration. During the accounting period when the employees provide services, the Group shall recognise the short-term remuneration payable as a liability and record it into the cost or expense of related assets according to the beneficiaries of the services provided by the employees.

Post-employment benefit refers to the various forms of remuneration and welfare provided by the Group after the employee retires or dissolves labor relations with the enterprise in order to obtain the services provided by the employee, with the exception of short-term remuneration and termination benefits. Post-employment benefits include endowment insurance, annuity, unemployment insurance, internal retirement benefits and other post-employment benefits.

The Group classifies post-employment benefit plans into defined contribution plans and defined benefit plans. Post-employment benefit plan refers to the agreement reached between the Group and the employee on the post-employment benefit, or the regulations or measures formulated by the Group for the provision of post-employment benefit are to the employee. Where, a defined contribution plans is a post-employment benefit plan in which the Group no longer undertakes the further payment obligation after the fixed fee is deposited into the independent fund; Defined benefit plans refer to post-employment benefit plans other than defined contribution plans. During the accounting period when the employee provides services for the Group, the amount due for deposit calculated according to the defined escrow plan shall be recognised as a liability and recorded into the current profit and loss or the cost of related assets.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 19. Employee Remunerations (continued)

The Group provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits is to point to did not reach the emeritus age that the country sets via approving the worker that withdraws job post of one's own accord the salary that pays and the society insurance premium that are its pay. For early retirement benefits, if the conditions related to the recognition of internal retirement benefits are met, the internal retirement benefits to be paid by the Group during the period when the employee stops providing the service solstice normally retires will be recognised as liabilities according to the present value and recorded into the profits and losses of the current period

Termination benefits means that the Group terminates the labor relationship with the employee before the expiration of the employee's labor contract or compensates the employee to encourage the employee to voluntarily accept the reduction. Where the Group provides termination benefits to the employee, the liability arising from the termination benefits shall be recognised at an early date and recorded into the current profit or loss if: (1) the Group cannot unilaterally withdraw the termination benefits provided by the termination plan or reduction proposal. (2) when the Group confirms the costs or expenses related to the restructuring related to the payment of dismiss benefits

Other long-term employee benefits refer to all employee remunerations except short-term compensation, post-employment benefit and termination benefits

### 20. Share-Based Payments

The Group's share-based payments are transactions that grant equity instruments in order to obtain services from employees or other parties. The Group's share-based payments are equity-settled share-based payments.

For equity-settled share-based payments made in exchange for services rendered by employees, the Group measures the fair value of the equity instruments granted to employees at the date of grant. The amount of this fair value is measured on a straight-line basis over the waiting period based on the best estimate of the number of viable equity instruments, with the related cost or expense charged on a straight-line basis, or on the date of grant when the rights become viable immediately after grant, with a corresponding increase in other equity instruments.

### 21. Bonds Payable

The initial recognition of the bonds payable of the Group shall be measured at the fair value, and the relevant transaction expenses shall be included in the initial recognition amount. Bonds payable is measured at amortised cost subsequently.

The difference between the issue price of the bonds and the total face value of the bonds shall be regarded as the bond premium or discount, which shall be amortised at the time of interest withdrawal according to the effective interest rate method within the duration of the bonds, and shall be handled according to the principle of borrowing costs.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 22. Revenue Recognition

The Group recognises revenue at the transaction price apportioned to the performance obligation in the contract when it is satisfied, i.e. when the customer acquires control of the relevant goods or services. A performance obligation is a contractual commitment by the Group to transfer clearly distinguishable goods or services to the customer. The transaction price is the amount of consideration that the Group expects to be entitled to receive as a result of the transfer of goods or services to the customer, but excluding amounts collected on behalf of third parties and amounts that the Group expects to be returned to the customer.

A performance obligation is a performance obligation that is performed over a period of time, and the Group recognises revenue over a period of time in accordance with the progress of the performance, when one of the following conditions is met: (I) the customer acquires and consumes the economic benefits from the Group's performance as the Group performs; (II) the customer is able to control the goods under construction in the Group's performance; (III) the goods or services produced by the Group's performance are irreplaceable, and the Group is entitled to receive payment for the portion of the performance that has been accumulated to date throughout the contract period. Otherwise, the Group recognises revenue at the point at which the customer acquires control of the relevant goods or services.

The Group uses the input method to determine the progress of performance, i.e., it determines the progress of performance based on the Group's inputs to meet its performance obligations. When the progress of performance is not reasonably determinable and the costs incurred are expected to be recovered, the Group recognises revenue at the amount of the costs incurred until the progress of performance is reasonably determinable.

A contract asset is a right to receive consideration for goods or services that the Group has transferred to a customer and that is dependent on factors other than the passage of time. For the accounting policy regarding contract asset impairment, please refer to Note IV. 9 for details. The Group's unconditional (that is, time-dependent) right to collect considerations from customers are presented separately as receivables.

A contract liability is an obligation to transfer goods or services to a customer for consideration received or receivable by the Group from the customer.

Contract assets and contract liabilities under the same contract are shown on a net basis.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 22. Revenue Recognition (continued)

Where a contract contains two or more performance obligations, the Group allocates the transaction price to each individual performance obligation in proportion to the relative proportions of the individual sale price of the goods or services committed to by each individual performance obligation at the commencement date of the contract. However, where there is conclusive evidence that the contractual discount or variable consideration relates to only one or more (but not all) of the performance obligations in the contract, the Group apportions the contractual discount or variable consideration to the relevant one or more performance obligations. The individual selling price is the price at which the Group sells goods or services to a customer individually. Where individual selling prices are not directly observable, the Group estimates the individual selling price, taking into account all relevant information that is reasonably available and using observable inputs to the maximum extent possible.

Where there is variable consideration in a contract, the Group determines the best estimate of the variable consideration based on expectations or the most likely amount to occur. The transaction price that includes variable consideration does not exceed the amount by which it is highly unlikely that there will be a material reversal of the cumulative recognised revenue at the time the related uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of the variable consideration that should be included in the transaction price.

Where the customer pays non-cash consideration, the Group determines the transaction price by reference to the fair value of the non-cash consideration. If the fair value of the non-cash consideration cannot be reasonably estimated, the Group determines the transaction price indirectly by reference to the separate selling price of the goods or services that the Group promises to transfer to the customer.

Where there is consideration payable to a customer under a contract, unless the consideration is to obtain other clearly distinguishable goods or services from the customer, the Group offsets the consideration payable against the transaction price and reduces current revenue at the later of the point at which the related revenue is recognised and the customer consideration is paid (or promised to be paid).

For sales with a quality assurance clause, the quality assurance constitutes a single performance obligation if it provides a separate service in addition to the assurance to the customer that the goods or services sold comply with established standards. Otherwise, the Group accounts for the quality assurance obligation in accordance with the provisions of Accounting Standards for Business Enterprises No.13 – Contingencies.

Where there is a significant financing element in a contract, the Group determines the transaction price based on the amount that would be payable in cash assuming that the customer paid for the goods or services at the time it acquired control. The difference between this transaction price and the contract consideration is amortised over the term of the contract using the effective interest method. Significant financing elements of the contract are not taken into account when the Group expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment of the price will not exceed one year at the contract start date.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 22. Revenue Recognition (continued)

The Group determines whether it is the principal obligor or agent at the time of the transaction based on whether it has control over the goods or services prior to the transfer of the goods or services to the customer. If the Group has control over the goods or services before transferring them to the customer, the Group is the principal obligor and recognises revenue based on the total consideration received or receivable; otherwise, the Group is the agent and recognises revenue based on the amount of commission or fee to which it is expected to be entitled, which is net of the total consideration received or receivable, less the price payable to other related parties, or based on the established commission Amount or percentage, etc. determined.

When the Group receives advance payments from customers for the sale of goods or services, it first recognises the payments as a liability and then converts them to revenue when the related performance obligations are fulfilled. When the Group's advance receipts are not required to be returned and it is probable that the customer will waive all or part of its contractual rights, the Group recognises the above amount as revenue ratably in accordance with the pattern of the customer's exercise of contractual rights, if the Group expects to be entitled to the amount related to the contractual rights waived by the customer; otherwise, the Group transfers the relevant balance of the above liability only when it is highly unlikely that the customer will demand performance of the remaining performance obligation to Income.

The Group's specific operating revenue recognition principles are as follows:

Revenue from forwarding and related businesses: the realization of revenue in the Group's forwarding and related businesses for originating businesses is recognised on the date of departure of the vessel/ aircraft departure/loading of the cargo; and for destination businesses, the realization of revenue is recognised on the date of delivery of the cargo to the agreed delivery point;

Logistics e-commerce business income, the group's business to provide clients with Logistics e-commerce point to point transport service, customers in the performance of the group at the same time also obtain and consume the performance brought by the economic interests of the group, due to the group to provide Logistics and electronic business service in an accounting period usually finish in a short time period, across the accounting period to provide service to this group is not significant, therefore, the group of the above services in complete point to confirm the implementation of income.

#### **The cost of obtaining a contract**

An asset is recognised when the Group expects to recover the incremental costs incurred to obtain the contract (i.e., costs that would not have been incurred but for the contract). If the asset is amortised over a period of less than one year, it is charged to profit or loss as incurred. Other expenses incurred by the Group to acquire a contract are charged to profit or loss when incurred, except when clearly borne by the customer.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 22. Revenue Recognition (continued)

#### The cost of fulfilling a contract

Costs incurred by the Group to perform a contract, which are outside the scope of other corporate accounting standards other than the revenue standard, are recognised as an asset when the following conditions are met: (1) the cost is directly related to a current or expected contract; (2) the cost increases the Group's future resources available to meet its performance obligations; and (3) the cost is expected to be recoverable. These assets are amortised using the same basis as revenue recognition for the goods or services to which the asset relates, and are recognised in profit or loss for the period.

### 23. Government Grants

Government grants are monetary and non-monetary assets that the Group acquires from governments at no cost to the Group. Government grants are recognised when the conditions attached to the grant can be met and the grant can be received.

Where the government grant is a monetary asset, it is measured at the amount received or receivable. Where government grants are non-monetary assets, they are measured at fair value; where fair value cannot be obtained reliably, they are measured at nominal amounts. Government grants measured at nominal amounts are directly recognised in profit or loss for the period.

Government grants relating to assets should be recognised as deferred income and charged to profit or loss over the useful life of the related assets in a reasonable and systematic manner. Government grants measured at nominal amounts are directly recognised in profit or loss for the current period. If the relevant asset is sold, transferred, scrapped or destroyed before the end of its useful life, the undistributed balance of the relevant deferred income should be transferred to the profit or loss of the period in which the asset is disposed of.

Revenue-related government grants, which are used to compensate the Group for related costs or losses in future periods, are recognised as deferred income and charged to profit or loss in the period in which the related costs or losses are recognised; those used to compensate the Group for related costs or losses already incurred are charged directly to profit or loss in the current period.

For government grants that contain both asset-related parts and revenue-related parts, the different parts should be distinguished for separate accounting treatment; if it is difficult to distinguish, the whole should be classified as revenue-related government grants.

Government grants related to the Group's daily activities should be included in other income in accordance with the substance of economic operations. Government grants not related to the Group's daily activities should be included in non-operating income and expenditure.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 24. Borrowing Costs

The capitalization of borrowing costs directly attributable to the acquisition or production of a capitalization-eligible asset begins when expenditures for the asset have been incurred, borrowing costs have been incurred, and the acquisition or production activities necessary to bring the asset to its intended useable or marketable condition have commenced; the capitalization of a capitalization-eligible asset constructed or produced to its intended useable or marketable condition ceases when the asset is constructed or produced. If an abnormal interruption in the acquisition or production of a capitalization-eligible asset occurs and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs is suspended until the acquisition or production of the asset is restarted.

The remaining borrowing costs are recognised as an expense in the period in which they are incurred.

The amount of interest expenses actually incurred during the period of special borrowing, less the interest income earned by depositing unused borrowed funds with banks or investment income earned by making temporary investments, is capitalized; the amount of capitalization for general borrowing is determined by multiplying the weighted average of the cumulative asset expenses in excess of the portion of special borrowing by the capitalization rate of the general borrowing used. The capitalization rate is determined based on the calculation of the weighted average interest rate on the general borrowings. During the capitalization period, all exchange differences on foreign-currency specialized borrowings are capitalized; exchange differences on foreign-currency general borrowings are recorded in profit or loss for the current period.

### 25. Income Taxes

Income tax expense consists of current income taxes and deferred income taxes.

#### 25.1 Current income tax

At the date of the statement of financial position, for current income tax liabilities (or assets) arising from current and prior periods, the amount of income tax expected to be paid (or refunded) is measured at the amount calculated in accordance with the tax laws.



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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 25. Income Taxes (continued)

#### 25.2 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognised using the balance sheet liability method for temporary differences arising from differences between the carrying amount of certain items of assets and liabilities and their tax bases, and for temporary differences arising from differences between the carrying amount and tax bases of items that are not recognised as assets and liabilities but whose tax bases can be determined in accordance with the provisions of the tax laws.

Generally all temporary differences are recognised for related deferred income tax purposes. However, for deductible temporary differences, the Group recognises a related deferred tax asset to the extent that it is more likely than not that the Group will be able to realize the taxable income used to offset the deductible temporary differences. In addition, related deferred tax assets or liabilities are not recognised for temporary differences that relate to the initial recognition of goodwill and to the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor, when they occur, affect accounting profit and taxable income (or deductible losses).

A corresponding deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which the deductible losses and tax credits can be carried forward to future years.

The Group recognises deferred tax liabilities arising from taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deductible temporary differences related to investments in subsidiaries, associates and joint ventures, the Group recognises a deferred tax asset only when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary difference can be utilized.

At the date of the statement of financial position, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the related asset is recovered or the related liability is settled, in accordance with the provisions of the tax laws.

Current income taxes and deferred income taxes are recorded in other comprehensive income or equity, except for current income taxes and deferred income taxes related to transactions and events directly in other comprehensive income or equity, and the carrying value of deferred income tax adjusted goodwill resulting from business combinations, in which the remaining current income tax and deferred income tax expense or gain is recorded in current profit or loss.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 25. Income Taxes (continued)

#### 25.2 Deferred tax assets and deferred tax liabilities (continued)

At the date of the statement of financial position, the carrying amount of deferred tax assets is reviewed and the carrying amount of deferred tax assets is written down to the extent that it is more likely than not that sufficient taxable income will not be available in the future to offset the benefit of the deferred tax assets. To the extent that it is probable that sufficient taxable income will be available, the amount of the write-down is reversed.

#### 25.3 Offset of deferred tax assets and deferred tax liabilities

The Group's deferred tax assets and deferred tax liabilities are presented net of offset when there is a legally enforceable right to settle current income tax assets and current income tax liabilities on a net basis and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities, provided that, in each future period in which significant deferred tax assets and liabilities reverse, the taxable entity involved intends to settle current income tax assets and liabilities on a net basis, or to acquire the assets and settle the liabilities simultaneously.

### 26. Foreign Currency Operations and Translation of Foreign Currency Statements

#### 26.1 Foreign currency operations

Foreign currency transactions are translated at initial recognition using the spot exchange rate at the date of the transaction.

At the date of the statement of financial position, monetary items denominated in foreign currencies are translated into the local currency of record using the spot exchange rate at that date, and exchange differences resulting from differences between the spot exchange rate at that date and the spot exchange rate at initial recognition or at the previous balance sheet date, except: (1) exchange differences on foreign currency specific borrowings eligible for capitalization are capitalized to the cost of the related assets during the capitalization period; (2) exchange differences on foreign currency specific borrowings for the purpose of hedging foreign currency risk are capitalized to the cost of the related assets; (3) exchange differences on foreign currency specific borrowings for the purpose of hedging foreign currency risk are capitalized to the cost of the related assets during the capitalization period. Exchange differences on hedging instruments that are hedged are accounted for under the hedge accounting method; (3) exchange differences on monetary items classified as fair value through other comprehensive income, other than those arising from changes in carrying amount other than amortised cost, are recognised in other comprehensive income.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 26. Foreign Currency Operations and Translation of Foreign Currency Statements (continued)

#### 26.1 Foreign currency operations (continued)

If the preparation of the consolidated financial statements involves foreign operations, and if there are foreign currency monetary items that substantially constitute a net investment in foreign operations, exchange differences resulting from changes in exchange rates are included in “Translation difference of the financial statements in foreign currency” in other comprehensive income; when foreign operations are disposed of, they are included in profit or loss for the period of disposal.

Foreign currency non-monetary items measured at historical cost continue to be measured at the recorded local currency amount discounted at the spot exchange rate at the date of the transaction. Non-monetary items in foreign currencies measured at fair value are translated using the spot exchange rate at the date the fair value is determined, and the difference between the recorded local currency amount after translation and the original recorded local currency amount is treated as a change in fair value (including exchange rate changes) and recognised in profit or loss or in other comprehensive income.

#### 26.2 Translation of foreign currency financial statements

For the purpose of preparing consolidated financial statements, foreign currency financial statements of foreign operations are translated into RMB as follows: all assets and liability items in the balance sheet are translated at the spot exchange rate at the date of the statement of financial position; equity items are translated at the spot exchange rate at the time of occurrence; all items in the income statement and items reflecting the occurrence of profit distribution are translated at the approximate exchange rate at the spot exchange rate at the date of the transaction; the difference between the translated asset items and the sum of liability items and equity items is recognised as other comprehensive income and included in equity.

Cash flows in foreign currencies and the cash flows of foreign subsidiaries are translated using the approximate exchange rate of the spot rate at the date of the cash flows, and the effect of exchange rate changes on cash and cash equivalents is shown as a reconciling item in the statement of cash flows as “Effect of exchange rate changes on cash and cash equivalents”.

The opening and prior-period actual amount are shown on the basis of amounts translated from the prior-period financial statements.

Upon the disposal of the Group's entire owner's equity in a foreign operation or the loss of control over the foreign operation due to the disposal of a portion of the equity investment or otherwise, the translation difference of the financial statements in foreign currency shown in the other comprehensive income line item in the balance sheet that are attributable to the owners' equity of the parent company related to that foreign operation are transferred in full to the current profit or loss on disposal.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 26. Foreign Currency Operations and Translation of Foreign Currency Statements (continued)

#### 26.2 Translation of foreign currency financial statements (continued)

In the event of the disposal of a portion of an equity investment or other reasons resulting in a reduction in the proportion of equity interest held in a foreign operation without loss of control over the foreign operation, the foreign currency statement translation differences related to the disposal portion of the foreign operation will be attributed to minority interests and will not be transferred to the profit or loss of the current period. When the foreign operation is disposed of as part of an associate or joint venture, the foreign currency translation differences related to the foreign operation are transferred to the profit and loss of the period in which the foreign operation is disposed of in proportion to the disposal of the foreign operation.

### 27. Leases

A lease is a contract in which the lessor gives the right to use an asset to the lessee for a certain period of time in return for consideration.

For contracts entered into or varied after the date of first performance, the Group assesses whether the contract is a lease or contains a lease at the date of commencement or variation of the contract. The Group does not re-evaluate whether a contract is a lease or an included lease unless the terms and conditions of the contract have changed.

#### 27.1 The Group as lessee

##### 27.1.1 Separating components of leases

Where the contract contains one or more lease and non-lease components, the Group splits each separate lease and non-lease component and apportions the contract consideration in relative proportions to the sum of the separate prices of each lease component and the separate prices of the non-lease components.

For practical purposes, the Group accounts for leases with similar characteristics as a portfolio if the Group can reasonably be expected not to have a significantly different impact on the financial statements than if each individual lease in the portfolio were accounted for separately.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.1 The Group as lessee (continued)

##### 27.1.2 Right-of-use asset

With the exception of short-term leases and leases of low-value assets, the Group recognises a right-of-use asset for leases at the lease term start date. The lease term start date is the date on which the lessor makes the leased asset available for use by the Group.

Right-of-use assets are initially measured at cost. This cost comprises:

- The initial measurement of the lease liability.
- Lease payments made on or before the start date of the lease term, where a lease incentive exists, are reduced by the amount associated with the lease incentive already enjoyed.
- Initial direct costs incurred by the Group.
- The Group expects to incur costs to dismantle and remove the leased asset, rehabilitate the site where the leased asset is located or restore the leased asset to the condition agreed under the terms of the lease.

When a remeasurement of the lease liability occurs after the lease term begins, the carrying value of the right-of-use asset is adjusted accordingly.

Where the Group is able to obtain ownership of a leased asset with reasonable certainty at the end of the lease term, the right-to-use asset is depreciated over the remaining useful life of the leased asset. Where it is not reasonably certain that ownership of a leased asset can be obtained at the end of the lease term, depreciation is charged over the shorter of the lease term and the remaining useful life of the leased asset.

The Group determines whether a right-of-use asset is impaired in accordance with the relevant provisions of “Accounting Standard for Business Enterprises No. 8 – Impairment of Assets” and makes accounting treatment.

##### 27.1.3 Refundable rental deposits

Refundable lease deposits paid by the Group are accounted for in accordance with “Accounting Standard for Business Enterprises 22 – Recognition and Measurement of Financial Instruments” and are measured at fair value on initial recognition. The difference between the fair value and the notional amount at initial recognition is treated as an additional lease payment and included in the cost of the right-of-use asset.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.1 The Group as lessee (continued)

##### 27.1.4 Lease liability

Except for short-term leases and leases of low-value assets, the Group initially measures the lease liability at the beginning of the lease term based on the present value of the lease payments outstanding at that date. In calculating the present value of the lease payments, the Group uses the intrinsic lease rate as the discount rate and, where the intrinsic lease rate cannot be determined, the incremental borrowing rate as the discount rate.

Lease payments are payments made by the Group to the lessor relating to the right to use the leased asset over the lease term and including:

- Fixed payments and substantive fixed payments, net of lease incentives, if there are lease incentives related amounts.
- Variable lease payments that depend on an index or rate.
- The Group reasonably determines the exercise price of the purchase options to be exercised.
- The lease term reflects the payments required to exercise the lease termination option where the Group will exercise the lease termination option.
- Expected payments based on the residual value of guarantees provided by the Group.

Variable lease payments that are index- or rate-dependent are determined at initial measurement based on an index or ratio at the lease term commencement date. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss when they are actually made. The provisions of other standards, such as “Accounting Standard for Business Enterprises No. 1 – Inventories”, are followed if they are included in the cost of the related assets.

After the start date of the lease term, the Group calculates the interest expense of the lease liability for each period during the lease term at a fixed periodic interest rate. If the cost of the relevant assets is included in accordance with other standards, such as “Accounting Standard for Business Enterprises No. 17 – Borrowing Costs”, it is subject to their provisions.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.1 The Group as lessee (continued)

##### 27.1.4 Lease liability (continued)

After the lease term begins, the Group remeasures the lease liability and adjusts the corresponding right-of-use asset if any of the following occurs:

- In the event of a change in the lease term or a change in the valuation of a purchase option, the Group remeasures the lease liability at the present value of the lease payments after the change and at a revised discount rate.
- Where there is a change in the amount expected to be payable based on the remaining value of the guarantee or in the index or ratio used to determine lease payments, the Group remeasures the lease liability to the present value of the changed lease payments and the original discount rate. Where changes in lease payments result from changes in floating interest rates, the revised discount rate is used.

##### 27.1.5 Short-term leases and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases of business premises or transportation vehicles, as well as leases of low-value assets. Short-term leases are leases with a lease term of less than 12 months at the commencement date of the lease term and do not include purchase options. Low value asset leases are leases where the value of a single leased asset does not exceed RMB50,000 when the asset is brand new. The Group recognises the lease payments for short-term leases and low-value asset leases in profit or loss or the cost of the related assets in each period of the lease term on a straight-line basis or by other systematic and reasonable methods.

##### 27.1.6 Lease modification

The Group has chosen to adopt a simplified method for rent reductions, deferred payments and other rent concessions agreed between the Group as lessee and lessor on existing lease contracts that are directly caused by the new coronary pneumonia epidemic and that meet the "Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic" (Cai Kuai [2020] No. 10 issued by the Ministry of Finance, and does not assess whether a lease change has occurred or reassess the lease classification. Beyond that:

When a lease change occurs and the following conditions are also met, the Group accounts for the lease change as a separate lease:

- The lease change expands the scope of the lease by adding the right to use one or more of the leased assets.
- The increased consideration is equal to the separate price of the expanded portion of the lease, adjusted for that contract.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.1 The Group as lessee (continued)

##### 27.1.6 Lease modification (continued)

If the lease change is not accounted for as a separate lease, at the effective date of the lease change, the Group reassesses the consideration for the changed contract, redetermines the lease term and remeasures the lease liability at the present value of the changed lease payments and the revised discount rate.

#### 27.2 The Group as lessor

The Group recognises lease payments under operating leases as rental income on a straight-line basis from period to period over the term of the lease, unless another systematic and rational method better reflects the pattern of depletion of economic benefits arising from the use of the leased asset. Initial direct costs incurred by the lessor in connection with operating leases are capitalized and amortised over the lease term on the same basis as rental revenue recognition, and are recognised in profit or loss over the period.

##### 27.2.1 Separating components of leases

Where the contract contains both leased and non-leased components, the Group apportioned the contract consideration in accordance with the provisions of Accounting Standard for Business Enterprises 14 – Revenue on transaction price apportionment, based on the separate prices of each of the leased and non-leased components.

##### 27.2.2 Refundable lease deposits

Refundable lease deposits received by the Group are accounted for in accordance with "Accounting Standard for Business Enterprises 22 – Recognition and Measurement of Financial Instruments" and are measured at fair value on initial recognition. The difference between the fair value and the notional amount at initial recognition is considered to be the additional lease receivable paid by the lessee.

##### 27.2.3 Classification of leases

A lease that transfers substantially all the risks and rewards of ownership of the leased asset is a finance lease. Leases other than finance leases are operating leases.



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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.2 The Group as lessor (continued)

##### 27.2.4 The Group records operating lease business as lessor

At various periods during the lease term, the Group recognises lease payments for operating leases as rental income using the straight-line method or other systematic and reasonable method. Initial direct costs incurred by the Group in connection with operating leases are capitalized as incurred and are amortised over the term of the lease on the same basis as rental revenue recognition and charged to profit or loss in the current period.

Variable lease receipts acquired by the Group in connection with operating leases that are not included in lease receipts are charged to profit or loss in the period in which they are incurred.

##### 27.2.5 The Group records financial leasing operations as lessor

At the start of the lease term, the Group records the net lease investment as the value of the finance lease receivables and derecognises the finance lease asset. The net investment in leases is the sum of the unguaranteed residual value and the present value of the lease receivables not yet received at the start of the lease term, discounted at the intrinsic lease rate.

Lease receipts, which represent amounts receivable by the Group from lessees in connection with the assignment of the right to use a leased asset during the lease term, including:

- The amount of the fixed payments to be paid by the lessee and the amount of the substantive fixed payments, less the amount related to the lease incentive, if there is a lease incentive.
- Variable lease payments that depend on an index or rate.
- The exercise price of the purchase option, provided that it is reasonably certain that the lessee will exercise the option.
- Payments required to be made by a lessee exercising a lease termination option, provided that the lease term reflects that the lessee will exercise the lease termination option.
- The residual value of the guarantee provided to the Group by the lessee, a party related to the lessee and an independent third party with the financial ability to meet the guarantee obligations.
- Variable lease receivables that are index- or rate-dependent are determined at initial measurement based on an index or ratio at the lease term commencement date.
- Variable lease receipts that are not included in the net lease investment measurement are charged to profit or loss in the period in which they occur.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.2 The Group as lessor (continued)

##### 27.2.5 The Group records financial leasing operations as lessor (continued)

The Group calculates and recognises interest income at a fixed periodic rate for each period of the lease term.

##### 27.2.6 Sublease

The Group, as the sublease lessor, accounts for the original lease and the sublease contract separately as two contracts. The Group classifies subleases based on the right-of-use asset arising from the original lease, rather than the asset that is the subject of the original lease.

##### 27.2.7 Lease modification

The Group has chosen to adopt a simplified method for rent reductions, deferred payments and other rent concessions agreed between the Group as lessor and lessee on existing lease contracts that are directly caused by the new coronary pneumonia epidemic and that meet the "Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic" (Cai Kuai [2020] No. 10) issued by the Ministry of Finance, and does not assess whether a lease change has occurred or reassess the lease classification. Beyond that:

Where there is a change in an operating lease, the Group accounts for it as a new lease from the effective date of the change, and the amount of lease receipts received or receivable in advance relating to the pre-change lease is treated as receipts under the new lease.

When a change in a finance lease occurs and the following conditions are also met, the Group accounts for the change as a separate lease:

- The change expands the scope of the lease by adding the right to use one or more of the leased assets.
- The increased consideration is equal to the separate price of the expanded portion of the lease, adjusted for that contract.

If a change in a finance lease is not accounted for as a separate lease, the Group treats the changed lease as follows:

- Where the lease would have been classified as an operating lease had the change been effective at the lease commencement date, the Group accounts for the lease as a new lease from the effective date of the lease change and the carrying amount of the leased asset is the net investment in the lease as at the effective date of the lease change;

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 27. Leases (continued)

#### 27.2 The Group as lessor (continued)

##### 27.2.7 Lease modification (continued)

- Had the change been effective at the lease commencement date, the lease would have been classified as a finance lease, and the Group would have accounted for it in accordance with the provisions of Accounting Standard for Business Enterprises 22 – Recognition and Measurement of Financial Instruments for the modification or renegotiation of contracts.

#### 27.3 Sale and leaseback transactions

##### 27.3.1 The Group as seller and lessee

The Group assesses whether the transfer of an asset in a sale and leaseback transaction is a sale in accordance with the provisions of *Accounting Standard for Business Enterprises 14 – Revenue*. If the asset transfer is not a sale, the Group continues to recognize the transferred asset and recognises a financial liability equal to the amount of the transfer proceeds, and accounts for the financial liability in accordance with Accounting Standard for Business Enterprises 22 – Recognition and Measurement of Financial Instruments. If the transferred asset is a sale, the Group measures the right-of-use asset resulting from the sale and leaseback at the portion of the carrying value of the original asset that relates to the right of use acquired through leaseback, and recognises gain or loss only on the right transferred to the lessor.

##### 27.3.2 The Group as buyer (lessor)

Where the transfer of an asset in a sale and leaseback transaction is not a sale, the Group does not recognize the transferred asset, but recognises a financial asset equal to the proceeds of the transfer, and accounts for the financial asset in accordance with Accounting Standard for Business Enterprises 22 – Recognition and Measurement of Financial Instruments. If the transferred asset is a sale, the Group accounts for the purchase of the asset and the lease of the asset in accordance with other applicable business accounting standards.

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### Notes to the Financial Statements

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#### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

##### 28. Held for Sale

The Group is classified as held for sale when it recovers the carrying value of a non-current asset or disposal group primarily through a sale, including a non-monetary asset exchange with commercial substance, rather than through the continued use of the asset or disposal group.

A non-current asset or disposal group classified as held for sale is subject to both (1) immediate sale in its current condition, as is customary for the sale of such an asset or disposal group in similar transactions, and (2) a sale is highly probable, i.e. the Group has resolved on a plan to sell and has received firm purchase commitments and the sale is expected to be completed within one year.

The Group measures non-current assets held for sale or disposal groups at the lower of their carrying value or fair value less costs to sell. If the carrying value is higher than the fair value less costs to sell, the carrying value is written down to the fair value less costs to sell, and the amount of the write-down is recognised as an impairment loss on the asset, which is recognised in profit or loss and an impairment provision for assets held for sale. If the fair value of non-current assets held for sale, net of selling expenses, increases at subsequent balance sheet dates, the amount previously written down is restored and reversed within the amount of the impairment loss recognised after classification as held for sale, and the reversed amount is recognised in profit or loss for the current period.

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortised, and interest and other charges on liabilities in the disposal group held for sale continue to be recognised. Equity investments in associates or joint ventures are classified in whole or in part as assets held for sale, and the portion classified as held for sale is no longer accounted for under the equity method from the date it is classified as held for sale.

##### 29. Safety Production Cost

The Group extracts production safety fees in accordance with the *Administrative Measures on the Withdrawal and Use of Safety Production Cost by Enterprises* (Caiqi [2012] No.16) issued jointly by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, which is recorded in the cost of the relevant products or current profit and loss, and transferred to the special reserve. When using the extracted safety production cost, if it is an expense, it is directly deducted from the special reserve. When the safety production cost are used to form fixed assets, the expenses incurred are collected under the account "Construction in progress" and recognised as fixed assets when the safety projects are completed and ready for use; at the same time, the special reserve is deducted from the cost of the fixed assets and the same amount of accumulated depreciation is recognised. Such fixed assets are not depreciated in subsequent periods.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 30. Asset Securitization Business

When a financial asset is transferred, it is judged on the basis of the transfer of substantially all the risks and rewards of ownership of the relevant financial asset: if it has been transferred in full, the corresponding financial asset is derecognised; if it has not been transferred and substantially all the risks and rewards of ownership of the relevant financial asset have been retained, derecognition is not possible; if substantially all the risks and rewards of ownership of the relevant financial asset have neither been transferred nor retained, the financial asset is derecognised. If control over the financial asset is relinquished, the financial asset is derecognised; if control over the financial asset is not relinquished, the financial asset is recognised to the extent of its continuing involvement in the financial asset, and the related liability is recognised accordingly.

If the financial asset meets the criteria for derecognition of the whole financial asset, the difference between the consideration received and the corresponding carrying amount is recognised in profit or loss for the period, and the cumulative change in fair value of the relevant financial asset originally recognised directly in equity is also recognised in profit or loss for the period; if the conditions for derecognition of the partial transfer are met, the carrying amount of the whole financial asset involved in the transfer, between the part that is derecognised and the part that is not derecognised, is recognised in profit or loss for the period in accordance with the following criteria. The relative fair value of each is apportioned and the apportioned carrying amount is treated on an overall transfer versus partial transfer basis. If the conditions for derecognition are not met, the consideration received is recognised as a financial liability.

### 31. Discontinued Operation

Discontinued operation refers to a separate component of the Group which meets one of the following conditions and which has been disposed of or classified as held-for-sale:

- (1) The component represents an independent major business or a major area of operation;
- (2) The component is part of an associated plan for the disposition of an independent major business or a separate major area of operation;
- (3) The component is a subsidiary acquired specifically for resale.

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### Notes to the Financial Statements

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#### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

##### 32. Non-Monetary Asset Exchange

Non-monetary asset exchanges are measured at fair value if the non-monetary asset exchange has commercial substance and the fair value of the exchange-in asset or exchange-out asset can be measured reliably. For the exchange-in assets, the fair value of the exchange-out asset and the related tax payable are initially measured as the cost of the exchange-in asset; for the exchange-out assets, the difference between the fair value and the carrying amount of the exchange-out asset is recognised in current profit or loss upon derecognition. If there is sufficient evidence that the fair value of the exchange-in asset is more reliable, the fair value of the exchange-in asset and the relevant tax payable are used as the initial measurement amount of the exchanged asset; for the exchange-out asset, the difference between the fair value of the exchange-in asset and the carrying amount of the exchange-out asset is charged to the profit or loss for the current period upon derecognition.

Non-monetary asset exchanges that do not meet the condition of being measured at fair value are measured at carrying amount. For the exchange-in assets, the carrying amount of the exchange-out asset and the relevant tax payable are used as the initial measurement amount of the exchange-in asset; for the exchange-out assets, no gain or loss is recognised upon derecognition.

When there is a discrepancy between the point of recognition of the exchange-in asset and the point of derecognition of the exchange-out asset, the exchange-in asset meets the asset recognition condition and, if the exchange-out asset has not yet met the derecognition condition, the obligation to deliver the exchange-out asset is recognised as a liability at the same time as the exchange-in asset is recognised; if the exchange-in asset has not yet met the asset recognition condition and the exchange-out asset meets the derecognition condition, the right to acquire the exchange-in asset is recognised as an asset at the same time as the exchange-out asset is derecognised.

Where multiple assets are exchanged simultaneously in a non-monetary asset exchange, if the exchange is measured at fair value, the net amount of the total fair value of the exchange-out assets less the fair value of the exchange-in financial assets is apportioned according to the relative proportion of the fair value of each exchange-in asset other than the exchange-in financial assets, and the amount apportioned to each exchange-in asset plus the relevant taxes payable, is initially measured as the cost of each exchange-in asset; where there is sufficient evidence that the fair value of the exchange-in assets is more reliable, the fair value of each exchange-in asset and the related taxes payable are used as the initial measurement of the cost of each exchange-in asset. Where the non-monetary asset exchange is measured at carrying amount, the total carrying amount of the exchange-out asset is apportioned to each exchange-in asset in proportion to the relative proportion of the fair value of each exchange-in asset, and the amount apportioned plus the relevant taxes payable are recognised as the initial measurement amount of each exchange-in asset. If the fair value of the exchange-in asset cannot be measured reliably, the carrying amount of the exchange-out asset is apportioned in proportion to the relative or other reasonable proportion of the original carrying value of each exchange-in asset.

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### Notes to the Financial Statements

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 32. Non-Monetary Asset Exchange (continued)

Where multiple assets are exchanged simultaneously in a non-monetary asset exchange, if the exchange is measured at fair value, the difference between the fair value of each exchange-out asset and its carrying amount is recognised in profit or loss upon derecognition of each exchange-out asset; if there is sufficient evidence that the fair value of the exchange-in asset is more reliable, the total fair value of the exchange-in asset is apportioned to each exchange-out asset in proportion to the relative proportion of the fair value of each exchange-out asset. The difference between the amount apportioned to each exchange-out asset and the carrying amount of each exchange-out asset is recognised in profit or loss on derecognition of each exchange-out asset. Where non-monetary asset exchange is measured at carrying amount, no gain or loss is recognised on derecognition of each exchange-out asset.

### 33. Debt Restructuring

#### 33.1 Recording debt restructuring obligations as a debtor

A debt restructuring in which the debt is settled by assets is derecognised when the relevant assets and the settled debt meet the conditions for derecognition, and the difference between the carrying amount of the settled debt and the carrying amount of the transferred assets is recognised in profit or loss for the current period.

A debt restructuring that converts a debt into an equity instrument is derecognised when the settled debt meets the conditions for derecognition. The equity instrument is measured at its fair value upon initial recognition, and if the fair value cannot be reliably measured, it is measured at the fair value of the settled debt. The difference between the carrying amount of the settled debt and the amount recognised for the equity instrument is recognised in profit or loss for the current period.

Debt restructuring by modifying other terms shall be recognised and measured in accordance with *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and *Accounting Standards for Business Enterprises No. 37 – Presentation of financial instruments*.

If debt restructuring is carried out by using multiple assets to pay off debts or combination, equity instruments and restructured debts shall be recognised and measured according to the above-mentioned methods. The difference between the carrying amount of the settled debts and the carrying amount of the transferred assets and the sum of the recognised amounts of the equity instruments and restructured debts shall be included in the current profits or losses.

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## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

### 33. Debt Restructuring (continued)

#### 33.2. Recording debt restructuring obligations as a creditor

For debt restructuring in which assets are used to pay off debts, assets other than the transferred financial assets are initially recognised at cost. The cost of inventory includes the fair value of abandoned creditor's rights and other costs directly attributable to the asset, such as taxes, transportation costs, handling charges, insurance premiums, etc., incurred to enable the asset to reach its current position and state. The cost of an investment in an associate or joint venture and the cost of investment property respectively include the fair value of abandoned creditor's rights and other costs directly attributable to the asset, such as taxes. The cost of a fixed asset includes the fair value of abandoned creditor's rights and other costs directly attributable to the asset, such as taxes, transportation costs, handling charges, installation costs, professional services fee, incurred before bringing the asset to its intended usable condition. The cost of a biological asset includes the fair value of abandoned creditor's rights and other costs attributable to the asset, such as taxes, transportation costs, insurance premiums. The cost of an intangible asset includes the fair value of abandoned creditor's rights and other costs such as taxes that are directly attributable to bringing the asset to its intended use. The difference between the fair value and the carrying value of abandoned creditor's rights should be recognised in profit or loss for the current period.

If the debt restructuring of converting debt into equity instrument causes the group to convert the creditor's right into equity investment in an associate or a joint venture, the initial investment cost shall be measured according to the fair value of the abandoned creditor's right and other costs such as taxes directly attributable to the asset. The difference between the fair value and the carrying amount of the abandoned creditor's rights recognised in profit or loss for the current period.

For debt restructuring by modifying other terms, the creditor's rights restructured shall be recognised and measured in accordance with the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

If debt restructuring is carried out by using multiple assets to pay off debts or combination, firstly, the transferred financial assets and creditor's right restructured are recognised and measured in accordance with the provisions of "*Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*", and then the net amount of the fair value of the abandoned creditor's rights after deducting the recognised amount of the transferred financial assets and the restructured creditor's rights are allocated in proportion to the fair value of each asset other than the transferred financial assets. and, on this basis, the cost of each asset is determined separately in accordance with the above method. The difference between the fair value and the carrying amount of the abandoned creditor's rights is recognised in profit or loss for the current period.



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### Notes to the Financial Statements

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## V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note IV, the directors of the Company are required to make judgments, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### 1. Key Assumptions and Uncertainties in Accounting Estimates

At the end of the reporting period, the key assumptions and uncertainties in accounting estimates that are likely to lead to significant adjustments in the carrying amount of assets and liabilities in the future are as follows:

#### 1.1 Classification of financial assets

The classification and measurement of financial assets is dependent on the contractual cash flow test and the business model test. The Group is required to consider all relevant evidence available at the date of the business model assessment, including the manner in which the enterprise evaluates and reports the performance of financial assets to key management personnel, the risks that affect the performance of financial assets and their management, and the manner in which the relevant business management personnel are compensated. The Group is also required to make a judgment as to whether the contractual cash flows generated from the financial assets held at a particular date are solely payments of principal and interest based on the outstanding principal amount.

#### 1.2 Derecognition of transfers of financial assets

The Group transfers financial assets in the normal course of business through a variety of methods, including conventional transactions and asset securitization. The Group is required to make significant judgments and estimates in the process of determining whether or not all of the transferred financial assets can be derecognised.

Where the Group transfers financial assets to a special purpose entity through a structured transaction, the Group analyses and assesses whether the relationship with the special purpose entity substantially demonstrates that the Group has control over the special purpose entity and therefore consolidation is required. The judgment of consolidation will determine whether the derecognition analysis should be performed at the level of the consolidation entity, or at the level of the single entity from which the financial assets are transferred.

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### V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

#### 1. Key Assumptions and Uncertainties in Accounting Estimates (continued)

##### 1.2 Derecognition of transfers of financial assets (continued)

The Group is required to analyse the contractual cash flow rights and obligations related to the transfer of financial assets to determine whether it meets the conditions for derecognition based on the following judgments.

- Whether the authority to obtain the contractual cash flows has been transferred; or whether the cash flows have met the “pass through” requirements and transferred to an independent third party.
- Assess the degree of risk and reward transfer in the ownership of financial assets. The group uses significant accounting estimates and judgments in estimating cash flows and other factors that affect the degree of risk and reward transfer before and after the transfer.

##### 1.3 Recognition of expected credit losses

Significant increase in credit risk: In assessing the expected credit losses on financial assets, the Group is required to judge whether the credit risk on financial assets has increased significantly since acquisition, taking into account both qualitative and quantitative information and incorporating forward-looking information in the process.

Establishment of asset groups with similar credit risk characteristics: when expected credit losses are measured on a portfolio basis, financial instruments are grouped together based on similar risk characteristics. The Group continually assesses whether these financial instruments continue to have similar credit risk characteristics to ensure that should the credit risk characteristics change, the financial instruments will be reclassified appropriately. This may result in the creation of a new portfolio or the reclassification of assets into an existing portfolio to better reflect the similar credit risk characteristics of such assets.

##### 1.4 Fair value evaluation and goodwill recognition of identifiable net assets related to acquisition business

As described in Note IV. 4. 4.2 “Business combination not involving entities under common control”, the Group measures the identifiable assets, liabilities and contingent liabilities of the acquiree that qualify for recognition in a business combination that is not under common control at fair value at the date of acquisition. The difference between the cost of the combination over the fair value share of the acquiree’s identifiable net assets acquired in the combination is treated as an asset and recognised as goodwill and initially measured at cost.

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## V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

### 1. Key Assumptions and Uncertainties in Accounting Estimates (continued)

#### 1.4 Fair value evaluation and goodwill recognition of identifiable net assets related to acquisition business (continued)

The evaluation of the fair value of identifiable assets, liabilities and contingent liabilities involves significant estimation and judgment of the management, especially the identification of intangible assets and the assessment of their fair value, thus affecting the recognition of goodwill. As stated in Note VIII. 2. "Business combination of the Group not under common control during the period" and recognised intangible assets (customer relationship) of EUR59,927,096 and goodwill of EUR269,126,280.

The key assumptions used in the evaluation of the fair value of intangible assets, including the different inputs in key assumptions such as discount rate and growth rate of income, may lead to significant differences in the fair value estimation.

#### 1.5 Goodwill impairment

As at 30 June 2020, the carrying amount of goodwill is RMB2,315,126,472.63. The Group conducts impairment test on goodwill at least annually. In the impairment test of goodwill, it is necessary to calculate the present value of the expected future cash flow of the relevant asset group or asset group portfolios, and to estimate the future cash flow of the asset group or asset group portfolios. At the same time, it is necessary to determine a pre-tax interest rate that appropriately reflects the time value of currency in the current market and asset specific risks. All these matters involve the judgment of the management.

#### 1.6 Recognition of deferred income tax

Within the limits of deductible temporary differences and deductible losses, the Group is likely to obtain sufficient taxable income in the future to recognize deferred income tax assets for all unused deductible temporary differences and deductible losses. This requires the management of the Group to use a large number of judgments to estimate the time and amount of future taxable income, combined with tax planning strategy, to determine the amount of deferred income tax assets that should be recognised.

The Group operates in many countries and regions and collects the income tax payable in each region according to the local tax law and relevant regulations. The Group will calculate and submit deferred income tax liabilities in accordance with the requirements of relevant state agencies, the Group's development strategy and the distribution plan of retained earnings of subsidiaries, associates and joint ventures, as well as the provisions of the relevant tariff law. If the actual distribution of future profits exceeds expectations, the corresponding deferred income tax liabilities will be recognised and recorded in profits and losses at a relatively early period between the change of distribution plan and the announcement of profit distribution.

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## V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

### 1. Key Assumptions and Uncertainties in Accounting Estimates (continued)

#### 1.7 Impairment of long-term equity investments

As at 30 June 2020, the carrying amount of the Group's investment in associates amounted to RMB3,984,599,282.79 (1 January 2020: RMB3,903,774,411.31); the carrying amount of the Group's investment in joint ventures as at 30 June 2020 amounted to RMB3,749,967,883.58 (1 January 2020: RMB5,464,584,890.86). For long-term equity investments that have indications of impairment, the Group determines whether a long-term equity investment is impaired by estimating the recoverable amount of the long-term equity investment and comparing it with its carrying amount. If the carrying amount of the long-term equity investment is greater than the estimated recoverable amount, an impairment provision is made accordingly.

#### 1.8 Fair Value of Financial Instruments

For financial instruments which lacking active market, the Group adopts valuation method to determine their fair value. Valuation methods make the best use of observable market information; when observable market information is not available, an estimate is made of the significant unobservable information included in the valuation method.

Observable input values refer to input values that can be obtained from market data. The input value reflects the assumptions that market participants use to price related assets or liabilities

Non-observable input values refer to input values that cannot be obtained from market data. The input value shall be determined based on the best available information on the assumptions used by market participants in pricing the relevant assets or liabilities.

#### 1.9 Estimated useful life and estimated residual value of fixed assets and intangible assets

The Group determines the useful life and residual value of fixed assets and intangible assets. The estimation is based on the historical experience of the actual useful life and residual value of fixed assets and intangible assets with similar properties and functions, and may have significant changes due to technological innovation and severe industry competition. When the expected useful life and residual value of fixed assets or intangible assets are less than the previous estimates, the Group will increase the depreciation/amortisation, or write off or offset the technologically obsolete fixed assets or intangible assets.

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### Notes to the Financial Statements

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## V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

### 1. Key Assumptions and Uncertainties in Accounting Estimates (continued)

#### 1.10 Impairment of non-current assets other than financial assets (other than goodwill, long-term equity investments)

The Group determines at the date of the statement of financial position whether there is any indication that non-current assets other than financial assets may be impaired, and performs impairment tests on those assets when there is an indication of impairment. In addition, intangible assets with indefinite useful lives are tested for impairment annually. The recoverable amount of an asset or asset groups is determined based on the higher of the value in use of the asset or group of assets and net amount of its fair value less disposal expenses. In estimating its value in use, the future cash flows of the asset or asset group are projected and determined using a discount rate discounted to the present value of future cash flows. Management makes an accounting estimate on the use of the asset and forecasts future cash flows on a reasonable and informed basis and determines the present value of the future cash flows using a discount rate that reflects the time value of money in the current market and the specific risks associated with the asset.

#### 1.11 Determine the lease term of a lease contract with a renewal option

For a lease contract signed as a lessee with the renewal option, the Group uses judgment to determine the lease term of the lease contract. The assessment of whether the Group reasonably determines the exercise of this option affects the length of the lease term, which in turn has a significant impact on the amount of lease liability and right-of-use asset recognised under the lease.

#### 1.12 Contingent liabilities

The Group is faced with numerous legal disputes in the course of its going concern, the outcome of which is subject to a significant degree of uncertainty. When the economic benefits associated with a particular legal dispute are considered to be likely to flow out and can be measured reliably, the Group's management makes provision for them based on professional legal advice. Contingent liabilities faced by the Group, other than those which are considered to be highly unlikely to result in an outflow of economic benefits, are disclosed in Note XII. "CONTINGENCIES". Management uses its judgment to determine whether a related legal dispute should be provided for as a provision or disclosed as a contingent liability.

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### Notes to the Financial Statements

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## VI. EXPLANATIONS ON THE CHANGES OF ACCOUNTING POLICIES

### 1. Changes of Accounting Policies and Their Effects

The Ministry of Finance issued *Interpretation of Accounting Standards for Business Enterprises No. 13* (Cai Kuai [2019] No. 21) on 10 December 2019, *Interim Provisions on Accounting Treatment Related to Carbon Emission Trading* (Cai Kuai [2019] No. 22) on 16 December 2019, and *Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic* (Cai Kuai [2020] No. 10) on 19 June 2020. The Group has adopted the above interpretations and provisions for the preparation of the financial statements for the six months end on 30 June 2020. *Interpretation of the Accounting Standards for Business Enterprises No. 13* and *Interim Provisions on Accounting Treatment Related to Carbon Emission Trading* have no significant impact on the Group and the Company.

In accordance with the “*Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic*”, the Group adopts the simplified method for all rent concessions, such as rent reductions and deferred payments, concluded between the Group as a party to a lease contract and a lessor or lessee under an existing lease contract, directly caused by the COVID-19 epidemic, and does not evaluate whether a lease change has occurred or whether a lease classification has been reevaluated.

From January-June 2020, the Group obtained rent concessions from the lessor as lessee in the amount of RMB6.1329 million, increasing the total profit by RMB6.1329 million. The amount of rent concessions granted by the Group as lessor to the lessee was RMB2.7708 million, decreasing the total profit by RMB2.7708 million. The rent deferment concession granted by the Group as lessor to the lessee involved an amount of RMB943.9 thousand, and the period of rent deferment was 1-3 months after the rent payment date under the original lease agreement.

### 2. Accounting Estimate Change and Its Impact

According to the relevant provisions of “*Accounting Standard for Business Enterprises No. 4 – Fixed Assets*”, at the end of each fiscal year, enterprises shall review the estimated useful lives, net residual values and depreciation methods of fixed assets, and if the estimated useful lives and net residual values of fixed assets differ from the original accounting estimates, adjustments shall be made accordingly. In addition, in accordance with the relevant provisions of *Notice of the Ministry of Finance and the State Administration of Taxation on improving the enterprise income tax policy for accelerated depreciation of fixed assets* (Cai Shui [2014] No. 75), all fixed assets with a unit value of not more than RMB5,000 held by enterprises are allowed to be deducted in the calculation of taxable income by one-time inclusion of current costs, and depreciation shall no longer be calculated over a period of years. In order to better match the depreciable lives of fixed assets with their actual useful lives, to more accurately reflect the depreciation of fixed assets, and thus to more fairly and appropriately reflect the Group’s financial position and operating results, and with reference to the common practice of relevant companies in the same industry, the Group, upon approval at the 19th Meeting of the 2nd Board of Directors of the Company held on 31 March 2020, has, from 1 April 2020 onwards, changed the useful life of the building construction category to 30 years for steel structures, 25 years for steel concrete structures and 20 years for brick concrete structures; changed the useful life of vehicles to 5 years; and changed the fixed asset recognition criteria to RMB5,000. The useful lives and fixed asset recognition criteria before and after this change are as follows.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## VI. EXPLANATIONS ON THE CHANGES OF ACCOUNTING POLICIES (CONTINUED)

### 2. Accounting Estimate Change and Its Impact (continued)

Category/item	Before change	Useful life (years)/amount (Yuan)	Category/item	After change	Useful life (years)/amount (Yuan)
Buildings – production buildings,		40	Buildings – steel structure		30
Buildings – office buildings			Buildings – steel concrete structure		25
			Buildings – brick concrete structure		20
Buildings – storage buildings		25	Buildings – steel structure		30
			Buildings – steel concrete structure		25
			Buildings – brick concrete structure		20
Vehicles		6	Vehicles		5
Fixed asset recognition threshold		2,000	Fixed asset recognition threshold		5,000

According to the provisions of “Accounting Standard for Business Enterprises No. 28 – Changes in Accounting Policies and Accounting Estimates, and Error Correction”, the future applicable method is adopted in this accounting estimate change, which has no impact on the financial status and operating results of the Group and the Company in previous years.

This change in accounting estimate resulted in a decrease in total profit of RMB13.0864 million for the period.

### 3. Prior Year Adjustments and Its Impact

There is no error correction for prior period of the Group during the period.

### 4. Other Adjustments

There is no other adjustments that need to be disclosed during the period.

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For the six months ended 30 June 2020  
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### VII. TAXES

#### 1. Main Tax Categories and Rates

Tax categories	Tax bases	Tax rates
Value-added tax (Note 1)	Taxable value added amount (the balance of the VAT on sales less VAT on purchase, and the VAT on sales is calculated on the basis of 3%/6%/9%/10%/13%/16% of the sales amount calculated under the relevant tax law)	3%-16%
Urban maintenance & construction tax	Value-added tax actually paid	1%, 5%, 7%
Education surcharge and local education surcharge	Value-added tax actually paid	2%, 3%
Stamp duty	Registered capital, capital reserve, economic contract amount, etc.	0.05%, 0.03%, etc.
Property tax	70% of the original value of the property, rental income	1.2%, 12%
Enterprise income tax (Note 2)	Taxable income	0-38%

Note 1: If any taxable sales occurring in the Company after April 2019 originally apply the tax rates of 16% and 10%, they shall be adjusted to 13% and 9% respectively.

Note 2: In the year of 2020, the enterprise income tax of the Company and its subsidiaries was calculated at the local current tax rate. The Group's income tax rate in the mainland of the PRC is 25%. The income tax rates of main subsidiaries in the countries or regions outside the mainland of the PRC are as follows:

Country or region	Applicable income tax rate (%)
Hong Kong	16.50%
Japan	38%
Korea	20%
Australia	30%
Belarus	18%
Angola	30%
Brunei	18.50%
Indonesia	25%
Malaysia	24%
The British Virgin Islands	0.00%
Netherlands	25%
Romania	16%
United Kingdom	19%



## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

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## VII. TAXES (CONTINUED)

### 2. Tax Preferences and Approvals

#### 2.1 Enterprise income tax

- (1) According to *the Notice on Tax Policy Issues concerning the In-depth Implementation of the Western Development Strategy* (Cai Shui [2011] No. 58) issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on 27 July 2011 and *the Announcement on Enterprise Income Tax Issues concerning the In-depth Implementation of the Western Development Strategy* (the Announcement No. 12 of 2012 of the State Taxation Administration) on 6 April 2012, from 1 January 2011 to 31 December 2020, the enterprises established in Western China whose main business is the industrial projects specified in the Catalogue of Encouraging Industries in Western China and whose main business revenue accounts for more than 70% of the total revenue of the enterprises in the current year may pay their enterprise income tax at the reduced tax rate of 15%. During the reporting period, some branches and subsidiaries of the Group located in Western China enjoyed a preferential income tax rate of 15%.
- (2) According to *the Notice on Preferential Enterprise Income Tax Policies and Catalogue of Preferences for Hengqin New Area of Guangdong Province, Pingtan Comprehensive Experimental Zone of Fujian Province and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Shenzhen* (Cai Shui [2014] No. 26), the encouraging industries in Hengqin New Area, Pingtan Comprehensive Experimental Zone and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone are subject to an enterprise income tax at the reduced tax rate of 15% from 1 January 2014 to 31 December 2020. The Group's subsidiaries including Shenzhen Sinotrans Electronic Commerce Co., Ltd. and China Ocean Shipping Agency Shenzhen meet the conditions for encouraging industrial enterprises established in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Shenzhen during the reporting period and adopt the enterprise income tax rate of 15%.
- (3) According to the Notice of the Ministry of Finance and the State Taxation Administration on Implementing the Preferential Tax Reduction and Exemption Policy for Small and Micro Enterprises (Cai Shui[2019] No.13), from 1 January 2019 to 31 December 2021, the income of the small and micro enterprises shall be included in taxable income at a reduced ratio of 25% and they shall pay enterprise income tax at a tax rate of 20% for the portion of annual taxable income not exceeding RMB1 million; the income of the small and micro enterprises shall be included in taxable income at a reduced ratio of 50% and they shall pay enterprise income tax at a tax rate of 20% for the portion of annual taxable income more than RMB1 million but no exceeding RMB3 million. Some subsidiaries of the Company enjoyed above-mentioned tax preference during the reporting period.
- (4) According to *the Notice of the State Taxation Administration on the Issues Concerning the Implementation of Income Tax Preferences for High-tech Enterprises* (GSH [2009] No. 203), E-Trans Information Development Co., Ltd. has been enjoying tax preferences for high-tech enterprises at the reduced enterprise income tax rate of 15% since 2016.

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## VII. TAXES (CONTINUED)

### 2. Tax Preferences and Approvals (continued)

#### 2.1 Enterprise income tax (continued)

- (5) According to *the Notice of the State Taxation Administration on the Implementation of Several Tax Collection Issues under the Enterprise Income Tax Law* (GSH [2010] No. 79) and Article 26 of the Enterprise Income Tax Law, any dividends, bonuses and other equity investment gains between resident enterprises are exempted from enterprise income tax. The Group and its subsidiaries are exempted from enterprise income tax on dividends, bonuses and other equity investment gains between resident enterprises.
- (6) In accordance with the Decree No. 326 of the President of the Republic of Belarus dated 30 June 2014, the occupants in the Great Stone Industrial Park are exempted from income tax on their profits from the sales of independently manufactured goods (projects, services) in the Great Stone Industrial Park for ten calendar years from the date of registration in Belarus; upon expiration of the period of ten calendar years from the date of registration, the profit taxes are paid at half of the tax rate set out in the Decree of the President during the next ten calendar years. In 2020, the profits from the sales of self-produced goods in the Great Stone Industrial Park by China Merchants Great Stone Trade Logistics Co., Ltd. (hereinafter referred to as "Great Stone Trade Logistics") are exempted from enterprise income tax.

#### 2.2 Value-added tax

- (1) In accordance with *the Notice on Comprehensively Launching a Pilot Project for the Levy of Value-added Tax in Place of Business Tax* (Cai Shui [2016] No.36), the Group and its subsidiaries enjoy the tax preference of zero tax rate of the value-added taxes on their international freight forwarding business during the period.
- (2) In accordance with *the Proclamation on the Issuance of the Interim Measures for the Administration of the Levy of Value-added Tax on Taxpayers' Real Estate Operating Lease Services* (Proclamation (2016) No. 16 of the State Taxation Administration), general taxpayers may choose to apply a simple tax calculation method to calculate their tax payable at the rate of 5% when leasing out any real estate acquired by them before 30 April 2016. South China Branch of Sinoair and Beijing Sinotrans Airport Property Service Co., Ltd. under the Group pay value-added taxes on their real estate operating leasing services at the rate of 5%.
- (3) Any logistics auxiliary services (excluding warehousing services and receiving and distributing services) sold to overseas units and completely consumed abroad are exempted from value added tax. The cross-border taxable services of Sinoair and Sinotrans South China Co., Ltd. (hereinafter referred to as "Sinotrans South China") are exempted from value added tax during the period.
- (4) Any storage services provided by domestic units and individuals whose storage location is located abroad are exempted from valued-added tax. Any storage services provided by Sinotrans South China whose storage location is located abroad are exempted from valued-added tax during the period.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## VII. TAXES (CONTINUED)

### 2. Tax Preferences and Approvals (continued)

#### 2.2 Value-added tax (continued)

- (5) According to the requirements of *the Announcement on the Policies related to Deepening VAT Reforms* (the Announcement No. 39 of 2019 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), from 1 April 2019 to 31 December 2021, the taxpayers whose sales from the provision of postal services, telecommunication services, modern services, and living services account for more than 50% of their total sales are allowed to deduct taxable amount based on the deductible input tax for the current period plus 10%. The eligible subsidiaries of the Group can enjoy this tax preference.
- (6) The value-added tax rate applicable to the Group's subsidiaries in Belarus is 20%. In accordance with the Decree No. 326 of the President of the Republic of Belarus dated 30 June 2014, the value-added tax on the project funds used by Great Stone Trade Logistics for the construction of the Great Stone Industrial Park during the period shall be refunded.

#### 2.3 Land use tax

- (1) In accordance with the provisions of *the Announcement of the Ministry of Finance and the State Taxation Administration on the Continued Implementation of Preferential Policies for Urban Land Use Tax on Storage Facility Lands for Bulk Commodities of Logistics Enterprises* (Cai Shui (2020) No. 16), from 1 January 2020 to 31 December 2022, the urban land use tax on storage facility lands for bulk commodities owned by logistics enterprises (including self-used and leased lands) shall be levied at the reduced rate of 50% of the applicable tax standard for the land grade to which they belong.

The land use tax on the storage facility lands of Sinotrans Shanghai Haigang International Logistics Co., Ltd., a subsidiary of the Group which meets the above requirements, was levied at a reduced rate of 50% in 2020.

- (2) In accordance with *the Notice of the Ministry of Finance and the State Taxation Administration on the Continued Implementation of Preferential Policies for Property Tax and Urban Land Use Tax on Wholesale Markets for Agricultural Products and Farm Product Markets* (Cai Shui (2016) No. 1) and the Notice of the Ministry of Finance and the State Taxation Administration on the Continued Implementation of Preferential Policies for Property Tax and Urban Land Use Tax on Wholesale Markets for Agricultural Products and Farm Product Markets (Cai Shui (2019) No. 12), from 1 January 2019 to 31 December 2021, the property tax and the urban land use tax shall be temporarily exempted for the properties and lands of the wholesale markets of agricultural products and agricultural trading markets which are specifically used to operate agricultural products (including self-owned and leased properties and lands, the same below). For the properties and lands of the wholesale markets of agricultural products and farm product markets which are used to operate other products at the same time, the property tax and the urban land use tax shall be levied and exempted based on the proportion of the area of trading venue of other products to that of agricultural products. In the years of 2019 and 2020, Shenyang Branch of Sinotrans Northeast Co., Ltd. met such condition and was subject to a land use tax at a reduced rate of 50%.

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## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information of Secondary Subsidiaries Included in the Scope of Consolidation for the Period

Serial number	Name	Grade	Enterprise type	Registered place	Principal place of business	Business nature	Paid-in capital	Total shareholding	Total voting	Acquisition method	Remark
								ratio of the Group(%)	ratio of the Group(%)		
1	Sinotrans South China Co., Ltd.	2nd	1	Guangzhou, Guangdong Province	Guangzhou, Guangdong Province	Freight forwarding, logistics, storage and terminal services	1,349,668,931.90	100.00	100.00	1	
2	Sinotrans Eastern Company Limited	2nd	1	Shanghai	Shanghai	Freight forwarding, logistics, storage and terminal services	1,120,503,439.18	100.00	100.00	1	
3	Sinotrans Air Transportation Development Co., Ltd.	2nd	1	Beijing	Beijing	Air Freight forwarding, logistics and express	905,481,720.00	100.00	100.00	1	
4	Sinotrans Changjiang Co., Ltd.	2nd	1	Nanjing, Jiangsu Province	Nanjing, Jiangsu Province	Freight forwarding and logistics	650,000,000.00	100.00	100.00	1	
5	Sinotrans Central China Co., Ltd.	2nd	1	Qingdao, Shandong Province	Qingdao, Shandong Province	Freight forwarding, logistics, storage and terminal services	645,339,941.77	100.00	100.00	1	
6	Sinotrans Chemical International Logistics Co., Ltd.	2nd	1	Shanghai	Shanghai	Integrated logistics	339,554,483.66	59.20	59.20	1	
7	Sinotrans Fujian Co., Ltd.	2nd	1	Xiamen, Fujian Province	Xiamen, Fujian Province	Freight forwarding, storage and terminal services and others	223,257,965.92	100.00	100.00	1	
8	Trade Sky International Limited	2nd	3	HKSAR	Xiamen	Transportation	171,374,160.00	100.00	100.00	1	
9	Sinotrans North China Co., Ltd.	2nd	1	Tianjin	Tianjin	Freight forwarding	140,193,047.50	100.00	100.00	1	
10	Sinotrans Hubei Company Limited	2nd	1	Wuhan, Hubei Province	Wuhan, Hubei Province	Freight forwarding and logistics	120,000,000.00	100.00	100.00	1	
11	Sinotrans Heavy-lift Logistics Co., Ltd.	2nd	1	Jinan, Shandong Province	Jinan, Shandong Province	Lifting and transportation	103,600,000.00	100.00	100.00	3	
12	Wide Shine Development Limited	2nd	3	HKSAR	HKSAR	Container leasing	79,287,945.35	100.00	100.00	2	
13	Sinotrans Northeast Co., Ltd.	2nd	1	Dalian, Liaoning Province	Dalian, Liaoning Province	Freight forwarding and logistics	150,000,000.00	100.00	100.00	1	
14	China Marine Shipping Agency Co., Ltd.	2nd	1	Beijing	Beijing	Freight forwarding	30,000,000.00	100.00	100.00	1	
15	Sinotrans Chongqing Co., Ltd.	2nd	1	Chongqing	Chongqing	Freight forwarding	15,869,000.00	100.00	100.00	1	
16	Sinotrans Japan Co., Ltd.	2nd	3	Japan	Japan	Freight forwarding	3,418,111.04	100.00	100.00	2	
17	Sinotrans Korea Shipping Co., Ltd.	2nd	3	Korea	Korea	Freight forwarding	2,070,000.00	100.00	100.00	2	
18	Sinotrans Brazil Logistics Ltd.	2nd	3	Brazil	Brazil	Integrated logistics	2,065,554.43	100.00	100.00	1	
19	Sinotrans (HK) Logistics Limited	2nd	3	HKSAR	HKSAR	Freight forwarding and logistics	530,557.66	100.00	100.00	2	
20	Sanawat Al-Khier Company For General Trading And Marine Services	2nd	3	Iraq	Iraq	Integrated logistics	292,842.00	100.00	100.00	1	
21	Sinotrans Logistics Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Logistics	1,346,761,911.29	100.00	100.00	2	
22	Sinotrans Innovative Technology Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Integrated logistics	100,000,000.00	100.00	100.00	1	
23	Sinotrans Cold Chain Logistics Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Logistics	-	100.00	100.00	1	
24	China Merchants Great Stone Investment Consulting (Shenzhen) Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Logistics	701,410,000.00	42.00	66.67	1	
25	Sinotrans Logistics Investment Holdings Co., Ltd.	2nd	1	Beijing	Beijing	Logistics	433,110,000.00	100.00	100.00	2	

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. General Information of Subsidiaries Included in the Scope of Consolidation for the Period (continued)

Notes: Enterprise type: 1. domestic non-financial subsidiary; 2. domestic financial subsidiary; 3. overseas subsidiary; 4. public institution; 5. infrastructure unit.

Acquisition method: 1. establishment with investment; 2. business combination under common control; 3. business combination not under common control; 4. others.

### 2. Business Combination of the Group Not Under Common Control During the Period

#### 2.1 Companies of KLG Europe Holding B.V.

Name of the acquiree	Point of equity acquisition	Cost of equity acquisition	Method of equity acquisition	Date of acquisition	Determination basis of purchase date	Income of the acquiree from the date of acquisition to the end of the period	Net profit of the acquiree from the date of acquisition to the end of the period	Net cash flow of operating activities of the acquiree from the date of acquisition to the end of the period
7 Companies	2020-1-1	2,920,708,824.80	Cash payment	1 January 2020	Date of actual acquisition of control over the acquiree	678,289,647.78	35,427,696.03	49,550,913.18

In order to implement the Company's overseas strategies, build overseas channels and extend the Company's implementation ability in the European Union, on 26 September 2019, the 14th Meeting of the 2nd Board of Directors of the Company considered and approved the "Proposal on the Acquisition of the Equity Project of KLG Europe" and agreed to acquire the 100% equity of the 7 Companies registered by KLG Europe Holding B.V., including Netherlands' KLG Europe Eersel B.V., KLG Europe Rotterdam B.V. and KLG Europe Venlo B.V., Romania's KLG Invest Europe SRL, KLG Europe Logistics SRL and KLG Trucking SRL, and KLG Europe Bradford Limited in the United Kingdom (hereinafter collectively referred to as the "Target Company" or the 7 Companies, referred to regionally as the "UK Target Company", the "Dutch Target Company" and the "Romanian Target Company"). Pursuant to the aforementioned resolution of the Board of Directors, the Company established SE Logistics Holding B.V. (SPV1), SE Netherlands Logistics Holding B.V. (SPV2), SE Romania Logistics Holding B.V. (SPV3) in the Netherlands, and SPV1, SPV2 and China Merchants Shipping and Enterprises Company Limited (a holding subsidiary of the Company, acting as a guarantor of the transaction) signed the SHARE SALE AND PURCHASE AGREEMENT with the shareholders of the target company on 27 September 2019, agreeing to:

- 1) The transaction price for the acquisition of 100% equity in the Target Company is expected to be no more than EUR385,693,735 (approximately RMB3,005,904,124);

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Business Combination of the Group Not Under Common Control During the Period (continued)

#### 2.1 Companies of KLG Europe Holding B.V. (continued)

- 2) The transaction was closed in two steps, with the first step being the capital increase from SPV1 to SPV2, the completion of the acquisition of 100% equity in the UK Target Company and the Dutch Target Company by SPV2, and the completion of the acquisition of 100% equity in the Romanian Target Company by SPV2 and SPV3, with SPV2 paying an estimated total consideration of EUR282,980,226 (approximately RMB2,205,406,391). At the same time, SPV2 issued 20% of its equity interest to KLG Europe Holding B.V.. Upon completion of the first step of the closing, SPV2 held 100% equity interest in the Target Company, SPV1 held 80% equity in SPV2 and KLG Europe Holding B.V. held 20% equity in SPV2. The second step of the closing will be the acquisition by SPV1 of 20% equity in SPV2 from KLG Europe Holding B.V.. The consideration for the second step is expected to be no more than EUR100,000,000 (approximately RMB779,350,000).

On 21 October 2019 and 6 November 2019, the above-mentioned transactions passed the antitrust review of the German Federal Agency for Enterprise Integration and the Dutch Consumer and Market Authority, respectively. On 12 December 2019 (Beijing Time), SPV2 paid the purchase price of EUR282,980,226 for the first step of the closing as agreed in the SHARE SALE AND PURCHASE AGREEMENT, completing the first step of the closing.

On 12 December 2019, SPV1, SPV2 and KLG Europe Holding B.V. entered into a SHAREHOLDERS' AGREEMENT. The Shareholders' Agreement stipulates that KLG Europe Holding B.V. and its appointed members of the Management Committee have a one-vote veto right with respect to major management and operational decisions of the Target Company until 31 December 2019.

On 1 January 2020, the validity period of the one-vote veto right held by the former shareholders' party and the appointed members of the Management Committee with respect to the major management and operation decisions of the Target Company as agreed in the aforementioned SHAREHOLDERS' AGREEMENT ended, the Group and SPV1 were able to control the major management and operation decisions of SPV2 and the Target Company and enjoyed variable returns. Therefore, the Group considers 1 January 2020 as the date of acquisition and the Target Company was included in the scope of consolidation with effect from 1 January 2020.

On 3 June 2020 (Beijing Time), SPV1 paid EUR90,727,000 to KLG Europe Holding B.V. for its 20% equity in SPV2, as agreed in the SHARE SALE AND PURCHASE AGREEMENT.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Business Combination of the Group Not Under Common Control During the Period (continued)

#### 2.2 Consideration paid for business combination and goodwill

<b>Consideration paid for business combination</b>	<b>7 Companies (In EUR)</b>	<b>7 Companies (Equivalent to RMB)</b>
Consideration paid for business combination	373,707,226.00	2,920,708,824.80
—Cash	373,707,226.00	2,920,708,824.80
—Fair value of non-current assets	—	—
Total of consideration paid for business combination	373,707,226.00	2,920,708,824.80
Less: fair value share of identifiable net assets acquired	104,580,946.00	817,352,383.46
Goodwill	269,126,280.00	2,103,356,441.34

The main businesses of the 7 Companies are mainly road transportation, freight forwarding and storage services, and they have strong synergy effects with each other. As an important step for the Group and the Company to implement its overseas strategy and build overseas channels, the Group conducted the acquisition of the 7 Companies as a whole (asset group) with the intention of extending and integrating the Group's service capability in the EU region.

The value of 100% equity of the Target Company as at 31 December 2018 has been assessed by CB Richard Ellis Limited and a valuation report numbered C1902-0088-BV has been issued with an appraised value of EUR 387.4 million. With reference to the valuation report, the Group determined the consideration paid for business combination of EUR373,707,226 and paid the consideration on 12 December 2019 and 3 June 2020, respectively.

The difference between the consideration paid for business combination over the fair value of the identifiable assets and liabilities of the Target Company at the date of acquisition amounted to EUR 269,126,280, which was converted to RMB2,103,356,441.34 at the exchange rate on the date of acquisition and recognised as goodwill related to the Target Company.

The large amount of goodwill arising from the acquisition transaction is mainly derived from the fair value of the elements of going concern of the existing businesses of the 7 Companies and the synergy effects that the Group expects to realize from the combination of the existing businesses of the 7 Companies and the Group's other existing services from the acquisition transaction. The elements of going concern are primarily reflected in the 7 Companies' unidentifiable operating experience, transportation density advantages, management capabilities, human resources, and visibility.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Business Combination of the Group Not Under Common Control During the Period (continued)

#### 2.3 Identifiable assets, liabilities of the acquiree at the date of acquisition

Items	Amount for current period	
	Fair value at date of acquisition	Carrying amount at date of acquisition
Assets:	1,134,075,505.33	665,895,691.75
Cash and bank balances	186,193,994.49	186,193,994.49
Receivables	329,050,377.16	329,050,377.16
Inventories	4,630,550.89	4,630,550.89
Fixed assets	138,086,770.59	138,086,770.59
Intangible assets	475,207,909.78	7,028,096.20
Long-term equity investments	905,902.42	905,902.42
Liabilities:	316,723,121.87	209,959,491.94
Loan	–	–
Payables	209,061,608.22	209,061,608.22
Deferred tax liabilities	107,661,513.65	897,883.72
Net assets:	817,352,383.46	455,936,199.81
Less: Non-controlling interests	–	–
Net assets acquired	817,352,383.46	455,936,199.81

CB Richard Ellis Limited issued a Valuation and Advisory Services Report No. C1903-0167-BV for the purpose of Purchase Price Allocation for this acquisition transaction. At the date of acquisition, the Group determined the fair value of the identifiable assets and liabilities of the Target Company amounted to RMB1,134,075,505.33 and RMB316,723,121.87 respectively.



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Material Non-Wholly Owned Subsidiary

#### 3.1 Minority shareholders

30 June 2020

No.	Enterprise name	Shareholding ratio of non-controlling interests (%)	Profits and losses attributable to non-controlling interests in the period	Dividends paid to non-controlling interests in the period	Cumulative non-controlling interests at the end of the period
1	Sinotrans Chemical International Logistics Co., Ltd.	40.80	8,601,472.05	-	199,867,454.48
2	China Merchants Great Stone Investment Consulting (Shenzhen) Co., Ltd.	58.00	-37,362,672.13	-	244,073,692.05

30 June 2019

No.	Enterprise name	Shareholding ratio of non-controlling interests (%)	Profits and losses attributable to non-controlling interests in the period	Dividends paid to non-controlling interests in the period	Cumulative non-controlling interests at the end of the period
1	Sinotrans Chemical International Logistics Co., Ltd.	40.80	7,497,697.46	-	193,182,869.01
2	China Merchants Great Stone Investment Consulting (Shenzhen) Co., Ltd.	58.00	689,955.06	-	172,003,590.47

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Material Non-Wholly Owned Subsidiary

#### 3.2 Main financial information

Items	Amount for current period		Amount for prior period	
	Sinotrans Chemical International Logistics Co., Ltd.	China Merchants Great Stone Investment Consulting (Shenzhen) Co., Ltd.	Sinotrans Chemical International Logistics Co., Ltd.	China Merchants Great Stone Investment Consulting (Shenzhen) Co., Ltd.
Current assets	<b>738,838,428.33</b>	<b>227,928,051.84</b>	706,326,777.54	113,125,730.82
Non-current assets	<b>316,117,072.33</b>	<b>700,241,187.40</b>	332,170,754.26	820,300,987.45
Total assets	<b>1,054,955,500.66</b>	<b>928,169,239.24</b>	1,038,497,531.80	933,426,718.27
Current liabilities	<b>429,610,862.55</b>	<b>104,368,001.87</b>	417,819,778.21	38,160,487.93
Non-current liabilities	<b>30,686,084.81</b>	<b>402,601,810.31</b>	47,117,022.47	598,863,749.91
Total liabilities	<b>460,296,947.36</b>	<b>506,969,812.18</b>	464,936,800.68	637,024,237.84
Operating income	<b>821,176,719.79</b>	<b>250,299,879.02</b>	854,215,611.14	62,603,967.94
Net profit	<b>23,476,765.48</b>	<b>-64,418,400.22</b>	19,493,818.14	1,189,577.69
Total comprehensive income	<b>23,476,765.48</b>	<b>-108,512,961.30</b>	19,493,818.14	9,625,504.34
Net cash flows from operating activities	<b>69,986,180.10</b>	<b>4,717,847.70</b>	25,235,100.50	-55,591,565.55

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

In the financial statements, unless otherwise specified, “opening” means 1 January 2020, “closing” means 30 June 2020, “current period” means 1 January to 30 June 2020, and “prior period” means 1 January to 30 June 2019.

### 1. Cash and Bank Balances

#### (1) Classification of cash and bank balances

Items	Closing balance			Opening balance		
	Amount in original currency	Exchange rate	Amount in RMB	Amount in original currency	Exchange rate	Amount in RMB
<b>Cash on hand</b>	—	—	<b>16,441,839.70</b>	—	—	7,855,552.12
Including: RMB	11,509,288.43	1.0000	11,509,288.43	2,636,005.41	1.0000	2,636,005.41
USD	136,803.65	7.0795	968,501.44	135,238.37	6.9762	943,449.92
HKD	332,663.38	0.9134	303,854.73	241,019.29	0.8958	215,905.08
JPY	790,180.98	0.0658	51,993.91	600,794.64	0.0641	38,510.94
EUR	24,942.85	7.9610	198,570.03	180.00	7.8155	1,406.79
Others	—	—	3,409,631.16	—	—	4,020,273.98
<b>Cash at banks</b>	—	—	<b>9,482,439,882.79</b>	—	—	10,379,444,227.60
Including: RMB	5,731,962,815.39	1.0000	5,731,962,815.39	7,688,714,160.69	1.0000	7,688,714,160.69
USD	429,465,048.57	7.0795	3,040,397,811.35	323,934,430.67	6.9762	2,259,831,375.24
HKD	309,737,668.16	0.9134	282,914,386.10	297,363,139.22	0.8958	266,377,900.11
JPY	343,670,409.52	0.0658	22,613,512.95	743,112,549.87	0.0641	47,633,514.45
EUR	39,405,167.09	7.9610	313,704,535.20	4,287,705.83	7.8155	33,510,564.91
Others	—	—	90,846,821.80	—	—	83,376,712.20
<b>Other cash and bank balances</b>	—	—	<b>85,623,381.22</b>	—	—	88,200,044.44
Including: RMB	69,683,135.45	1.0000	69,683,135.45	68,983,745.95	1.0000	68,983,745.95
HKD	17,451,550.00	0.9134	15,940,245.77	21,451,550.00	0.8958	19,216,298.49
<b>Total</b>	—	—	<b>9,584,505,103.71</b>	—	—	10,475,499,824.16
Including: total amount deposited abroad	—	—	<b>1,940,014,973.32</b>	—	—	1,694,206,685.57

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. Cash and Bank Balances (continued)

#### (2) Restricted use of cash and cash equivalents at the end of the period

Items	Closing balance	Opening balance	Reasons for restricted use
Guarantee money	<b>41,783,306.45</b>	64,769,370.51	Bank restricted
Funds deposited subject to restrictions on the litigation	<b>15,652,792.84</b>	12,207,337.18	Court restricted instruction
Performance bond	—	3,000,000.00	Performance bond
Interests receivable	<b>21,703,241.45</b>	1,522,289.67	Not yet settled
Others	<b>6,484,040.48</b>	6,701,047.08	—
<b>Total</b>	<b>85,623,381.22</b>	88,200,044.44	—

### 2. Held-For-Trading Financial Assets

Items	Closing balance	Opening balance
Financial assets at fair value through profit or loss	<b>142,038.83</b>	5,641,228.80
Including: Held-for-trading debt instrument investments	—	5,500,000.00
Held-for-trading equity instrument investments	<b>142,038.83</b>	141,228.80
<b>Total</b>	<b>142,038.83</b>	5,641,228.80

### 3. Bills Receivable

#### (1) Classification of bills receivable

Type	Closing balance	Opening balance
Commercial acceptance bills	<b>11,059,111.09</b>	18,589,129.53
Less: Credit loss provision	<b>500,000.00</b>	200,000.00
<b>Total</b>	<b>10,559,111.09</b>	18,389,129.53

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. Bills Receivable (continued)

(2) There was no bills receivable being pledged at the end of the period.

(3) Bills receivable that have been endorsed or discounted at the end of the period and are not yet due at the date of the statement of financial position

Type	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Commercial acceptance bills	-	4,289,993.27
<b>Total</b>	<b>-</b>	<b>4,289,993.27</b>

(4) The Group had no bills (31 December 2019: Nil) converted to accounts receivable as of 30 June 2020 due to non-performance by the drawer.

(5) As of 30 June 2020, the Group has bills receivable in the amount of RMB500,000.00 (31 December 2019: RMB200,000.00) in respect of which there is a loss due to the default of the acceptor.

(6) The balances stated above had no bills receivable from shareholders holding more than 5% (including 5%) of the voting shares of the Company.

(7) All of the aforementioned bills receivable have maturities of less than 360 days.

### 4. Accounts Receivable

The terms of service of the Company and its customers are mainly credit transactions, and the credit period is usually 1 to 6 months. Accounts receivable are interest free.

(1) Overall information of accounts receivable

Items	Closing balance	Opening balance
Accounts receivable	<b>11,997,968,535.70</b>	10,537,102,117.72
Less: Credit loss provision	<b>461,406,727.37</b>	422,138,102.84
<b>Total</b>	<b>11,536,561,808.33</b>	10,114,964,014.88

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts Receivable (continued)

##### (2) Classification of accounts receivable

Items	Carrying amount						Credit loss provision						Accrual reasons for credit losses	Closing balance
	Aging						Aging							
	Within 180 days	180 days to 1 year	2 years	3 years	Over 3 years	Total	Within 180 days	180 days to 1 year	2 years	3 years	Over 3 years	Total		
Low risk	143,085,502.53	4,367,412.32	7,229,420.08	1,519,165.55	3,471,408.78	159,972,909.26	-	-	-	-	-	-	159,972,909.26	RMB, USD, Euro, HKD, Others
Normal risk	10,890,895,338.37	475,337,761.60	164,311,369.05	88,556,482.01	193,649,939.91	11,837,995,826.44	92,520,102.33	4,237,576.41	88,315,643.25	77,980,909.15	193,352,496.23	461,406,727.37	11,837,995,826.44	RMB, USD, Euro, HKD, Others
Including: Aging portfolio	10,872,060,121.99	470,685,479.79	161,994,182.61	64,522,094.66	178,373,130.18	11,747,625,009.23	87,926,396.90	3,877,838.02	72,019,441.91	53,952,668.54	178,373,130.18	398,149,475.55	11,747,625,009.23	RMB, USD, Euro, HKD, Others
Portfolio of re-sale of payments	18,829,411.88	4,902,281.81	22,327,706.44	24,034,387.35	20,276,829.73	90,370,617.21	4,593,705.43	389,738.39	16,296,201.34	24,028,240.61	19,979,386.05	65,257,251.82	90,370,617.21	RMB, HKD
<b>Total</b>	<b>11,833,975,036.40</b>	<b>480,255,173.92</b>	<b>191,541,309.13</b>	<b>90,075,647.56</b>	<b>202,191,388.69</b>	<b>11,937,968,835.70</b>	<b>92,520,102.33</b>	<b>4,237,576.41</b>	<b>88,315,643.25</b>	<b>77,980,909.15</b>	<b>193,352,496.23</b>	<b>461,406,727.37</b>	<b>11,937,968,835.70</b>	

Expected credit loss  
Individual risks  
are high

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts Receivable (continued)

#### (3) Overall aging of accounts receivable

The aging analysis of accounts receivable based on the transaction date is as follows:

Items	Closing balance			Opening balance		Credit loss provision
	Carrying amount	Proportion (%)	Credit loss provision	Carrying amount	Proportion (%)	
Within 1 year (including 1 year)	11,514,230,210.32	95.97	96,757,678.74	10,122,275,271.15	96.06	96,730,351.66
1 to 2 years (including 2 years)	191,541,309.13	1.60	88,315,643.25	149,415,488.63	1.42	71,833,424.16
2 to 3 years (including 3 years)	90,075,647.56	0.75	77,980,909.15	79,054,894.88	0.75	70,795,552.38
Over 3 years	202,121,368.69	1.68	198,352,496.23	186,356,463.06	1.77	182,778,774.64
<b>Total</b>	<b>11,997,968,535.70</b>	<b>100.00</b>	<b>461,406,727.37</b>	<b>10,537,102,117.72</b>	<b>100.00</b>	<b>422,138,102.84</b>

#### (4) Accounts receivable of low-risk portfolio

Items	Carrying amount	Expected credit loss rate over the entire life	Credit loss provision
Receivables from related parties	159,972,909.26	0.00%	—
<b>Total</b>	<b>159,972,909.26</b>	<b>0.00%</b>	<b>—</b>

#### (5) Accounts receivable of normal risk portfolio

##### 1) Expected credit loss matrix based on aging

Items	Carrying amount	Expected credit loss rate over the entire life	Credit loss provision
Within 1 year (including 1 year)	11,342,745,601.78	0.81%	91,804,234.92
1 to 2 years (including 2 years)	161,984,182.61	44.46%	72,019,441.91
2 to 3 years (including 3 years)	64,522,094.66	83.62%	53,952,668.54
Over 3 years	178,373,130.18	100.00%	178,373,130.18
<b>Total</b>	<b>11,747,625,009.23</b>	<b>—</b>	<b>396,149,475.55</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts Receivable (continued)

#### (5) Accounts receivable of normal risk portfolio (continued)

##### 2) Individual assessment of expected credit loss (not significant credit impaired)

Company name	Carrying amount	Expected credit loss rate over the entire life	Credit loss provision	Accrual reasons for credit losses
Entity 1	6,671,338.71	100.00%	6,671,338.71	High risk involved in litigation
Entity 2	6,050,099.67	100.00%	6,050,099.67	High risk involved in litigation
Entity 3	5,934,142.55	100.00%	5,934,142.55	High risk involved in litigation
Entity 4	5,122,574.14	78.09%	4,000,000.00	High risk involved in litigation
Entity 5	3,965,210.94	100.00%	3,965,210.94	High risk involved in litigation
Entity 6	3,173,562.72	100.00%	3,173,562.72	High risk involved in litigation
Entity 7	3,058,572.64	100.00%	3,058,572.64	The other company has bankruptcy reorganization
Entity 8	2,994,837.01	100.00%	2,994,837.01	High risk involved in litigation
Entity 9	1,999,868.88	100.00%	1,999,868.88	High risk involved in litigation
Entity 10	1,685,307.39	100.00%	1,685,307.39	High risk involved in litigation
Entity 11	1,489,574.50	100.00%	1,489,574.50	The other company has canceled
Entity 12	1,340,000.00	100.00%	1,340,000.00	High risk involved in litigation
Entity 13	1,252,561.15	100.00%	1,252,561.15	High risk involved in litigation
Others	45,632,966.91	47.43%	21,642,175.66	Extreme credit risk
<b>Total</b>	<b>90,370,617.21</b>	—	<b>65,257,251.82</b>	—

#### (6) Changes in credit loss provision for accounts receivable

Items	Opening balance	Provision	Increases/decreases			Closing balance
			Recoveries or reversals	Write-back or write-off in current period	Other changes	
Current period	422,138,102.84	36,292,660.50	-374,314.69	-1,070,869.44	4,421,148.16	461,406,727.37
Prior period	439,817,856.93	28,648,168.40	-8,373,665.87	-	3,602.16	460,095,961.62

Note: The changes are mainly due to changes in the scope of consolidation and the impact of foreign currency translation during the period.



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts Receivable (continued)

#### (7) Reversal or recovery of provision for credit losses for the period

Company name	Carrying amounts of accounts receivable	Reason for reversal or recovery	Basis for determining original credit loss provisions	Accumulated amount of credit loss provision before reversal or recovery	Amount reversed or recovered
Entity 1	331,844.00	Settled	Long aged, high risk to recover	201,180.41	201,180.41
Entity 2	89,584.50	Settled	Long aged, high risk to recover	89,584.50	89,584.50
Entity 3	83,543.36	Settled	Long aged, high risk to recover	83,543.36	83,543.36
Entity 4	6.42	Settled	Long aged, high risk to recover	6.42	6.42
<b>Total</b>	<b>504,978.28</b>	—	—	<b>374,314.69</b>	<b>374,314.69</b>

#### (8) Accounts receivable written off during the reporting period

Company name	Nature of accounts receivable	Amount	Reason for write-off	Whether due to related party transactions
Entity 1	Logistics business	1,070,869.44	The other company went out of business and the pre-acquisition accounts were written off during the period of liquidation	No
<b>Total</b>	—	<b>1,070,869.44</b>	—	—

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts Receivable (continued)

(9) As of 30 June 2020, the Group had no arrears from shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

#### (10) Top 5 accounts receivable

Company name	Relationship with the Group	Amount	Aging	Credit loss provision	Percentage of total accounts receivable (%)
Entity 1	Non-related party	143,954,609.09	Within 1 year	275,116.41	1.20
Entity 2	Non-related party	118,432,081.72	Within 1 year	247,552.62	0.99
Entity 3	Non-related party	110,774,731.37	Within 1 year	2,570,015.39	0.92
Entity 4	Non-related party	110,705,780.55	Within 1 year	215,390.05	0.92
Entity 5	Non-related party	90,734,301.20	Within 1 year	668,927.17	0.76
<b>Total</b>	—	<b>574,601,503.93</b>	—	<b>3,977,001.64</b>	<b>4.79</b>

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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts Receivable (continued)

#### (11) Accounts receivable from related parties

Company name	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable(%)	Credit loss provision
Sinotrans Container Lines Co., Ltd.	Under the control of the ultimate controller	36,427,974.78	Within 1 year	0.30	—
Sinotrans Sunny Express Co., Ltd.	Under the control of the ultimate controller	11,336,780.57	Within 1 year	0.09	—
Ocean Network Express (China) Co., Ltd.	Other related parties	8,688,317.86	Within 1 year	0.07	—
DHL-Sinotrans International Air Courier Co., Ltd.	Joint ventures of the Group	7,593,862.24	Within 1 year	0.06	—
Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	Joint ventures of the Group	5,990,118.63	Within 1 year	0.05	—
SINOTRANS CONTAINER LINES (HONG KONG) COMPANY LIMITED	Under the control of the ultimate controller	5,688,312.22	Within 1 year	0.05	—
China Merchants Logistics Group Nanjing Co., Ltd.	Associates of the Group	4,687,202.25	Within 1 year	0.04	—
Nissin-Sinotrans International Logistics Co., Ltd.	Joint ventures of the Group	4,682,757.52	Within 1 year	0.04	—
Weihai Weidong Shipping Co., Ltd.	Associates of the Group	3,615,809.58	Within 1 year	0.03	—
China Merchants Heavy Industry(Jiangsu)Co., Ltd.	Under the control of the ultimate controller	3,466,087.98	Within 1 year	0.03	—
Sinotrans International Trading Co., Ltd.	Under the control of the ultimate controller	3,400,736.66	Within 1 year, 2-3 years	0.03	—
Shenyang Jinyun Automobile Logistics Co., Ltd.	Joint ventures of the Group	3,219,247.88	1-2 years	0.03	—
Nanjing Tanker Corporation	Under the control of the ultimate controller	2,953,850.80	Within 1 year	0.02	—
Sinotrans Gansu Co., Ltd.	Under the control of the ultimate controller	2,868,691.42	Within 1 year	0.02	—
Sinotrans Djibouti Co., Ltd.	Joint ventures of the Group	2,609,817.53	Within 1 year, 2-3 years	0.02	—
Jiangsu Nissin Sinotrans International Transport Co., Ltd.	Joint ventures of the Group	2,490,542.14	Within 1 year	0.02	—
Far Rise Co., Ltd.	Under the control of the ultimate controller	2,376,662.87	Over 3 years	0.02	—
Sinotrans Henan Bonded Logistics Co., Ltd.	Under the control of the ultimate controller	2,208,928.53	Within 1 year, 1-2 years	0.02	—
Qingdao Yujiachang Shipping Container Co., Ltd.	Associates of the Group	2,160,894.41	Within 1 year	0.02	—
CIEC International Transportation Co., Ltd.	Associates of the Group	2,114,547.87	Within 1 year	0.02	—
China Merchants Jinling Shipyard (Weihai) Co., Ltd.	Under the control of the ultimate controller	2,114,488.80	Within 1 year	0.02	—
Chongqing Wanqiao Traffic Technology Development Co., Ltd.	Under the control of the ultimate controller	2,010,832.20	1-2 years	0.02	—
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Associates of the ultimate controlling party	2,009,414.83	Within 1 year	0.02	—
Others	—	35,257,029.69	—	0.29	—
<b>Total</b>	—	<b>159,972,909.26</b>	—	<b>1.33</b>	—

(12) As of 30 June 2020, the Group had no receivables derecognised as a result of the transfer of financial assets.

(13) As of 30 June 2020, the Group did not continue to involve in the assets and liabilities formed by transfer of accounts receivable.

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Receivables Financing

(1) Classification of receivables financing

Type	Closing balance	Opening balance
Bank acceptance bills	611,782,370.73	600,596,569.69
<b>Total</b>	<b>611,782,370.73</b>	600,596,569.69

(2) The Group has no pledged notes receivable at the end of the period.

(3) Bills receivable that have been endorsed or discounted at the end of the period and are not yet due at the date of the statement of financial position

Type	Amount derecognised at the end of the period	Amounts not derecognised at the end of the period
Bank acceptance bills	245,675,714.57	–
<b>Total</b>	<b>245,675,714.57</b>	–

(4) The Group's unaccepted bank acceptance bills due at the end of the period due to defects in endorsements amounted to RMB5,422,828.20, have been accepted as of the date of issue of this report.

(5) On 30 June 2020, the Group did not convert the notes into accounts receivable due to the inability of the drawer to perform the contract (31 December 2019: Nil).

(6) As at 30 June 2020 and 31 December 2019, the Group did not believe that the bank acceptance bills held are subject to significant credit risk and will not result in significant losses due to default; therefore no provision for credit loss was made.

(7) Among the above balances, there are no bills receivable from shareholder units holding more than 5% (including 5%) voting rights of the company.

(8) The maturity dates of the bills receivable mentioned above are all within 360 days.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Prepayments

**(1) The aging of prepayments is analysed as follows:**

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	<b>2,585,078,177.38</b>	2,166,089,440.87
1 to 2 years (including 2 years)	<b>45,491,374.70</b>	44,412,095.28
2 to 3 years (including 3 years)	<b>18,438,559.17</b>	20,816,666.48
Over 3 years	<b>23,709,735.69</b>	15,489,624.09
<b>Total</b>	<b>2,672,717,846.94</b>	2,246,807,826.72

**(2) Large prepayments with the aging of more than one year are as follows:**

Company name	Closing balance	Aging	Reasons for non-settlement
Shanghai Wusongkou International Cruise Port Development Co., Ltd. (Note 1)	<b>10,431,789.54</b>	Over 3 years	Unfulfilled obligations
TREASURY WINE ESTATES VINTNERS LIMITED	<b>8,368,188.88</b>	1-3 years	Unfulfilled obligations
<b>Total</b>	<b>18,799,978.42</b>	—	—

Note 1: The reason for unsettled prepayments of Sinotrans Eastern Company Limited (a subsidiary of the Group) to Shanghai Wusongkou International Cruise Port Development Co., Ltd. is due to the berth lock deposits at terminal. Such lock deposits need to be paid at least one year in advance.

**(3) Top 5 prepayments**

Company name	Relationship with the Group	Amount	Aging	Proportion to the total prepayments (%)	Reasons for non-settlement
Entity 1	Non-related party	52,493,888.68	Within 1 year	1.96	Business has not ended
Entity 2	Non-related party	51,861,700.83	Within 1 year	1.94	Business has not ended
Entity 3	Non-related party	48,043,651.99	Within 1 year	1.80	Business has not ended
Entity 4	Non-related party	40,222,167.83	Within 1 year	1.50	Business has not ended
Entity 5	Related party	39,943,030.97	Within 1 year	1.49	Business has not ended
<b>Total</b>	—	<b>232,564,440.30</b>	—	<b>8.69</b>	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Prepayments (continued)

- (4) The Group has no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company as of 30 June 2020.

### 7. Other Receivables

Items	Closing balance	Opening balance
Interest receivable	1,396,067.84	1,281,663.75
Dividends receivable	58,462,551.98	53,247,750.69
Other receivables	1,514,981,109.83	1,582,848,572.99
<b>Total</b>	<b>1,574,839,729.65</b>	1,637,377,987.43

#### (1) Interest receivable

##### 1) Classification of interest receivable

Items	Closing balance	Opening balance
Interest on joint venture loans	1,396,067.84	1,281,663.75
<b>Total</b>	<b>1,396,067.84</b>	1,281,663.75

##### 2) Overdue Interest receivable

Loan unit	Closing balance	Overdue time	Reason for overdue	Whether an impairment occurred and the basis for its judgment
MAXX LOGISTICS FZCO.	1,396,067.84	2-3 years	Funding support for joint ventures	Fund support for joint ventures, expected to be recovered without impairment
<b>Total</b>	<b>1,396,067.84</b>	—	—	—

- 3) The management of the Group believes that it is unnecessary to make impairment provision for the interest receivable as at 30 June 2020.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Other Receivables (continued)

#### (2) Dividends receivable

Invested entities	Opening balance	Increase due to changes in the scope of consolidation	Increase in current period	Decrease in current period	Translation difference in foreign currency statements	Closing balance	Reason for non-recovery	Whether an impairment occurs and its judgment basis
<b>Dividends receivable with the aging of less than 1 year</b>	6,000,000.00	-	12,041,648.14	6,826,846.85	-	<b>11,214,801.29</b>	—	—
Including: Shanghai Tongyun International Logistics Co., Ltd.	-	-	2,644,344.75	2,644,344.75	-	-	—	—
Qingdao Huasheng Airport Logistics Co., Ltd.	-	-	3,921,762.04	3,921,762.04	-	-	—	—
New Land Bridge (Lianyungang) Terminal Co., Ltd.	-	-	5,475,541.35	260,740.06	-	<b>5,214,801.29</b>	Declared unreleased	No
Wuhan Port Container Co., Ltd.	6,000,000.00	-	-	-	-	<b>6,000,000.00</b>	Declared unreleased	No
<b>Dividends receivable aged over 1 year</b>	47,247,750.69	-	-	-	-	<b>47,247,750.69</b>	—	—
Including: New Land Bridge (Lianyungang) Terminal Co., Ltd.	24,450,387.89	-	-	-	-	<b>24,450,387.89</b>	Note 1	No
China United Tally Co., Ltd.	20,000,000.00	-	-	-	-	<b>20,000,000.00</b>	Note 2	No
CIETC International Transportation Co., Ltd.	2,797,362.80	-	-	-	-	<b>2,797,362.80</b>	The payment approval process has not been completed	No
<b>Total</b>	<b>53,247,750.69</b>	<b>-</b>	<b>12,041,648.14</b>	<b>6,826,846.85</b>	<b>-</b>	<b>58,462,551.98</b>	—	—

Note 1: New Land Bridge (Lianyungang) Terminal Co., Ltd. is a joint venture invested by the company and Sinotrans (Hong Kong) Logistics Co., Ltd. (hereinafter referred to as "Hong Kong Logistics") and Sinotrans Land Bridge Transport Co., Ltd. Dividends paid to overseas companies have not yet been approved by the relevant authorities, so they have not been paid yet.

Note 2: China United Tally Co., Ltd. (hereinafter referred to as "China United Tally") was originally a joint venture established by the company and COSCO SHIPPING Logistics Co., Ltd. (hereinafter referred to as "COSCO SHIPPING") on 13 May 2003. The Company's shareholding ratio is 32%. On 13 May 2018, the Company and COSCO SHIPPING signed the "Agreement on Arrangements Related to China United Tally Co., Ltd.", which stipulated that from 1 January 2018 to 31 December 2019, the company would no longer participate the operation and management of China United Tally, regardless of the profit or loss of China United Tally in that year, the Company will collect RMB10 million from China United Tally every year. In addition, the company no longer has the right to enjoy the gains from China United Tally in accordance with the shareholding ratio, nor to bear any losses during the year.

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For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other Receivables (continued)

##### (3) Other receivables

##### 1) Analysis by nature of payment

Nature of payment	Closing balance	Opening balance
Deposits receivable	<b>796,518,951.45</b>	760,234,512.72
Government grants receivable	<b>491,467,402.77</b>	503,229,849.36
Receivables from related parties	<b>140,662,515.49</b>	150,116,766.64
Advanced payments	<b>72,875,773.63</b>	137,626,297.78
Reserve fund receivable	<b>19,099,403.10</b>	41,500,399.88
Compensation receivable	<b>32,917,989.43</b>	38,373,316.10
Others	<b>121,528,860.86</b>	114,453,147.03
<b>Subtotal</b>	<b>1,675,070,896.73</b>	1,745,534,289.51
Less: Credit loss provision	<b>160,089,786.90</b>	162,685,716.52
<b>Total</b>	<b>1,514,981,109.83</b>	1,582,848,572.99

##### 2) Analysis by aging

Items	Closing balance			Opening balance		
	Carrying amount	Proportion (%)	Credit loss provision	Carrying amount	Proportion (%)	Credit loss provision
Within 1 year (including 1 year)	<b>1,154,967,436.09</b>	<b>68.94</b>	<b>3,197,515.04</b>	1,256,152,069.48	71.96	5,508,664.45
1 to 2 years (including 2 years)	<b>163,916,725.57</b>	<b>9.79</b>	<b>4,625,280.43</b>	172,681,296.31	9.89	6,641,078.05
2 to 3 years (including 3 years)	<b>86,219,606.59</b>	<b>5.15</b>	<b>3,874,799.28</b>	109,251,920.22	6.26	28,385,632.67
Over 3 years	<b>269,967,128.48</b>	<b>16.12</b>	<b>148,392,192.15</b>	207,449,003.50	11.89	122,150,341.35
<b>Total</b>	<b>1,675,070,896.73</b>	<b>100.00</b>	<b>160,089,786.90</b>	1,745,534,289.51	100.00	162,685,716.52



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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Other Receivables (continued)

#### (3) Other receivables (continued)

#### 3) Changes in credit loss provision for other receivables based on 12-month and expected credit losses throughout the duration period in the future

Credit loss provision	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Expected credit losses throughout duration period (not credit-impaired)	Expected credit losses throughout duration period (credit-impaired)	
Opening balance	69,497,627.09	-	93,188,089.43	162,685,716.52
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
- Reverse to stage 2	-	-	-	-
- Reserve to stage 1	-	-	-	-
Provision in the period	-6,381,912.84	-	3,012,602.83	-3,369,310.01
Reversal in the period	-	-	-	-
Written-off in the period	-	-	-	-
Decrease in disposal of subsidiaries	-	-	-	-
Foreign exchange rate changes	869,043.83	-	-	869,043.83
Other changes	-95,663.44	-	-	-95,663.44
<b>Closing balance</b>	<b>63,889,094.64</b>	<b>-</b>	<b>96,200,692.26</b>	<b>160,089,786.90</b>

4) *There are no other receivables for which the Group has fully provided for credit losses during the current period, or for which a significant proportion of the provision for credit losses has been made, but which have been recovered or reversed in full during the current period, or for which a significant proportion of the provision for credit losses has been recovered or reversed during the current period.*

5) *The Group has no other receivables actually written off during the period.*

6) *Outstanding debts of shareholders holding more than 5% (inclusive) of the voting shares of the Company*

Company name	Closing balance		Opening balance	
	Amount owed	Credit loss provision	Amount owed	Credit loss provision
Sinotrans & CSC	7,612,945.30	-	27,150,710.30	-
<b>Total</b>	<b>7,612,945.30</b>	<b>-</b>	<b>27,150,710.30</b>	<b>-</b>

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Other Receivables (continued)

#### (3) Other receivables (continued)

##### 7) Other receivables with the top five closing balances pooled by debtor

Company name	Relationship with the Group	Amount	Aging	Proportion to total other Receivables(%)	Credit loss provision	Nature or content
Entity 1	Non-related party	131,745,946.20	Within 1 year	7.87	-	China Railway Express subsidy and so on
Entity 2	Non-related party	131,695,566.54	Within 1 year	7.86	-	China Railway Express subsidy and so on
Entity 3	Non-related party	92,988,710.99	Within 1 year	5.55	-	China Railway Express subsidy
Entity 4	Non-related party	57,154,131.85	Within 1 year	3.41	-	China Railway Express subsidy
Entity 5	Non-related party	40,800,000.00	Within 1 year	2.44	-	Charter subsidy
<b>Total</b>	—	<b>454,384,355.58</b>	—	<b>27.13</b>	-	—

##### 8) Receivables from related parties

Company name	Relationship with the Group	Amount	Proportion to total other receivables(%)
Shenyang Jinyun Automobile Logistics Co., Ltd.	Joint ventures of the Group	20,000,000.00	1.19
CSC Bulk Shipping Co., Ltd.	Under the control of the ultimate controller	18,877,058.04	1.13
Sinotrans Djibouti Co., Ltd.	Joint ventures of the Group	18,867,553.10	1.13
MAXX LOGISTICS FZCO.	Joint ventures of the Group	16,778,438.60	1.00
Sinotrans & CSC	Under the control of the ultimate controller	7,612,945.30	0.45
DHL-Sinotrans International Air Courier Co., Ltd.	Joint ventures of the Group	6,641,402.32	0.40
China Merchants Logistics Group Nanjing Co., Ltd	Associates of the Group	5,040,848.61	0.30
Guangdong Sinotrans Co., Ltd.	Under the control of the ultimate controller	5,002,990.54	0.30
Sinotrans (Pakistan) Logistics Co., Ltd.	Joint ventures of the Group	3,694,886.32	0.22
Dalian Jd Cargo International Co., Ltd.	Joint ventures of the Group	3,600,000.00	0.21
Zhengzhou China Merchants Logistics Co., Ltd.	Under the control of the ultimate controller	3,420,726.64	0.20
China Merchants Bonded Logistics Co., Ltd.	Under the control of the ultimate controller	3,072,338.24	0.18
Sinotrans High-tech Logistics (Suzhou) Co., Ltd.	Joint ventures of the Group	3,064,485.87	0.18
Guangxi Yunyu Port Co., Ltd.	Associates of the Group	2,680,000.00	0.16
Dongguan Sinotrans E-commerce Co., Ltd.	Joint ventures of the Group	2,210,483.68	0.13
Others	—	20,098,358.23	1.20
<b>Total</b>	—	<b>140,662,515.49</b>	<b>8.38</b>

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Other Receivables (continued)

#### (3) Other receivables (continued)

##### 9) Other receivables in relation to government grants

Company name	Projects related to government grant	Closing balance		Expected receiving time, balance and reason
		balance	Aging	
Entity 1	Subsidies for international rail container block trains	131,695,566.54	Within 1 year	Expected to be recovered in the second half of 2020 under the subsidy policy
Entity 2	China Railway Express subsidy	87,345,946.20	Within 1 year	Expected to be recovered by August 2020 under the subsidy policy
Entity 3	China Railway Express subsidy	83,762,500.00	Within 1 year	Recovered on 7 August 2020
Entity 4	Operation of China Railway Express platform	57,154,131.85	Within 1 year	According to the Shenyang China-Europe Train Project Cooperation Agreement, it is expected to be recovered in December 2020
Entity 5	Changsha subsidies to effectively reduce the impact of the epidemic on stable economic operations	44,400,000.00	Within 1 year	Expected to be recovered in April 2021 under the subsidy policy
Entity 6	Charter subsidy	40,800,000.00	Within 1 year	According to the Notice of the General Office of the People's Government of Zhejiang Province on Printing and Distributing the Measures for the Administration of Special Funds for the Guidance and Cultivation of New International Air Lines at Hangzhou Aviation Port, it is expected to be fully recovered in June 2021
Entity 7	Port subsidies, domestic trade subsidies and subsidies for shuttle bus	15,451,867.19	Within 2 years	Expected to be recovered by December 2020 under the subsidy policy
Entity 8	Multimodal Transport Centre Asia-Europe Railway Express subsidy	11,724,200.00	Within 1 year	According to the Minutes of the Special Meeting of the Wendeng District People's Government [2019] No. 19, it is expected to be recovered in the second half of 2020
Entity 9	China Railway Express subsidy	9,226,210.99	Within 1 year	Recovered on 28 July 2020
Entity 10	China Railway Express subsidy	6,293,000.00	Within 1 year	According to the China-Europe Train (Xinxiang) Agreement, it is expected to be recovered in the second half of 2020
Entity 11	Government subsidies for lifting and shifting costs incurred during customs inspection	1,583,570.00	Within 1 year	According to the Weihai Port Affairs Service Center [2019] Document No.4, it is expected to be recovered in November 2020
Entity 12	Rail export container subsidies	1,082,000.00	Within 1 year	According to the Nanjing Port Logistics Development Special Fund Management Measures, it is expected to be recovered in the second half of 2020
Entity 13	Government subsidies for lifting and shifting costs incurred during customs inspection	948,410.00	Within 1 year	According to the Weihai Port Affairs Service Center [2019] Document No.4, it is expected to be recovered in November 2020
<b>Total</b>	—	<b>491,467,402.77</b>	—	—

Note: The Group's government subsidies, such as international railway express subsidy or container volume subsidies, are in accordance with the preferential policies in the region. Government subsidies are reported and obtained in a timely manner in accordance with the preferential standards.

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Other Receivables (continued)

#### (3) Other receivables (continued)

10) There were no prepayments transferred to other receivables at the end of the period.

### 8. Inventories

#### (1) Classification of inventories

Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value	Carrying amount	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	34,100,303.38	2,995,950.82	31,104,352.56	35,112,202.30	2,995,950.82	32,116,251.48
Finished goods	65,789,286.31	3,075,083.22	62,714,203.09	75,874,908.77	3,002,376.74	72,872,532.03
Revolving materials	16,709,773.23	1,757,000.00	14,952,773.23	22,061,538.50	1,757,000.00	20,304,538.50
<b>Total</b>	<b>116,599,362.92</b>	<b>7,828,034.04</b>	<b>108,771,328.88</b>	133,048,649.57	7,755,327.56	125,293,322.01

#### (2) Provision for decline in value of inventories

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	2,995,950.82	-	-	-	-	2,995,950.82
Finished goods	3,002,376.74	-	72,706.48	-	-	3,075,083.22
Revolving materials	1,757,000.00	-	-	-	-	1,757,000.00
<b>Total</b>	7,755,327.56	-	72,706.48	-	-	7,828,034.04

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

#### 9. Non-Current Assets Due Within One Year

Items	Closing balance	Opening balance
Long-term receivables due within one year	<b>12,205,000.00</b>	12,085,000.00
<b>Total</b>	<b>12,205,000.00</b>	12,085,000.00

#### 10. Other Current Assets

Items	Closing balance	Opening balance
Deductible VAT taxation expenses	<b>565,679,331.56</b>	592,200,763.19
Prepaid taxes	<b>16,148,905.82</b>	34,108,929.81
<b>Subtotal</b>	<b>581,828,237.38</b>	626,309,693.00
Less: Impairment provision	-	-
<b>Total</b>	<b>581,828,237.38</b>	626,309,693.00

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-Term Receivables

Items	Closing balance			Opening balance			Range of discount rates at the end of the period
	Gross carrying amount	Credit loss provision	Carrying amount	Gross carrying amount	Credit loss provision	Carrying amount	
Amounts due from associates and joint ventures (Note 1)	82,275,000.00	-	82,275,000.00	84,755,000.00	-	84,755,000.00	1.2%, 12.5%
Other long-term receivables (Note 2)	60,298,990.44	60,298,990.44	-	59,934,820.74	29,967,410.37	29,967,410.37	—
<b>Total</b>	<b>142,573,990.44</b>	<b>60,298,990.44</b>	<b>82,275,000.00</b>	<b>144,689,820.74</b>	<b>29,967,410.37</b>	<b>114,722,410.37</b>	—
Less: Long-term receivables due within one year	12,205,000.00	-	12,205,000.00	12,085,000.00	-	12,085,000.00	—
<b>Long-term receivables due after one year</b>	<b>130,368,990.44</b>	<b>60,298,990.44</b>	<b>70,070,000.00</b>	<b>132,604,820.74</b>	<b>29,967,410.37</b>	<b>102,637,410.37</b>	—

Note 1: The Group's receivables from associates and joint ventures include the following:

Shanghai Pu'an Storage Co., Ltd. ("Shanghai Pu'an"), an associate of the Group, obtained a loan of RMB45.16 million from the Group in April 2017 to supplement its circulating funds, and the loan will mature in December 2024 at an annual interest rate of 12.50%. According to the arrangements under the loan contract, Shanghai Pu'an shall repay the principal and interest on a quarterly basis from June 2017 to November 2024. As at 30 June 2020, the balance of the loan was RMB32.4 million (31 December 2019: RMB34.88 million), of which RMB5.08 million was due within one year.

The Group's joint venture Sinotrans Suzhou Logistics Center Co., Ltd. ("Suzhou Logistic Center") obtained a loan of RMB57 million from the Group in August 2016. The loan term is 10 years and the annual interest rate is 1.20%. The maturity date is August 2026. The loan is a policy-specific loan provided by the Agricultural Development Fund to the Company through the Agricultural Development Bank of China, and is dedicated to the Suzhou Logistics Center Wusongjiang Integrated Logistics Park Project. After the construction period of the project, the Suzhou Logistics Center will repay the principal in equal shares for 8 years from August 2019 to August 2026. As at 30 June 2020, the balance of the loan was RMB49,875,000 (31 December 2019: RMB49,875,000), of which RMB7,125,000 was due within one year.

Note 2: Sinoair, a subsidiary of the Group, has started its freight forwarding business with Uni-top Airlines Co., Ltd, and its two related parties, UT CHARTER BROKER LTD. and Huali Logistics Co., Ltd. since 2010. UT CHARTER BROKER LTD. owed Sinotrans Air Transportation Development HKD10,726,517.54, Huali Logistics Co., Ltd. owed HKD55,974,597.46, while Uni-top Airlines Co., Ltd. owed Sinotrans Development RMB29,880,000.00. On 13 March 2018, Sinoair, Uni-top Airlines Co., Ltd, UTCHARTER BROKER LTD., Huali Logistics Co., Ltd., Uni-top Shenzhen Industrial Co., Ltd. (hereinafter referred to as "Uni-top Industry") and Uni-top Shenzhen City Holdings Co., Ltd. (hereinafter referred to as "Uni-top Holdings") reached a repayment agreement, stipulating that Uni-top Industry will repay the above debts in six installments within three years and the interest calculated according to the actual number of days and by benchmark the interest rate of bank loans for the same period. Uni-top Holdings assumed joint and several liabilities guarantee for the above debts. As at 30 June 2020, the long-term receivables from Sinoair to Uni-top Industry amounted to RMB60,298,990.44. As Uni-top Industry had not made the payment in accordance with the agreed time and was in the stage of bankruptcy and liquidation, Sinoair made a full provision for credit losses.

- (1) **The Group had no long-term receivables derecognised by transfer of financial assets as at 30 June 2020.**
- (2) **The Group had no assets and liabilities from the transfer of long-term receivables and the continued involvement as at 30 June 2020.**

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-Term Equity Investments

#### (1) Classification of long-term equity investments

Items	Opening balance	Increase in current period	Decrease in current period	Other increases (decreases)	Effects from changes in the scope of consolidation	Effects from translation in foreign currency statements	Closing balance
Investments in joint ventures	5,468,605,164.00	487,072,576.54	8,119,886.10	-	-2,201,053,752.58	3,463,781.72	<b>3,749,967,883.58</b>
Investments in associates	3,912,377,321.62	97,146,033.11	24,128,800.55	-	78,155.00	-873,426.39	<b>3,984,599,282.79</b>
<b>Subtotal</b>	<b>9,380,982,485.62</b>	<b>584,218,609.65</b>	<b>32,248,686.65</b>	<b>-</b>	<b>-2,200,975,597.58</b>	<b>2,590,355.33</b>	<b>7,734,567,166.37</b>
Less: Impairment provision of long-term equity investments	12,623,183.45	-	-	-	-	169,023.47	<b>12,792,206.92</b>
<b>Total</b>	<b>9,368,359,302.17</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,721,774,959.45</b>





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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-Term Equity Investments (continued)

#### (2) Details of long-term equity investments (continued)

Invested entities	Investment cost	Opening balance	Opening balance of impairment provision	Effects from changes in the scope of consolidation	Increases in investment	Decrease in investment	Investment profit or loss under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends and profits distribution declared	Impairment provision	Effects from translation in foreign currency statements	Charges for current period		Closing balance	Closing balance of impairment provision	
													Other comprehensive income adjustments	Cash dividends and profits distribution declared			
<b>Associates</b>																	
China Merchants Luscan International Holdings Co., Ltd.	3,474,443,902.47	3,912,377,321.62	8,602,910.31	78,155.00	-	-	98,667,897.01	-20,207,088.51	278,186.10	-3,921,762.04	-	-873,426.39	-	-	3,984,589,282.79	8,771,933.78	
Shenzhen Haining Port Development Co., Ltd.	2,012,021,379.89	2,160,382,404.50	-	-	-	-	68,289,096.66	-20,207,088.51	-	-	-	-	-	-	2,203,944,462.65	-	
China Merchants Haiwan Development Investment Co., Ltd. (Note 3)	297,818,642.42	384,195,121.03	-	-	-	-	-3,615,932.78	-	-	-	-	-	-	-	380,579,188.25	-	
Wetria Weibong Shipping Co., Ltd.	351,328,381.51	351,328,381.51	-	-	-	-	-	-	-	-	-	-	-	-	351,328,381.51	-	
Jiangsu Jiangyin Port Group Co., Ltd.	206,722,802.90	202,078,401.81	-	-	-	-	-880,192.80	-	-	-	-	-	-	-	201,198,209.21	-	
China Merchants Logistics Group (Ningbo) Co., Ltd.	59,319,000.00	169,101,072.62	-	-	-	-	16,468,831.49	-	-	-	-	-	-	-	185,557,904.11	-	
Wuluan Port Container Co., Ltd.	182,200,000.00	172,240,046.12	-	-	-	-	11,519,457.74	-	113,983.40	-	-	-	-	-	183,867,489.26	-	
Shengda Pitan Storage Co., Ltd.	127,189,384.38	175,441,326.82	-	-	-	-	224,656.68	-	169,814.38	-	-	-1,163,319.86	-	-	174,672,517.02	-	
Zhejiang Seaport Changxing Port Co., Ltd.	78,173,640.00	76,233,861.28	-	-	-	-	-	-	-	-	-	-	-	-	76,233,861.28	-	
Malaysia Transhub Port Co., Ltd.	39,900,000.00	40,949,925.01	-	-	-	-	-	-	-	-	-	-	-	-	40,949,925.01	-	
Qingdao Huasheng Airport Logistics Co., Ltd.	21,000,000.00	29,981,798.79	-	-	-	-	1,010,187.03	-	-	-	-	-	-	-	29,991,985.82	-	
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	18,000,000.00	23,331,861.15	-	-	-	-	977,382.33	-	-	-3,921,762.04	-	-	-	-	20,397,481.64	-	
Shanghai Hailu International Container Repair Co., Ltd.	20,000,000.00	17,851,465.89	-	-	-	-	370,000.00	-	-	-	-	-	-	-	18,021,465.89	-	
Guangzhou Yuyao Port Service Co., Ltd.	12,431,024.91	12,559,546.48	-	-	-	-	2,057.39	-	-	-	-	-	-	-	12,561,603.87	-	
Others	11,533,740.00	10,723,377.52	-	78,155.00	-	-	-	-	-5,661.68	-	-	288,893.47	-	-	10,723,377.52	8,771,933.78	
<b>Total</b>	5,288,045,532.48	9,980,982,485.62	12,623,183.45	2,200,915,597.58	2,500,000.00	-	581,238,071.77	-20,207,088.51	420,537.88	-12,041,648.14	-	2,890,355.33	-	-	7,734,567,166.37	12,792,206.92	

Note 1: Nantong Jiangshan Sinotrans Port Storage Co., Ltd. (hereinafter referred to as "Nantong Port Storage") was established on 28 November 2019 by subsidiaries of the Group, Sinotrans Eastern Company Limited (hereinafter referred to as "Sinotrans Eastern") and Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. (hereinafter referred to as "Nantong Agrochemical & Chemicals"), with each party contributing RMB2.5 million and each party holding 50% of the shares. According to the Articles of Nantong Port Storage, Sinotrans Eastern and Nantong Agrochemical & Chemicals jointly control Nantong Port Storage; therefore, the equity method of accounting is used.

Note 2: Changes in the investment in SE Netherlands Logistics Holding B.V. during the period are detailed in this Note VIII.2 "Business combination of the group not under common control during the period".

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-Term Equity Investments (continued)

#### (2) Details of long-term equity investments (continued)

Note 3: China Merchants Hainan Development Investment Co., Ltd. (hereinafter referred to as “China Merchants Hainan”) was jointly established by subsidiaries of the Group, Hong Kong Logistics and China Merchants Group (Hong Kong) Co., Ltd., Jumbo Pacific Holdings Limited, Chiwan Port and Shipping (Hong Kong) Co., Ltd., China Merchants Highway Network Technology Holdings Co., Ltd. and China Merchants Industrial Investment Co., Ltd. on 18 December 2018. According to the China Merchants Hainan Shareholders Agreement, China Merchants Hainan’s registered capital is RMB3.5 billion, of which Hong Kong Logistics’ capital contribution is RMB350 million and its shareholding ratio is 10%, and a director is appointed to participate in financial and operating policy decisions. Hong Kong Logistics has significant influence on China Merchants Hainan; therefore, the equity method of accounting is used. As of 30 June 2020, China Merchants Hainan is still in the preparation stage.

#### (3) The changes in the provision for impairment of long-term equity investments are as follows:

Items	Opening balance	Effects of changes in the scope of consolidation	Increase in current period	Decrease in current period		Effects from translation in foreign currency statements	Closing balance
				Decrease	Reason for decrease		
Beijing China Merchants Science City Real Estate Development Co., Ltd.	5,764,473.00	-	-	-	-	113,256.00	<b>5,877,729.00</b>
Beijing Si Mai Ling Clothing Co., Ltd.	1,467,320.40	-	-	-	-	28,828.80	<b>1,496,149.20</b>
Beijing Shungang Clothing Accessories Co., Ltd.	1,371,116.91	-	-	-	-	26,938.67	<b>1,398,055.58</b>
Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	4,020,273.14	-	-	-	-	-	<b>4,020,273.14</b>
<b>Total</b>	<b>12,623,183.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,023.47</b>	<b>12,792,206.92</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

#### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

##### 12. Long-Term Equity Investments (continued)

###### (4) Significant joint ventures

Name of invested entities	Piece of registration	Nature of business	Registered capital	Shareholding Ratio(%)	Voting ratio(%)	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating revenue for the period	Net profit for the period	Net profit of the investee attributable to the parent company for the period
Joint ventures											
DHL-Sinotrans International Air Courier Co., Ltd.	Beijing, PRC	Air-freight courier	USD14.5M	50.00	50.00	6,085,706,179.41	2,663,682,072.77	3,442,024,106.64	8,636,707,376.76	903,429,419.00	903,429,419.00
Dongguan Port Container Port Co., Ltd.	Dongguan, PRC	Harbour operating	RMB670M	49.00	49.00	1,471,700,055.99	863,743,537.46	607,956,518.53	86,376,769.72	-22,609,051.88	-22,609,051.88
New Land Bridge (Lianyungang) Terminal Co., Ltd.	Lianyungang, PRC	Port development, freight forwarding	RMB395M	42.00	42.00	550,329,743.33	71,965,466.28	478,364,257.05	132,762,416.54	13,210,714.42	13,210,714.42
Chengdu Bonded Logistics Investment Co., Ltd.	Sichuan, PRC	Logistics	RMB175M	54.29	54.29	246,780,058.15	15,825,779.86	230,954,278.29	15,857,906.45	3,160,571.95	3,160,571.95
<b>Total</b>						<b>8,364,516,036.88</b>	<b>3,605,216,876.37</b>	<b>4,759,299,160.51</b>	<b>8,871,704,469.47</b>	<b>897,191,663.49</b>	<b>897,191,663.49</b>

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(Unless otherwise indicated, the unit of amount is RMB)

### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 12. Long-Term Equity Investments (continued)

##### (5) Main financial information of material joint ventures

Items	Closing balance/Amount for current period				Closing balance/Amount for prior period/			
	DHL-Sinotrans International Air Courier Co., Ltd.	Dongguan Port Container Port Co., Ltd.	New Land Bridge (Lianyungang) Terminal Co., Ltd.	Chengdu Bonded Logistics Investment Co., Ltd.	Dongguan Port Container Port Co., Ltd.	DHL-Sinotrans International Air Courier Co., Ltd.	New Land Bridge (Lianyungang) Terminal Co., Ltd.	Chengdu Bonded Logistics Investment Co., Ltd.
Current assets	5,169,545,364.30	158,835,603.11	224,749,448.87	51,976,782.49	167,865,912.97	4,543,143,533.17	184,852,317.62	41,420,644.97
Non-current assets	926,160,815.11	1,312,864,452.88	325,580,294.46	194,603,275.66	1,371,958,976.00	995,862,183.23	340,764,884.83	197,624,383.75
Total assets	6,095,706,179.41	1,471,700,055.99	550,329,743.33	246,780,058.15	1,539,824,888.97	5,539,005,716.40	525,117,202.55	239,045,028.72
Current liabilities	2,415,706,630.06	28,516,830.67	62,767,895.98	15,825,779.86	66,480,881.68	1,684,997,516.17	34,331,936.51	14,821,086.63
Non-current liabilities	237,975,442.71	835,224,706.79	9,197,590.30	-	845,250,840.84	230,356,132.02	10,266,402.71	-
Total liabilities	2,653,682,072.77	863,743,537.46	71,965,486.28	15,825,779.86	911,711,722.52	1,915,353,648.19	44,598,339.22	14,821,086.63
Net assets	3,442,024,106.64	607,956,518.53	478,364,257.05	230,954,278.29	628,113,166.45	3,583,652,068.21	480,518,863.33	224,223,932.09
Share of net assets calculated at the shareholding ratio	1,721,012,053.32	297,985,694.08	200,912,987.96	125,385,077.68	307,775,451.56	1,781,826,034.11	201,817,922.60	121,731,172.73
Adjustments	-	40,165,629.72	-	-	39,315,060.46	-	-	-
-Goodwill	-	-	-	-	-	-	-	-
-Unrealized profits from internal transactions	-	-	-	-	-	-	-	-
-Others	-	40,165,629.72	-	-	39,315,060.46	-	-	-
Carrying amounts of equity investments in joint ventures	1,721,012,053.32	338,064,323.80	200,912,987.96	125,385,077.68	347,090,512.02	1,781,826,034.11	201,817,922.60	121,731,172.73
Fair value of equity investments with public offer	-	-	-	-	-	-	-	-
Operating revenue	8,636,707,376.76	86,376,789.72	132,762,416.54	15,857,906.45	121,775,104.25	6,452,578,598.12	113,931,157.90	17,932,959.30
Finance costs	-15,069,969.89	19,432,742.61	-1,150,230.07	-238,860.97	20,955,116.38	-7,797,414.34	-723,430.84	-174,730.88
Income tax expenses	331,297,505.06	-	4,403,571.47	642,236.98	-	301,886,227.16	1,661,615.55	1,190,802.12
Net profit	903,429,419.00	-22,609,051.88	13,210,714.42	3,160,571.95	-478,122.96	966,284,454.77	4,984,846.64	3,924,831.63
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	903,429,419.00	-22,609,051.88	13,210,714.42	3,160,571.95	-478,122.96	966,284,454.77	4,984,846.64	3,924,831.63
Dividends from joint ventures for the period	-	-	260,740.00	-	-	-	236,530.60	-

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#### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

##### 12. Long-Term Equity Investments (continued)

###### (6) Significant joint ventures

Name of invested entities	Place of registration	Nature of business	Registered capital	Shareholding Ratio (%)	Voting ratio (%)	Total assets at the end of the current period	Total liabilities at the end of the current period	Total net assets at the end of the current period	Total operating revenue for the current period	Net profit for the current period	Net profit of the investee attributable to the parent company for the current period
<b>Associates</b>											
China Merchants Lascam International Holdings Co., Ltd.	The British Virgin Islands	Logistics equipment leasing	USD101	45.00	45.00	6,274,803,303.15	2,831,813,130.40	3,442,990,172.75	838,445,498.00	163,931,325.90	163,931,325.90
Shenzhen Haxing Port Development Co., Ltd.	Shenzhen, PRC	Warehouse and port services	RMB530.73 million	33.00	33.00	1,977,986,920.80	824,716,713.98	1,153,270,206.82	13,270,354.04	-10,957,432.66	-10,957,432.66
China Merchants Logistics Group Nanjing Co., Ltd.	Nanjing, PRC	Logistic	RMB50 million	45.00	45.00	184,967,351.64	56,755,884.45	128,211,467.19	126,587,156.39	25,585,461.63	25,585,461.63
Wuhan Port Container Co., Ltd.	Wuhan, PRC	Containers handling and freight forwarding	RMB400 million	30.00	30.00	840,616,829.47	268,375,105.07	582,241,724.40	33,055,672.59	748,985.61	748,985.61
<b>Total</b>						<b>9,278,374,405.06</b>	<b>3,971,660,834.90</b>	<b>5,306,713,570.16</b>	<b>1,011,358,681.02</b>	<b>169,308,340.48</b>	<b>169,308,340.48</b>



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-Term Equity Investments (continued)

#### (8) Summary information of other immaterial joint ventures and associates

Items	Closing balance/ Amount for current period	Closing balance/ Amount for prior period
<b>Joint ventures:</b>	—	—
Total carrying amount of investments	<b>1,360,573,167.68</b>	1,304,669,936.76
Total amount of the following items calculated at the shareholding ratio	—	—
Net profit	<b>36,529,526.10</b>	31,059,962.45
Other comprehensive income	—	—
Total comprehensive income	<b>36,529,526.10</b>	31,059,962.45
<b>Associates:</b>	—	—
Total carrying amount of investments	<b>1,026,763,711.83</b>	965,630,794.21
Total amount of the following items calculated at the shareholding ratio	—	—
Net profit	<b>19,476,599.71</b>	25,694,601.07
Other comprehensive income	—	3,128,660.82
Total comprehensive income	<b>19,476,599.71</b>	28,823,261.89

#### (9) Additional losses incurred by joint ventures or associates

Names of joint ventures or associates	Cumulative unrecognised prior period accumulated losses	Unrecognised losses for the period (or share of net profit during the period)	Cumulative unrecognised losses at the end of the period
Dongguan Sinotrans Kuasheng E-commerce Co., Ltd.	-751,525.03	-188,093.57	<b>-939,618.60</b>
<b>Total</b>	-751,525.03	-188,093.57	<b>-939,618.60</b>

As at 30 June 2020, there were no significant limitations on the ability to transfer funds from joint ventures or associates to the Group.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Other Equity Instrument Investments

#### (1) Investments in other equity instruments

Items	Closing balance	Opening balance
Other equity instrument investments — Listed company equity instrument investments	<b>238,090,186.17</b>	256,540,744.93
Including: Air China Limited	<b>19,067,186.17</b>	27,951,744.93
BOE Technology Group Co., Ltd	<b>219,023,000.00</b>	228,589,000.00
<b>Total</b>	<b>238,090,186.17</b>	256,540,744.93

#### (2) Investments in non-trading equity instruments

Items	Dividend income recognised during the period	Cumulative gains	Cumulative losses	Transfer from other comprehensive income to retained earnings	Reasons for designation as at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
Air China Limited	-	10,990,314.57	-	-	Long-term holding for strategic purposes	—
BOE Technology Group Co., Ltd	-	100,600,500.00	-	7,314,249.43	Long-term holding for strategic purposes	Disposal
<b>Total</b>	<b>-</b>	<b>111,590,814.57</b>	<b>-</b>	<b>7,314,249.43</b>		<b>—</b>

### 14. Other Non-Current Financial Assets

Items	Closing balance	Opening balance
Financial assets classified as measured at fair value through profit or loss	<b>720,221,791.93</b>	692,424,249.35
Including: Equity investments	<b>720,221,791.93</b>	692,424,249.35
<b>Total</b>	<b>720,221,791.93</b>	692,424,249.35



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment Properties

#### (1) Investment properties measured at cost

Items	Houses and buildings	Land use rights	Total
<b>I. Original value</b>			
Opening balance	2,507,745,984.51	79,443,245.09	<b>2,587,189,229.60</b>
Acquisition for the period	–	–	–
Transfer from inventories to investment properties	–	–	–
Transfer from fixed assets to investment properties	14,882,415.63	–	<b>14,882,415.63</b>
Transfer from construction in process to investment properties	–	–	–
Transfer from intangible assets to investment properties	–	–	–
Disposal for the period	–	–	–
Transfer from investment properties to fixed assets	–	–	–
Other transfer-out	–	2,700,006.98	<b>2,700,006.98</b>
Effects from translation in foreign currency statements	44,174,728.50	–	<b>44,174,728.50</b>
Closing balance	2,566,803,128.64	76,743,238.11	<b>2,643,546,366.75</b>
<b>II. Accumulated depreciation and accumulated amortisation</b>			
Opening balance	180,379,150.18	21,043,072.44	<b>201,422,222.62</b>
Accrued amount for the period	41,851,347.70	953,737.44	<b>42,805,085.14</b>
Transfer from inventories to investment properties	–	–	–
Transfer from fixed assets to investment properties	1,167,672.68	–	<b>1,167,672.68</b>
Transfer from construction in process to investment properties	–	–	–
Transfer from intangible assets to investment properties	–	–	–
Disposal for the period	–	–	–
Transfer from investment properties to fixed assets	–	–	–
Other transfer-out	–	940,507.02	<b>940,507.02</b>
Effects from translation in foreign currency statements	2,100,919.64	–	<b>2,100,919.64</b>
Closing balance	225,499,090.20	21,056,302.86	<b>246,555,393.06</b>
<b>III. Impairment provision</b>			
Opening balance	1,606,790.53	–	<b>1,606,790.53</b>
Closing balance	1,659,290.52	–	<b>1,659,290.52</b>
<b>IV. Net amount</b>			
Opening balance	2,325,760,043.80	58,400,172.65	<b>2,384,160,216.45</b>
Closing balance	2,339,644,747.92	55,686,935.25	<b>2,395,331,683.17</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment Properties (continued)

#### (2) Closing balance of significant investment properties without certificate of title and reasons

Items	Carrying amount	Reasons for failure to obtain the certificate of title	Expected time of obtaining the certificate of title
Tianzhu Airport Logistics Center	158,846,578.51	Under processing	2020
10th floor, 3rd Building, Visional and Radio Culture Square, Sightseeing Tower Block C, Chengdu 339 Building, Sichuan	29,881,021.83	Non-acceptance of fire protection	2020
Nanchang Sanghai Logistics Project Warehouse	20,162,758.42	Under processing	2020
<b>Total</b>	<b>208,890,358.76</b>	—	—

### 16. Fixed Assets

Items	Closing balance	Opening balance
Fixed assets	<b>12,283,525,993.90</b>	12,472,337,990.35
Disposal of fixed assets	<b>145,611.60</b>	165,564.11
<b>Total</b>	<b>12,283,671,605.50</b>	12,472,503,554.46

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (continued)

#### (1) Fixed assets

##### 1) Details of fixed assets classification

Items	Buildings	Port and terminal facilities	Motor vehicles and vessels	Machinery equipment, furniture, appliances and other equipment	Total
<b>I. Original value</b>	—	—	—	—	—
Opening balance	11,892,064,256.14	1,005,137,109.26	1,308,963,953.05	5,801,631,881.13	20,007,797,199.58
Effects of changes in the scope of consolidation	—	—	144,322,238.39	138,006,335.15	282,328,573.54
Acquisition for the period	13,679,402.87	1,354,806.87	28,554,674.21	164,005,454.55	207,594,338.50
Increment through revaluation	—	—	—	—	—
Transfer of construction in process for the period	64,821,010.24	2,099,964.36	—	22,922,932.46	89,843,907.06
Transfer from inventories for the period	—	—	—	—	—
Transfer from investment properties for the period	—	—	—	—	—
Other increases	—	—	—	—	—
Disposal and scrap for the period	3,518,529.21	—	69,626,490.42	151,116,992.09	224,262,011.72
Reclassification	-12,124,607.96	92,260,280.94	3,359,632.20	-83,495,305.18	—
Transfer to investment properties for the period	14,882,415.63	—	—	—	14,882,415.63
Effects from translation in foreign currency statements	13,033,178.65	—	5,421,819.60	-62,379,809.17	-43,924,810.92
Others decrease	79,710,579.05	17,936,527.23	—	26,539,519.24	124,186,625.52
Closing balance	11,873,361,716.05	1,082,915,634.20	1,420,995,827.03	5,803,034,977.61	20,180,308,154.89
<b>II. Accumulated depreciation</b>	—	—	—	—	—
Opening balance	3,170,846,731.54	473,298,241.45	926,774,585.70	2,938,174,505.24	7,509,094,063.93
Effects of changes in the scope of consolidation	—	—	44,752,928.69	99,488,874.26	144,241,802.95
Accrued amount for the period	224,948,509.87	18,636,626.46	64,666,649.04	177,912,696.82	486,164,482.19
Transfer from construction in process for the period	—	—	—	—	—
Transfer from inventories for the period	—	—	—	—	—
Transfer from investment properties for the period	—	—	—	—	—
Other increases	—	—	—	—	—
Disposal and scrap for the period	3,109,753.39	—	59,035,833.35	131,846,402.38	193,991,989.12
Other increases	51,150,905.74	10,643,098.25	565,953.92	20,594,789.65	82,954,747.56
Reclassification	-1,527,951.36	20,233,992.96	1,097,267.40	-19,803,309.00	—
Transfer to investment properties for the period	1,167,672.68	—	—	—	1,167,672.68
Effects from translation in foreign currency statements	2,042,831.48	—	2,534,521.99	7,795,818.96	12,373,172.43
Closing balance	3,340,881,789.72	501,525,762.62	980,224,165.55	3,051,127,394.25	7,873,759,112.14
<b>III. Impairment provision</b>	—	—	—	—	—
Opening balance	3,855,467.56	—	19,087,367.00	3,422,310.74	26,365,145.30
Add: accrued in this period	—	—	—	—	—
Effects of changes in the scope of consolidation	—	—	—	—	—
Reclassification	—	—	—	—	—
Carry forward in this period	—	—	—	3,422,310.74	3,422,310.74
Effect of changes in exchange rates	80,214.29	—	—	—	80,214.29
Closing balance	3,935,681.85	—	19,087,367.00	—	23,023,048.85
<b>IV. Net amount</b>	—	—	—	—	—
Opening balance	8,717,362,057.04	531,838,867.81	363,102,000.35	2,860,035,065.15	12,472,337,990.35
Closing balance	8,528,544,244.48	581,389,871.58	421,684,294.48	2,751,907,583.36	12,283,525,993.90
Net mortgaged assets at the end of the period	258,018,779.38	—	—	15,550,226.39	273,569,005.77

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (continued)

#### (1) Fixed assets (continued)

#### 2) Fixed assets fully depreciated at the end of the period but still in use and temporary idleness, disposal and scrap of fixed assets for the period:

Items	Amount	Remark
1. Original value of fixed assets fully depreciated at the end of the period but still in use	1,013,643,497.69	—
2. Original value of temporarily idle fixed assets at the end of the period	2,392,447.06	—
3. Disposal and scrap of fixed assets for the period	—	—
(1) Original value of disposal and scrap of fixed assets for the period	224,262,011.72	—
(2) Net value of disposal and scrap of fixed assets for the period	30,270,022.60	—
(3) Gains and losses from disposal and scrap of fixed assets for the period	12,424,178.44	—

#### 3) Temporary idle fixed assets

Items	Gross carrying amount	Accumulated depreciation	Impairment provision	Carrying amount	Remark
Motor vehicles and vessels	1,703,034.64	1,592,769.53	—	110,265.11	—
Machinery and equipment, furniture, appliances and other equipment	689,412.42	497,055.53	—	192,356.89	—
<b>Total</b>	<b>2,392,447.06</b>	<b>2,089,825.06</b>	<b>—</b>	<b>302,622.00</b>	<b>—</b>

#### 4) Fixed assets rented through operating lease

Items	Carrying amount
Buildings	187,085,939.39
Motor vehicles and vessels	1,809,252.87
Machinery equipment, furniture, appliances and other equipment	610,630,853.41
<b>Total</b>	<b>799,526,045.67</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (continued)

#### (1) Fixed assets (continued)

##### 5) Significant undocumented fixed assets

Company name	Project name	Closing carrying amount	Reasons for under the land certificate handling
Sinotrans Logistics Co., Ltd.	Chengdu Longquan Logistics Center	137,092,234.10	The department has stepped up the process and expects it to be completed in 2020
Sinotrans Logistics Co., Ltd.	Second-phase cold storage	96,600,651.45	It is being processed as the greenery has not passed the inspection yet
Sinotrans Logistics Co., Ltd.	Northeast regional logistics center warehouse	91,539,593.27	After the Phase III land deed is processed, the property deed for the warehouse is processed
Sinotrans Logistics Co., Ltd.	Nanchang Distribution Center	91,471,580.40	Part of the expropriated land has not returned and new land titles has not been processed
Sinotrans Logistics Co., Ltd.	Harbin Distribution Center Phase II	80,375,751.34	Incomplete paperwork, in process
Sinotrans Logistics Co., Ltd.	Hefei Distribution Center D Library	79,162,655.24	Completion of final accounts in 2019, in progress
Sinotrans Air Transportation Development Co., Ltd.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse No. 0	75,653,970.58	Completed in 2015 and in the process of completion and acceptance
Sinotrans Logistics Co., Ltd.	Second phase turnover library	71,363,617.53	It is being processed as the greenery has not passed the inspection yet.
Sinotrans Logistics Co., Ltd.	E Library of Hefei Distribution Center	69,644,718.76	Completion of final accounts in 2019, in progress
Sinotrans Hubei Company Limited	Caidian Logistics Base	67,147,144.10	Currently working with the government on this
Sinotrans Air Transportation Development Co., Ltd.	Wuhan Supply Chain Logistics Export Processing Base	53,713,273.43	Processing of construction documents
Sinotrans Air Transportation Development Co., Ltd.	Pudong International Airport Storage Project	53,677,749.77	Processing
Sinotrans Air Transportation Development Co., Ltd.	Office building of Sinotrans (Changchun) Logistics Co., Ltd.	51,674,416.67	Processing
Sinotrans Air Transportation Development Co., Ltd.	Office building of Sinotrans (Zhengzhou) Airport Logistics Co., Ltd.	40,797,017.33	Incomplete paperwork, pending
Sinotrans Air Transportation Development Co., Ltd.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse No. 1	39,415,938.32	Processing
Sinotrans Logistics Co., Ltd.	Rongcheng 7-11 warehouse and office building real estate license	37,453,587.93	Property deeds in process
Sinotrans Logistics Co., Ltd.	Changchun Distribution Center No. 1 Warehouse	36,806,782.20	Processing
Sinotrans Logistics Co., Ltd.	Changchun Distribution Center Warehouse No. 7	33,740,669.31	Processing
Sinotrans Logistics Co., Ltd.	Changchun Distribution Center Warehouse No. 3	31,077,809.48	Processing
Sinotrans Air Transportation Development Co., Ltd.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse 3	31,032,124.85	Processing
Sinotrans North China Co., Ltd.	Stations	30,893,945.34	Due to the age, the documents required for the title certificate are missing
Sinotrans Air Transportation Development Co., Ltd.	Tianzhu Logistics Park	29,900,206.34	Processing
Sinotrans Logistics Co., Ltd.	Changchun Distribution Center Warehouse No. 5	27,338,835.59	Processing
Sinotrans Chongqing Co., Ltd.	11th Floor, Block 339C	25,833,424.54	Firefighting failed

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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed Assets (continued)

#### (1) Fixed assets (continued)

##### 5) Significant undocumented fixed assets (continued)

Company name	Project name	Closing carrying amount	Reasons for under the land certificate handling
Sinotrans Logistics Co., Ltd.	Warehouse supporting	25,296,987.52	Processing
Sinotrans Air Transportation Development Co., Ltd.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse 2	23,930,089.84	Processing
Sinotrans Logistics Co., Ltd.	Zhangzhou Distribution Center 1 # Warehouse	18,166,433.68	Planning completion acceptance is blocked, and is being actively negotiated for
Sinotrans Air Transportation Development Co., Ltd.	Sinotrans (Zhengzhou) Airport Logistics Co., Ltd. Warehouse No. 2	13,651,640.62	Failed acceptance
Sinotrans Logistics Co., Ltd.	Zhangzhou Distribution Center 2 # Warehouse	13,132,868.15	Planning completion acceptance is blocked, and is being actively negotiated for
Sinotrans Air Transportation Development Co., Ltd.	Sinotrans (Zhengzhou) Airport Logistics Co., Ltd. Warehouse No. 3	12,653,743.54	Failed acceptance
Sinotrans Logistics Co., Ltd.	Phase II Complex	11,989,924.38	Because the greening has not passed the acceptance, it is being processed
Sinotrans Logistics Co., Ltd.	Office Building F, Hefei Distribution Center	11,607,641.75	Completion of final accounts in 2019, in progress
Sinotrans Logistics Co., Ltd.	Complex	7,351,892.69	Processing
Sinotrans Air Transportation Development Co., Ltd.	Office Building of Nanchang Airport Logistics Project	6,966,707.84	Processing
<b>Total</b>	—	<b>1,528,155,627.88</b>	—

#### (2) Disposal of fixed assets

Items	Closing balance	Opening balance
Disposal of fixed assets	<b>145,611.60</b>	165,564.11
<b>Total</b>	<b>145,611.60</b>	165,564.11

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in Progress

#### (1) Details of construction in progress

Items	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Public Terminal in High-tech Zone of Jiangmen City	809,658,579.05	-	809,658,579.05	719,533,510.25	-	719,533,510.25
Shaanxi Company Distribution Center	321,241,978.42	-	321,241,978.42	303,032,478.96	-	303,032,478.96
Guangxi Nanning Distribution Center	189,427,229.11	-	189,427,229.11	187,952,748.08	-	187,952,748.08
Meishan Consolidation Procurement Logistics Center Project	183,029,954.17	-	183,029,954.17	112,611,217.69	-	112,611,217.69
Qingdao Logistics Center Project	155,614,073.81	-	155,614,073.81	154,865,130.17	-	154,865,130.17
Jiaozhou Smart Logistics Warehouse	89,645,825.85	-	89,645,825.85	68,574,183.53	-	68,574,183.53
Sinotrans Tianjin Airport Comprehensive Logistics Base Project	70,781,488.54	-	70,781,488.54	63,798,704.06	-	63,798,704.06
Comprehensive Bonded Zone Storage Project	50,148,779.21	-	50,148,779.21	49,182,519.14	-	49,182,519.14
Lianyungang Shanghe Logistics Park Project	43,411,384.62	-	43,411,384.62	31,179,159.59	-	31,179,159.59
Hengxi warehouse	41,985,093.53	-	41,985,093.53	40,729,157.25	-	40,729,157.25
Hefei Airport Logistics Center Project	39,754,072.54	-	39,754,072.54	39,230,123.02	-	39,230,123.02
Sinotrans Changchun Logistics Center Project	35,945,276.13	-	35,945,276.13	28,182,233.22	-	28,182,233.22
Shanghai Cold Chain Logistics Phase I Project	31,108,547.72	-	31,108,547.72	5,070,683.22	-	5,070,683.22
Yunnan Company Distribution Center	26,227,813.36	-	26,227,813.36	20,203,674.12	-	20,203,674.12
Zhengzhou Airport Logistics Park Warehouse1	23,483,962.14	-	23,483,962.14	23,483,962.14	-	23,483,962.14
Jinzhou Warehouse	21,923,133.51	-	21,923,133.51	21,532,603.51	-	21,532,603.51
Fangchenggang Dongwan Phase II Project	21,206,225.97	-	21,206,225.97	21,133,540.83	-	21,133,540.83
Sinotrans Chengdu Qingbaijiang Cold Chain Logistics Park Project	20,180,364.35	-	20,180,364.35	5,588,339.36	-	5,588,339.36
Dockside 500-day shoreline modification and expansion declaration project	20,110,131.00	-	20,110,131.00	9,351,569.68	-	9,351,569.68
Cold storage	17,827,790.20	-	17,827,790.20	15,450,093.99	-	15,450,093.99
Other projects	210,209,105.66	20,822,000.00	189,387,105.66	254,633,311.54	20,822,000.00	233,811,311.54
<b>Total</b>	<b>2,422,920,808.89</b>	<b>20,822,000.00</b>	<b>2,402,098,808.89</b>	<b>2,175,318,943.35</b>	<b>20,822,000.00</b>	<b>2,154,496,943.35</b>

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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 17. Construction in Progress (continued)

##### (2) Construction in progress with the top 10 largest carrying amount at the end of the period:

Items	Budget amount	Opening balance	Increase in current period	Effects of changes in the scope of consolidation	Transfer to fixed assets	Other decreases	Closing balance	Proportion of project investment to budget amount (%)	Project Progress (%)	Accumulated amount of interest capitalisation	Including Amount of interest capitalisation for the period	Interest capitalisation rate for the Period (%)	Sources of funds
Jiangmen Distribution High-tech Zone Public Terminal	1,189,000,000.00	719,533,510.25	90,125,089.80	-	-	-	809,668,579.05	68.10	70.00	9,383,823.60	5,244,988.20	4.26	Bank loan
Shaanxi Company Distribution Center	460,000,000.00	303,032,478.96	18,209,469.46	-	-	-	321,241,978.42	69.84	85.00	13,703,780.34	2,017,916.67	3.92	Self-owned capital, bank loan
Guangxi Nanning Distribution Center	270,000,000.00	187,982,748.08	1,474,481.03	-	-	-	189,457,229.11	99.00	99.00	5,867,633.90	-	3.92	Bank loan
Meixian Consolidation Procurement Logistics Center Project	455,271,700.00	112,611,217.69	70,418,736.48	-	-	-	183,029,954.17	42.00	42.00	2,722,006.23	1,382,688.28	3.70	Bank loan
Qingdao Logistics Center Project	173,750,000.00	154,865,130.17	748,943.64	-	-	-	155,614,073.81	89.56	95.00	5,840,470.89	-	3.92	Self-owned capital, bank loan
Jiaozhou Smart Logistics Warehouse	570,000,000.00	68,574,183.53	21,071,642.32	-	-	-	89,645,825.85	15.73	15.73	-	-	-	Self-owned capital
Shenzhen Tianjin Airport Comprehensive Logistics Base Project	83,465,678.00	63,798,704.06	7,518,482.48	-	535,675.00	-	70,781,468.54	84.80	84.80	-	-	-	Self-owned capital
Comprehensive Bonded Zone Storage Project	78,090,000.00	49,182,519.14	966,260.07	-	-	-	50,148,779.21	95.00	95.00	-	-	-	Self-owned capital
Lianyungang Shengjie Logistics Park Project	375,000,000.00	31,179,159.59	12,232,225.03	-	-	-	43,411,384.62	11.68	11.58	-	-	-	Self-owned capital
Hengxin warehouse	46,170,917.07	40,729,157.25	1,255,936.28	-	-	-	41,985,093.53	90.93	90.93	-	-	-	Self-owned capital
Total	3,680,749,295.07	1,731,458,808.72	224,021,255.59	-	535,675.00	-	1,954,944,386.31	-	-	37,517,664.96	8,645,583.15	-	-

As of 30 June 2020, the Group has no provision for impairment of construction in progress during the period.



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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Right-of-use Assets

#### (1) Details of right-of-use assets classification

Items	Buildings	Land use rights	Port and terminal facilities	Motor vehicles and vessels	Machinery equipment, furniture, appliances and other equipment	Others	Total
<b>I. Original value</b>							
Opening balance	2,878,095,887.56	69,849,299.84	294,058.68	18,647,597.17	20,949,449.29	44,496,917.98	<b>3,032,333,210.52</b>
Effects of changes in the scope of consolidation	-	-	-	-	-	-	-
Additional amount for the period	614,334,914.03	-	7,111,382.13	133,297.82	6,499,695.27	1,400,238.57	<b>629,479,527.82</b>
Renewal of current lease	23,543,169.95	-	-	-	69,385.99	185,211.38	<b>23,797,767.32</b>
Decrease in current period	96,663,447.19	-	-	212.09	303,464.24	12,837,115.00	<b>109,804,238.52</b>
Effects from translation in foreign currency statements	10,765,736.39	-8,731,307.41	-	-	972.08	-	<b>2,035,401.06</b>
Closing balance	3,430,076,260.74	61,117,992.43	7,405,440.81	18,780,682.90	27,216,038.39	33,245,252.93	<b>3,577,841,668.20</b>
<b>II. Accumulated depreciation</b>							
Opening balance	995,385,267.70	6,008,447.27	115,066.44	5,505,723.69	10,242,700.41	24,399,599.38	<b>1,041,656,804.89</b>
Effects of changes in the scope of consolidation	-	-	-	-	-	-	-
Accrued amount for the period	314,759,115.63	207,220.52	563,394.48	2,990,003.72	7,183,336.26	4,265,987.90	<b>329,969,058.51</b>
Decrease in current period	72,903,906.61	-	-	106.04	157,769.71	12,837,115.00	<b>85,898,897.36</b>
Effects from translation in foreign currency statements	2,837,181.54	-1,751,011.41	-	-	601.28	-	<b>1,086,771.41</b>
Closing balance	1,240,077,658.26	4,464,656.38	678,460.92	8,495,621.37	17,268,868.24	15,828,472.28	<b>1,286,813,737.45</b>
<b>III. Impairment provision</b>							
Opening balance	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
<b>IV. Net amount</b>							
Opening balance	1,882,710,619.86	63,840,852.57	178,992.24	13,141,873.48	10,706,748.88	20,097,318.60	<b>1,990,676,405.63</b>
Closing balance	2,189,998,602.48	56,653,336.05	6,726,979.89	10,285,061.53	9,947,170.15	17,416,780.65	<b>2,291,027,930.75</b>

The Group leases a number of assets, including buildings land use rights, ports and terminal facilities, automobiles and ships, machinery and equipment, furniture, appliances and other equipment, with leases period ranging from 1 to 50 years.

The short-term lease expenses included in the current profit or loss accounted were RMB182,372,475.34 (prior period: RMB200,369,926.36), and the lease expenses for low-value assets were RMB6,519,534.34 (prior period: RMB7,162,915.42).

The Group's lease terms have no agreement on variable lease payments. The total cash outflow related to the lease this period was RMB517,190,801.38 (prior period: RMB553,863,329.11).

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Intangible Assets

Items	Amortisation period	Opening balance	Effects of changes in the scope of consolidation	Increase in current period	Decrease in current period	Reclassification	Effects from translation in foreign currency statements	Closing balance
<b>I. Total original value</b>	—	7,140,658,774.51	488,788,372.70	26,667,419.26	1,407,732.18	34,402,544.33	36,459,238.54	<b>7,725,568,617.16</b>
Including: Land use rights	10-60years	6,500,587,911.28	-	11,060.03	655,984.03	34,402,544.33	27,151,915.44	<b>6,561,497,447.05</b>
Trademark rights	5years	5,001,165.05	-	-	-	-	-	<b>5,001,165.05</b>
Software	5years	556,703,807.41	20,428,153.92	25,015,872.55	751,748.15	-	333,034.72	<b>601,729,120.45</b>
Others	5years, 10years	78,365,890.77	468,360,218.78	1,640,486.68	-	-	8,974,288.38	<b>557,340,884.61</b>
<b>II. Total accumulated amortisation</b>	—	1,393,204,594.91	13,580,462.92	125,908,319.75	577,597.61	31,713,869.25	1,714,474.10	<b>1,565,544,123.32</b>
Including: Land use rights	—	1,012,340,925.47	-	66,650,734.30	-	31,674,633.78	1,349,063.63	<b>1,112,015,357.18</b>
Trademark rights	—	135.92	-	116.52	-	-	-	<b>252.44</b>
Software	—	354,803,682.28	13,580,462.92	31,895,106.60	577,597.61	39,235.47	317,801.73	<b>400,058,691.39</b>
Others	—	26,059,851.24	-	27,362,362.33	-	-	47,608.74	<b>53,469,822.31</b>
<b>III. Total impairment provision</b>	—	58,913,956.77	-	-	-	-	-	<b>58,913,956.77</b>
Including: Land use rights	—	3,887,400.00	-	-	-	-	-	<b>3,887,400.00</b>
Trademark rights	—	5,000,000.00	-	-	-	-	-	<b>5,000,000.00</b>
Software	—	-	-	-	-	-	-	<b>-</b>
Others	—	50,026,556.77	-	-	-	-	-	<b>50,026,556.77</b>
<b>IV. Total carrying amount</b>	—	5,688,540,222.83	—	—	—	—	—	<b>6,101,110,537.07</b>
Including: Land use rights	—	5,484,359,585.81	—	—	—	—	—	<b>5,445,594,689.87</b>
Trademark rights	—	1,029.13	—	—	—	—	—	<b>912.61</b>
Software	—	201,900,125.13	—	—	—	—	—	<b>201,670,429.06</b>
Others	—	2,279,482.76	—	—	—	—	—	<b>453,844,505.53</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Development Expenditure

Items	Opening balance	Effect of changes in the scope of consolidation	Increase in current period		Decrease in current period		Effects from translation in foreign currency statements	Closing balance
			Internal development expenditures	Others	Transfer to intangible assets	Inclusion in current profit or loss		
ABCDT Digital Technology Application and R&D Project	32,116,409.71	-	3,917,514.66	7,975,468.09	5,074,556.62	6,181,665.60	-	32,753,170.24
The company's strategic major customer logistics control tower construction project	5,794,339.63	-	606,116.81	1,233,962.26	-	606,116.81	-	7,028,301.89
Container O2O project	5,188,554.27	-	226,618.33	-	-	-	-	5,415,172.60
Shipping system optimization and operation projects	7,707,962.76	-	1,272,824.43	2,591,278.28	4,025,471.71	2,363,201.79	-	5,183,391.97
Customs Affairs Cloud Construction Project	4,171,226.31	-	-	-	-	-	-	4,171,226.31
ORACLE development	3,425,471.69	-	1,719,184.53	3,500,000.00	2,754,716.97	1,719,184.53	-	4,170,754.72
Master Data Platform Construction and Implementation Project	3,431,033.22	-	867,644.08	1,766,392.29	1,100,826.25	867,644.08	-	4,096,599.26
Booking centre construction project	-	-	899,814.70	1,831,886.80	-	899,814.70	-	1,831,886.80
System equipment development and upgrading	3,223,330.55	-	671,368.37	-	2,088,019.74	-	-	1,806,679.18
Smart Field Construction Project (2019)	1,669,811.32	-	-	-	-	-	-	1,669,811.32
Logistics system optimization and operation projects	1,325,050.56	-	69,323.45	141,132.08	-	69,323.45	-	1,466,182.64
Kingdee Cloud Reporting System Construction South China Pilot Project	-	-	692,307.73	1,409,433.97	-	692,307.73	-	1,409,433.97
Customs Affairs Sharing Center	-	-	627,571.84	1,277,641.47	-	627,571.84	-	1,277,641.47
MICE Logistics Management System	1,227,350.95	-	-	-	-	-	-	1,227,350.95
Unified settlement project	1,841,732.87	-	-	-	823,584.91	-	-	1,018,147.96
Express platform	1,012,924.53	-	-	-	-	-	-	1,012,924.53
Golden Chain Logistics Platform	970,873.79	-	-	-	-	-	-	970,873.79
Procurement of external logistics data services	-	-	458,872.11	934,194.31	-	458,872.11	-	934,194.31
Waterborne Intelligent Logistics System	460,272.31	-	-	464,925.77	-	-	-	925,198.08
Integrated Services Platform	923,100.00	-	-	-	-	-	-	923,100.00
Others	6,925,960.44	-	20,655,006.03	21,545,988.44	5,262,374.59	38,493,311.20	-	5,371,269.12
<b>Total</b>	<b>81,415,404.91</b>	<b>-</b>	<b>32,684,167.07</b>	<b>44,672,303.76</b>	<b>21,129,550.79</b>	<b>52,979,013.84</b>	<b>-</b>	<b>84,663,311.11</b>

Note: Others in the increase in development expenditure during the period are mainly investments in external research and development commissioned by the Group.

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For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 21. Goodwill

The details of goodwill are as follows:

Invested entities	Formation	Opening balance	Increase in current period		Decrease in current period		Effects from translation in foreign currency statements	Closing balance
			Business combination	Other increases	Derecognition of disposal of subsidiaries	Other decreases		
KLG Europe Eersel B.V. and 7 Companies (Note)	Business combination not under common control	-	2,103,356,441.34	-	-	-	39,157,873.74	2,142,514,315.08
Kangxin Logistics (Tianjin) Co., Ltd. (Asset Group A)	Business combination not under common control	215,048,533.68	-	-	-	-	-	215,048,533.68
Shenzhen Henglu Logistics Co., Ltd.	Business combination not under common control	134,843,091.03	-	-	-	-	-	134,843,091.03
Kangxin Logistics (Harbin) Co., Ltd. (Asset Group B)	Business combination not under common control	29,621,440.67	-	-	-	-	-	29,621,440.67
Keppel Logistics (Hong Kong) Co., Ltd.	Business combination not under common control	2,942,087.77	-	-	-	-	-	2,942,087.77
Others	Business combination not under common control	41,623,993.09	-	-	-	-	-	41,623,993.09
<b>Total</b>	—	424,079,146.24	2,103,356,441.34	-	-	-	39,157,873.74	2,566,593,461.32
Goodwill impairment provision	—	251,466,988.69	-	-	-	-	-	251,466,988.69
<b>Total net goodwill</b>	—	172,612,157.55	2,103,356,441.34	-	-	-	39,157,873.74	2,315,126,472.63

Note: The changes in goodwill of seven companies, including KLG Europe Eersel B.V., during the period are detailed in Note VIII. 2.

The details of the provision for impairment of goodwill are as follows:

Invested entities	Opening balance	Effects of changes in the scope of consolidation	Provision for the period	Effect from translation in foreign currency statements	Decrease in current period	Closing balance
Kangxin Logistics (Tianjin) Co., Ltd. (Asset Group A)	104,783,721.31	-	-	-	-	104,783,721.31
Kangxin Logistics (Harbin) Co., Ltd. (Asset Group B)	11,840,176.35	-	-	-	-	11,840,176.35
<b>Total</b>	251,466,988.69	-	-	-	-	251,466,988.69

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Long-Term Prepaid Expenses

Long-term prepaid expenses are shown by item as follows:

Items	Opening balance	Effects of changes in the scope of consolidation	Transfer from fixed assets	Increase in current period	Amortisation for the period	Effects from translation in foreign currency statements	Other decreases	Closing balance	Reasons for other decreases
Modification of assets	179,628,008.37	-	11,729,174.87	26,419,086.70	37,761,645.94	941,243.50	-5,938,417.78	<b>186,894,285.28</b>	Category adjustments
Software expenses	11,347,840.44	-	-	-	2,045,592.70	-	-127,316.44	<b>9,429,564.18</b>	Category adjustments
Others	29,770,861.23	-	-	3,320,643.67	5,498,165.54	313.41	7,940,512.45	<b>19,653,140.32</b>	Category adjustments and reclassification
<b>Total</b>	<b>220,746,710.04</b>	<b>-</b>	<b>11,729,174.87</b>	<b>29,739,730.37</b>	<b>45,305,404.18</b>	<b>941,556.91</b>	<b>1,874,778.23</b>	<b>215,976,989.78</b>	<b>—</b>

### 23. Deferred Tax Assets

#### (1) Deferred tax assets not offset

Items	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses
Unpaid wages	<b>73,343,950.76</b>	<b>283,692,795.15</b>	53,497,810.55	216,737,640.32
Deductible losses	<b>42,166,786.39</b>	<b>168,667,145.56</b>	49,467,907.18	197,871,627.68
Impairment provision unapproved by tax authorities	<b>51,744,566.96</b>	<b>206,301,327.62</b>	46,028,834.58	191,512,720.60
Provision for litigation under process	<b>6,890,897.06</b>	<b>27,563,588.24</b>	4,560,529.75	18,242,119.00
Provision for one-off housing subsidy	<b>5,648,196.65</b>	<b>22,592,786.58</b>	5,648,196.65	22,592,786.58
Depreciation of fixed assets	<b>2,428,022.56</b>	<b>9,712,090.24</b>	2,315,640.88	9,262,563.55
Other deductible temporary differences	<b>64,973,984.33</b>	<b>278,110,906.90</b>	58,664,027.29	245,606,452.71
<b>Total</b>	<b>247,196,404.71</b>	<b>996,640,640.29</b>	220,182,946.88	901,825,910.44

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Deferred Tax Assets (continued)

#### (1) Deferred tax assets not offset (continued)

##### 1) *Deductible temporary differences and deductible losses of unrecognised deferred tax assets*

Items	Closing balance	Opening balance
Deductible temporary differences	<b>726,843,804.10</b>	678,815,964.95
Deductible losses	<b>1,290,065,087.27</b>	1,087,994,866.14
<b>Total</b>	<b>2,016,908,891.37</b>	1,766,810,831.09

Note: The Group recognises deferred tax assets to the extent of the future taxable income used to deduct deductible temporary differences and deductible losses that is likely to be obtained in the future, and the excess of deductible temporary differences and deductible losses over the future taxable income is not recognised as deferred tax assets.

##### 2) *The deductible losses of unrecognised deferred tax assets will mature in the following year:*

Year	Closing balance	Opening balance	Remark
2020	<b>103,143,089.73</b>	105,718,472.65	—
2021	<b>130,915,929.83</b>	135,427,664.35	—
2022	<b>89,584,448.25</b>	94,829,970.13	—
2023	<b>352,492,120.00</b>	353,032,485.63	—
2024	<b>395,523,585.24</b>	398,986,273.38	—
2025	<b>218,405,914.22</b>	—	—
Deductible losses without maturity date	—	—	—
<b>Total</b>	<b>1,290,065,087.27</b>	1,087,994,866.14	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. Deferred Tax Assets (continued)

#### (2) Deferred tax liabilities not offset

Items	Closing balance		Opening balance	
	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference
Adjustment of the fair value of assets acquired by business combination	180,569,108.50	722,276,434.00	78,889,871.59	315,559,486.36
Depreciation and amortisation	12,336,060.27	52,106,153.79	9,579,412.06	38,699,229.78
Temporary differences of other taxes payable	2,075,698.10	8,618,795.28	2,668,977.18	10,521,558.59
<b>Total</b>	<b>194,980,866.87</b>	<b>783,001,383.07</b>	<b>91,138,260.83</b>	<b>364,780,274.73</b>

#### (3) Deferred tax assets or liabilities shown in the net amount after offset

Items	Offset amount of deferred tax assets against deferred tax liabilities at the end of the period	Closing balance of deferred tax assets or liabilities after offset	Offset amount of deferred come tax assets against deferred tax liabilities at the beginning of the period	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	-9,359,642.03	237,836,762.68	-6,876,701.02	213,306,245.86
Deferred tax liabilities	-9,359,642.03	185,621,224.84	-6,876,701.02	84,261,559.81

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24. Other Non-Current Assets

Items	Closing balance	Opening balance
Lanshi Port Related Assets (Note)	<b>245,659,137.27</b>	175,640,676.50
Prepaid land use rights	<b>83,386,647.71</b>	48,513,050.27
Others	<b>4,693,648.57</b>	870,057.77
<b>Total</b>	<b>333,739,433.55</b>	225,023,784.54

Note: Sinotrans South China, a subsidiary of the Group, and its subsidiary, SINOWAY SHIPPING LIMITED (hereinafter referred to as "SINOWAY SHIPPING"), entered into equity transfer agreements with Guangdong Sinotrans Limited (hereinafter referred to as "Guangdong Sinotrans") and KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD (hereinafter referred to as "Keppel Telecom") respectively on 27 September 2019 to acquire the entire equity interest in Keppel Logistics (Foshan) Co., Ltd. (hereinafter referred to as "Keppel Foshan"). According to the equity transfer agreement, after the equity transfer, Keppel Telecom and Guangdong Sinotrans (hereinafter collectively referred to as "the original shareholders") are still entitled to Keppel Foshan's equity interests (including the right to gain and risk of loss) and related liabilities in the assets of Langshi Port and related areas, until the liquidation of Langshi Port and related areas, which are accounted for as other non-current assets and other non-current liabilities respectively.

#### 25. Assets Under Restricted Ownership or Use Right

Assets under restricted ownership or use right	Closing balance	Opening balance	Remark
I. Assets used for security	—	—	—
Including: Cash and cash equivalents	<b>48,267,346.93</b>	74,470,417.59	Note 1
Investment properties	<b>2,145,008,562.68</b>	2,139,194,020.53	Note 2
Fixed assets	<b>273,569,005.77</b>	304,823,510.63	Note 3, Note 4
Intangible assets	<b>1,182,326,275.06</b>	1,175,239,995.16	Note 2, Note 3, Note 4
II. Other reasons	—	—	—
Including: Cash and cash equivalents	<b>37,356,034.29</b>	13,729,626.85	Litigation restriction, etc.
Other non-current assets- Langshi Port related assets	<b>245,659,137.27</b>	175,640,676.50	Note 5
<b>Total</b>	<b>3,932,186,362.00</b>	3,707,457,570.76	—



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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Assets Under Restricted Ownership or Use Right (continued)

- Note 1: The assets under restricted use right at the end of the period mainly included deposit for letter of guarantee and performance guarantee, as detailed in Note IX. 1.
- Note 2: In order to meet the financing needs of the construction of the Hong Kong "Tsing Yi 181 Project" logistics center, Global Traffic Limited ("Global Traffic"), a subsidiary of the Group, entered an agreement with the China Development Bank to obtain bank facility of HKD2.9 billion. China Merchants Group (Hong Kong) Co., Ltd., a related party of the Group, provided full guarantees. At the same time, Global Traffic and China Development Bank signed a debenture on 26 June 2015, in which Global Traffic was the charger, who (i) pledged the real estate rights and interests of 181 plots owned by Global Traffic by the first charge; (ii) pledged the existing or future business, property, assets, goodwill, rights and income of Hong Kong Global Traffic with floating charges, (iii) pledged of 181 land parcels by the form of construction mortgage; (iv) secured of the equipment of Global Traffic with the first fixed charge and its rights, interests, ownership and rights and interests under the relevant contract as mortgages for long-term loans.
- Note 3: Sinotrans Shanghai Cold Chain Logistics Co., Ltd., a subsidiary of the Group, borrowed from China Construction Bank. According to the contract HFDZJZ (2009) No. 018811, the Company's fixed assets of RMB172,447,069.22 and intangible assets such as land use rights of RMB37,768,567.60 were pledged as collateral. At the same time, Shanghai Sinotrans Cold Chain Transportation Co., Ltd. provides joint liability guarantee.
- Note 4: Sinotrans Chemical International Logistics Co., Ltd. (hereinafter referred to as "Chemical Logistics"), a subsidiary of the Group, used fixed assets with a carrying amount of RMB52,453,303.79 and intangible assets with a carrying amount of RMB31,211,002.08 as collateral for long-term loans of Nantong Sinotrans Chemical Logistics Co., Ltd.; fixed assets with a carrying amount of RMB48,668,632.76 and intangible assets with a carrying amount of RMB16,717,290.94 were used as short-term loan collateral for Chemical Logistics.
- Note 5: See details in Note IX.24 "OTHER NON-CURRENT ASSETS".

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For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 26. Asset Impairment Provision and Credit Loss Provision

Items	Opening balance	Effect from the scope of consolidation changes in	Provision for the		Reversal for the		Write-off for the		Other increases	Other decreases	Effects from translation in foreign currency statements	Closing balance
			period	period	period	period						
Credit loss provision for bills receivable	200,000.00	-	300,000.00	-	-	-	-	-	-	-	500,000.00	
Credit loss provision for accounts receivable	422,138,102.84	2,883,827.09	36,292,660.50	-374,314.69	-1,070,869.44	134,409.71	-	-	-	1,402,911.36	461,406,727.37	
Credit loss provision for other receivables	162,885,716.52	-	-3,369,310.01	-	-	671,176.01	-	-	-766,839.45	869,043.83	160,089,786.90	
Provision for decline in value of inventories	7,755,327.56	-	-	-	-	-	-	-	-	72,706.48	7,828,034.04	
Impairment provision for long-term accounts receivable	29,967,410.37	-	29,967,410.37	-	-	-	-	-	-	364,169.70	60,298,990.44	
Impairment provision for long-term equity investments	12,623,183.45	-	-	-	-	-	-	-	-	169,023.47	12,792,206.92	
Impairment provision for investment properties	1,606,790.53	-	-	-	-	-	-	-	-	52,499.99	1,659,290.52	
Impairment provision for fixed assets	26,365,145.30	-	-	-	-3,422,310.74	-	-	-	-	80,214.29	23,023,048.85	
Impairment provision for construction in progress	20,822,000.00	-	-	-	-	-	-	-	-	-	20,822,000.00	
Impairment provision for intangible assets	58,913,956.77	-	-	-	-	-	-	-	-	-	58,913,956.77	
Impairment provision for goodwill	251,466,988.69	-	-	-	-	-	-	-	-	-	251,466,988.69	
<b>Total</b>	<b>994,544,622.03</b>	<b>2,883,827.09</b>	<b>63,190,760.86</b>	<b>-374,314.69</b>	<b>-4,493,180.18</b>	<b>805,655.72</b>	<b>-766,839.45</b>	<b>3,010,569.12</b>	<b>1,058,801,030.50</b>			

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27. Short-Term Borrowings

#### (1) Classification of short-term borrowings

Category	Closing balance	Opening balance
Credit loan	<b>2,120,983,750.00</b>	1,197,378,957.50
Mortgage loan	<b>5,004,229.17</b>	5,005,437.50
Total	<b>2,125,987,979.17</b>	1,202,384,395.00

The Group had no short-term borrowings due as at the end of the period.

### 28. Bills Payable

Category	Closing balance	Opening balance
Bank acceptance bills	<b>121,052,287.85</b>	–
Commercial acceptance bills	–	–
Total	<b>121,052,287.85</b>	–

### 29. Accounts Payable

#### (1) Details of accounts payable

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	<b>9,095,048,532.10</b>	<b>95.27</b>	8,590,260,463.00	93.92
1 to 2 years (including 2 years)	<b>211,418,281.09</b>	<b>2.21</b>	302,299,511.04	3.30
2 to 3 years (including 3 years)	<b>84,421,741.16</b>	<b>0.88</b>	98,291,199.19	1.07
Over 3 years	<b>156,397,662.35</b>	<b>1.64</b>	156,194,853.88	1.71
Total	<b>9,547,286,216.70</b>	<b>100.00</b>	9,147,046,027.11	100.00

The above aging analysis of accounts payable is based on the time of purchasing goods or receiving services.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Accounts Payable (continued)

#### (2) Significant accounts payable with the aging of more than one year

Company name	Amount owed	Aging	Reasons for non-repayment
Entity 1	17,702,426.85	1-2 years, 2-3 years and Over 3 years	Unsettled
Entity 2	17,700,325.49	1-2 years, 2-3 years and Over 3 years	Unsettled
Entity 3	14,127,615.02	1-2 years, 2-3 years and Over 3 years	Unsettled
Entity 4	13,150,909.19	Within 3 years	Unsettled
Entity 5	12,196,249.35	2-3 years and Over 3 years	Unsettled
Entity 6	12,045,021.44	1-2 years, 2-3 years and Over 3 years	Unsettled
Entity 7	11,339,646.23	Within 3 years	Unsettled
Entity 8	8,822,253.39	1-2 years, 2-3 years and Over 3 years	Unsettled
Entity 9	7,965,601.16	Within 3 years	Unsettled
Entity 10	7,615,690.82	2-3 years and Over 3 years	Unsettled
Entity 11	7,197,827.50	Over 3 years	Unsettled
Entity 12	7,094,939.97	Over 3 years	Unsettled
Entity 13	6,905,604.53	1 -2 years	Unsettled
Entity 14	5,056,586.61	Within 3 years	Unsettled
<b>Total</b>	<b>148,920,697.55</b>	—	—

- (3) There had no accounts payable to shareholders holding more than 5% (including 5%) of the voting shares of the Company.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Contract Liabilities

#### (1) Details of contract liabilities

Items	Closing balance	Opening balance
Forwarding and related business advanced receipt	<b>2,528,988,269.35</b>	2,259,159,838.26
Logistics business advanced receipt	<b>451,820,069.05</b>	331,918,066.62
E-commerce business advanced receipt	<b>68,883,845.23</b>	17,311,802.76
Subtotal	<b>3,049,692,183.63</b>	2,608,389,707.64
Less: Contract liabilities included in other non-current liabilities	—	—
Total	<b>3,049,692,183.63</b>	2,608,389,707.64

From January to June 2020, the contractual liability of RMB1,964,510,417.42 included in the opening carrying amount has been transferred to operating income.

#### (2) Qualitative and quantitative analysis of contract liabilities

As at 30 June 2020, the transaction price, net of estimated output tax, allocated by the Group to the remaining performance obligations of logistics and transportation service contracts was RMB3,049,692,183.63 (1 January 2020: RMB2,608,389,707.64). This amount represents the amount of revenue that the Group expects to recognise when the customer obtains control of the services in the future. The Group expects that RMB3,049,692,183.63 will be recognised as revenue in one year from the current reporting period.

#### (3) Significant changes in contract liabilities

Items	Changed amount	Reason
Forwarding and related business advanced receipt	269,828,431.09	Undertake new projects
Total	<b>269,828,431.09</b>	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Employee Remuneration Payable

#### (1) Classification of employee remuneration payable

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Short-term compensation	1,483,940,936.69	2,615,705,600.00	2,901,999,501.90	<b>1,197,647,034.79</b>
II. Post-employment benefits-defined contribution plans	52,489,964.80	148,917,904.02	150,413,658.31	<b>50,994,210.51</b>
III. Termination benefits	41,843,314.60	21,547,290.87	30,484,212.29	<b>32,906,393.18</b>
IV. Other benefits due within one year	-	-	-	-
V. Others	11,419,519.03	7,883,952.68	7,973,096.56	<b>11,330,375.15</b>
<b>Total</b>	<b>1,589,693,735.12</b>	<b>2,794,054,747.57</b>	<b>3,090,870,469.06</b>	<b>1,292,878,013.63</b>

#### (2) Short-term compensation

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Wages payable	1,380,010,118.64	2,025,950,539.79	2,350,072,098.98	<b>1,055,888,559.45</b>
II. Welfare payable	3,103,605.13	104,087,876.94	78,240,598.10	<b>28,950,883.97</b>
III. Social insurance premiums	7,678,916.92	89,420,614.32	91,541,724.93	<b>5,557,806.31</b>
Including: Medical insurance	6,807,163.61	78,801,254.30	80,753,016.19	<b>4,855,401.72</b>
Work-related injury insurance	290,089.83	1,875,126.58	1,996,272.90	<b>168,943.51</b>
Maternity insurance	580,004.97	6,736,368.99	6,844,915.86	<b>471,458.10</b>
Others	1,658.51	2,007,864.45	1,947,519.98	<b>62,002.98</b>
IV. Housing provident funds	2,136,640.55	145,739,637.20	145,370,770.32	<b>2,505,507.43</b>
V. Trade union funds and staff education funds	52,954,914.98	37,039,121.09	30,669,345.19	<b>59,324,690.88</b>
VI. Short-term paid absences	-	-	-	-
VII. Short-term profit-sharing scheme	-	-	-	-
VIII. Other short-term compensation	38,056,740.47	213,467,810.66	206,104,964.38	<b>45,419,586.75</b>
<b>Total</b>	<b>1,483,940,936.69</b>	<b>2,615,705,600.00</b>	<b>2,901,999,501.90</b>	<b>1,197,647,034.79</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31. Employee Remuneration Payable (continued)

#### (3) Defined contribution plan

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Basic endowment insurance premiums	8,109,466.19	60,458,260.77	62,296,949.88	<b>6,270,777.08</b>
II. Unemployment insurance premiums	480,804.49	25,772,848.64	19,095,282.49	<b>7,158,370.64</b>
III. Enterprise annuity contributions	43,899,694.12	62,686,794.61	69,021,425.94	<b>37,565,062.79</b>
<b>Total</b>	<b>52,489,964.80</b>	<b>148,917,904.02</b>	<b>150,413,658.31</b>	<b>50,994,210.51</b>

Note 1: According to the pension and unemployment insurance plan set up by the government institutions, the Group pays to such plans a contribution on the basis of 12% to 20% and 0.48% to 2% of the employees' basic wages on a monthly basis. Apart from the above monthly payment, the Group bears no longer further payment obligation. Corresponding expenses are recorded in the profit or loss of the current period or the cost of the related assets.

Note 2: The enterprise annuity contribution of the Group is jointly borne by the entity and its employees. The total annual contribution of the entity is 5% of the total wages of the prior period, and is distributed to the individual account of employees on the basis of 5% of the individual contribution base of employees. The individual monthly contribution base of employees is the average monthly wage of employees for the previous year (the maximum individual contribution base shall not exceed 5 times the average contribution base of the Group). The rest is included in the enterprise account. The individual contribution of employees accounts for 25% of the Company's contribution for them and is deducted by the Group from the wages of employees.

Note 3: The annuity fund of the Group adopts the mode of legal person entrustment management, and the enterprise annuity fund pooled is entrusted by SINOTRANS & CSC to the trustee for the entrusted management, and a contract for the trusted management of the enterprise annuity fund is signed.

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 32. Taxes and Dues Payable

Items	Closing balance	Opening balance
Enterprise income tax	<b>238,750,745.37</b>	226,941,130.74
Value-added tax	<b>78,187,951.46</b>	55,037,093.87
Land value-added tax	–	1,885,384.32
Property tax	<b>16,341,525.43</b>	15,231,452.05
Land use tax	<b>9,748,607.48</b>	8,791,738.87
Individual income tax	<b>12,625,622.21</b>	18,638,116.01
Urban maintenance & construction tax	<b>2,457,231.86</b>	3,296,144.76
Education surcharge	<b>1,839,938.26</b>	2,565,166.67
Deed tax	<b>337,781.17</b>	361,896.85
Stamp tax	<b>4,790,514.60</b>	5,879,990.28
Other taxes	<b>6,034,037.98</b>	5,905,323.80
<b>Total</b>	<b>371,113,955.82</b>	344,533,438.22

#### 33. Other Payables

Items	Closing balance	Opening balance
Interest payable	<b>28,223,909.54</b>	26,339,510.69
Dividends payable	<b>952,088,235.26</b>	47,911,902.30
Other payables	<b>1,435,459,332.79</b>	2,247,923,504.93
<b>Total</b>	<b>2,415,771,477.59</b>	2,322,174,917.92

##### (1) Interest payable

###### 1) Details of interest payable

Items	Closing balance	Opening balance
Interest on long-term payables	<b>20,344,033.69</b>	18,467,203.50
Interest on short-term borrowings	<b>4,869,875.85</b>	4,862,307.19
Interest on long-term borrowings paid in installments	<b>3,010,000.00</b>	3,010,000.00
<b>Total</b>	<b>28,223,909.54</b>	26,339,510.69



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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Other Payables (continued)

#### (1) Interest payable (continued)

##### 2) Important overdue interest

Creditor	Overdue amount	Overdue reason
SINOTRANS & CSC	28,223,909.54	No repayment request from related parties
<b>Total</b>	<b>28,223,909.54</b>	—

#### (2) Dividends payable

Items	Company name	Closing balance	Opening balance
Ordinary share dividend	Public shares	<b>400,211,066.21</b>	290,637.89
	SINOTRANS & CSC	<b>332,230,063.92</b>	36,125,719.92
	China Merchants Group Co., Ltd.	<b>192,071,692.68</b>	—
	Employee shareholding in Sinotrans Ningbo Int'l Container Trans. Co., Ltd.	<b>14,805,177.60</b>	—
	Guangdong Nanhai Food Import & Export Co., Ltd.	<b>7,054,430.55</b>	6,264,602.57
	Guangdong Food Import and Export Group Co., Ltd.	<b>5,643,544.44</b>	5,011,682.06
	Sinotrans Jiangxi Co., Ltd.	<b>72,259.86</b>	72,259.86
	Seiritsusho Co., Ltd.	—	81,150.00
	Azuma Shipping Co., Ltd.	—	65,850.00
	<b>Total</b>	—	<b>952,088,235.26</b>

Note: As of the announcement date of this report, the Company has completed the distribution of its 2019 annual dividend of RMB888,096,465.00 (tax inclusive).

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Other Payables (continued)

#### (3) Other payables

##### 1) Other payables by nature of payment

Items	Closing balance	Opening balance
Current payables to related parties	<b>366,060,046.66</b>	309,677,579.70
Deposits and guarantees collected	<b>333,984,454.96</b>	385,622,750.40
Financial transactions with non-related parties	<b>238,083,838.31</b>	576,023,967.05
Advances and receivables payable	<b>212,680,967.80</b>	556,183,903.74
Payments for project, equipment and land	<b>114,162,182.40</b>	226,353,113.12
Others	<b>170,487,842.66</b>	194,062,190.92
<b>Total</b>	<b>1,435,459,332.79</b>	2,247,923,504.93

##### 2) Aging analysis of other payables

Aging	Closing balance		Opening balance	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year				
(including 1 year)	<b>1,060,732,655.43</b>	<b>73.90</b>	1,859,125,366.95	82.70
1 to 2 years				
(including 2 years)	<b>146,878,860.47</b>	<b>10.23</b>	170,901,462.16	7.60
2 to 3 years				
(including 3 years)	<b>51,424,145.99</b>	<b>3.58</b>	43,975,316.12	1.96
Over 3 years	<b>176,423,670.90</b>	<b>12.29</b>	173,921,359.70	7.74
<b>Total</b>	<b>1,435,459,332.79</b>	<b>100.00</b>	2,247,923,504.93	100.00

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Other Payables (continued)

#### (3) Other payables (continued)

##### 3) Significant other payables aged over one year

Company name	Amount owed	Aging	Reason for non-repayment
SINOTRANS & CSC	27,899,112.84	1-2 years and Over 3 years	No fixed term
WINSOR PROPERTIES (CHINA) LIMITED	20,395,862.71	Over 3 years	No fixed term
Shanghai Tongyun International Logistics Co., Ltd.	14,100,000.00	Over 3 years	No call on payment
SCHENKER INTERNATIONAL (HK) LTD.	9,350,664.10	1-2 years	No fixed term
Nantong Construction Engineering Group Co., Ltd.	6,073,627.91	1-2 years	No fixed term
Glowing Logistics Limited	5,943,597.56	1-2 years	No fixed term
DHL EXPRESS (HK) LTD.	5,872,424.56	1-2 years	No fixed term
Fuzhou Development Zone State-owned Assets Operation Co., Ltd.	5,377,743.74	Over 3 years	No call on payment
Jilin Construction Engineering Group Co., Ltd.	5,114,965.44	Over 3 years	No fixed term
<b>Total</b>	<b>100,127,998.86</b>	—	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Other Payables (continued)

#### (3) Other payables (continued)

##### 4) Other payables with significant balances at the end of the period

Company name	Amount owed	Aging	Nature or content
RED BRAVES FINANCE LTD.	118,825,515.79	Within 1 year	Current payables to related parties
China Merchants Investment Development Company Limited	62,670,704.64	Within 1 year	Current payables to related parties
Shantou Shenyuan Jinchun Real Estate Co., Ltd.	59,245,700.00	Within 1 year	Other
Singamas Container Holdings Limited	47,770,000.00	Within 1 year	Advances and receivables payable
China Merchants Logistics Group Nanjing Co., Ltd.	43,744,738.22	Within 1 year	Current payables to related parties
Qingjian Group Co., Ltd.	34,978,370.07	Within 1 year	Payable for engineering, equipment and land
SINOTRANS & CSC	27,899,112.84	1-2 years and Over 3 years	Current payables to related parties
Sichuan Sinotrans Storage Service Co., Ltd.	24,518,369.97	Within 1 year	Current payables to related parties
ACE CREATIVE ASIA CORPORATION	23,738,673.95	Within 1 year	Advances and receivables payable
WINSOR PROPERTIES(CHINA)LIMITED	20,395,862.71	Over 3 years	Non-related party transactions
<b>Total</b>	<b>463,787,048.19</b>	—	—

##### 5) Other amounts due to shareholders holding more than 5% (including 5%) of the voting shares of the Company

Company name	Closing balance	Opening balance
SINOTRANS & CSC	<b>27,899,112.84</b>	37,402,187.77
<b>Total</b>	<b>27,899,112.84</b>	37,402,187.77

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Non-Current Liabilities Due Within One Year

Items	Closing balance	Opening balance
Long-term loans due within one year	<b>4,544,639,448.67</b>	2,772,988,139.09
Including: Guaranteed loan	<b>4,433,656,793.12</b>	2,165,816,159.45
Mortgage loan	<b>110,670,159.11</b>	106,859,483.20
Secured borrowings	<b>312,496.44</b>	312,496.44
Fiduciary loan	–	500,000,000.00
Lease liabilities due within one year	<b>610,231,598.56</b>	495,701,625.84
Bonds payable maturing within one year	<b>2,063,129,594.47</b>	–
Total	<b>7,218,000,641.70</b>	3,268,689,764.93

### 35. Other Current Liabilities

Items	Closing balance	Opening balance
Pending output VAT	<b>184,224,950.88</b>	177,858,416.72
Total	<b>184,224,950.88</b>	177,858,416.72

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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 36. Long-Term Borrowings

Type of Borrowing	Closing balance	Opening balance	Interest rate range at the end of the period (%)
Guaranteed loan	<b>4,826,736,675.91</b>	4,752,593,985.35	2.10-4.90
Mortgage loan	<b>2,145,518,887.86</b>	2,140,911,629.52	3.34-4.99
Fiduciary loan	<b>116,875,000.00</b>	717,005,625.00	1.20-4.04
Secured borrowings	<b>264,887,296.34</b>	188,616,143.24	4.26-8.30
Total	<b>7,354,017,860.11</b>	7,799,127,383.11	—
Less: Long-term loans due within one year	<b>4,544,639,448.67</b>	2,772,988,139.09	—
Including: Guaranteed loan	<b>4,433,656,793.12</b>	2,165,816,159.45	—
mortgage loan	<b>110,670,159.11</b>	106,859,483.20	—
Secured borrowings	<b>312,496.44</b>	312,496.44	—
Fiduciary loan	<b>—</b>	500,000,000.00	—
Long-term loans due over one year	<b>2,809,378,411.44</b>	5,026,139,244.02	—

#### (1) Top five long-term borrowings in closing amount

Loan unit	Borrowing start date	Borrowing Termination Date	Currency	Interest rate (%)	Closing balance		Opening balance	
					Foreign currency	Domestic currency	Foreign currency	Domestic currency
Bank of China	2018-06-27	2021-06-26	HKD	2.95	<b>2,423,650,000.00</b>	<b>2,213,761,910.00</b>	2,424,521,613.60	2,171,886,461.46
DBS Bank	2017-12-22	2020-12-21	HKD	2.89	<b>1,427,940,000.00</b>	<b>1,304,280,396.00</b>	1,428,844,492.41	1,279,958,896.30
China Development Bank	2015-6-30	2030-6-30	HKD	4.90	<b>1,398,078,739.41</b>	<b>1,277,005,120.58</b>	1,436,450,532.42	1,286,772,386.95
DBS Bank	2017-12-22	2020-12-21	HKD	2.89	<b>951,960,000.00</b>	<b>869,520,264.00</b>	952,562,994.94	853,305,930.87
Industrial and Commercial Bank of China	2018-12-21	2023-12-20	HKD	3.34	<b>760,000,000.00</b>	<b>694,184,000.00</b>	760,000,000.00	680,808,000.00

#### (2) Maturities of long-term loans are analysed as follows

Items	Closing balance	Opening balance
1 to 2 years (including 2 years)	<b>132,599,779.77</b>	2,357,718,904.17
2 to 5 years (including 5 years)	<b>1,513,687,039.82</b>	1,531,302,051.81
Over 5 years	<b>1,163,091,591.85</b>	1,137,118,288.04
Total	<b>2,809,378,411.44</b>	5,026,139,244.02

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Bonds Payable

#### (1) Bonds payable

Items	Closing balance	Opening balance
2016 corporate bonds (phase I) – RMB2,000M	–	2,052,367,210.99
2016 corporate bonds (phase II) – RMB1,500M	<b>1,349,483,424.67</b>	1,367,119,232.80
<b>Total</b>	<b>1,349,483,424.67</b>	3,419,486,443.79

Note: The Group's corporate bonds including:

On 2 March 2016, with the approval of the SFC, the Company was permitted to issue unsecured corporate bonds with a nominal value of RMB100 and a total amount of RMB2,000,000,000 (2016 corporate bonds (phase I) – RMB2,000M). The bonds were issued with a term of 5 years, with fixed coupon and effective interest rates of 3.20% and 3.24% per annum, respectively, and the principal and interest repayment was made in one installment.

On 24 August 2016, with the approval of the SFC, the Company was permitted to issue unsecured corporate bonds with a nominal value of RMB100 and an aggregate amount of RMB1,500,000,000 (2016 corporate bonds (phase II) – RMB1,500M). The bonds were issued with a term of 5 years, with fixed coupon and effective interest rates of 2.94% and 2.98% per annum, respectively, and the principal and interest repayment was made in one installment. On 24 August 2019, the Company redeemed the bonds in the amount of RMB1,500,000,000 and increased the coupon rate of the subsequent term by 76 basis points from the redemption date, and the fixed coupon and effective interest rate were adjusted to 3.70% and 3.73% per annum, respectively.

#### (2) The maturity analysis of bonds payable is as follows

Items	Closing balance	Opening balance
1 to 2 years (including 2 years)	<b>1,349,483,424.67</b>	3,419,486,443.79
2 to 5 years (inclusive)	–	–
Over 5 years	–	–
<b>Total</b>	<b>1,349,483,424.67</b>	3,419,486,443.79

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For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 37. Bonds Payable (continued)

##### (3) Statement of changes and increases in bonds payable

Bond name	Face value	Bond		Issue amount	Opening balance	Effect of a change in the scope of consolidation	Issued in current period	Interest accrued	Amortisation of excess and discount	Repayment current period	Effects from translation in foreign currency statement	Closing balance	Amounts in closing balances classified to non-current liabilities due within one year
		Issuing date	period										
2016 corporate bonds (phase II) - RMB2,000M	2,000,000,000.00	2016-3-2	5 years	2,000,000,000.00	2,052,367,210.99	-	-	32,000,000.00	133,698.63	64,000,000.00	-	2,020,500,909.62	2,020,500,909.62
2016 corporate bonds (phase II) - RMB1,500M	1,500,000,000.00	2016-8-24	5 years	1,500,000,000.00	1,367,119,232.80	-	-	24,975,000.00	17,876.72	-	-	1,392,112,109.52	42,628,684.85
<b>Total</b>	<b>3,500,000,000.00</b>	—	—	<b>3,500,000,000.00</b>	<b>3,419,486,443.79</b>	-	-	<b>56,975,000.00</b>	<b>151,575.35</b>	<b>64,000,000.00</b>	-	<b>3,412,613,019.14</b>	<b>2,063,129,594.47</b>

#### 38. Lease Liabilities

##### (1) Lease liabilities

Items	Closing balance	Opening balance
Lease payments	<b>3,017,063,584.83</b>	2,647,081,119.42
Less: Unrecognised finance expenses	<b>651,716,730.42</b>	631,455,146.85
Less: Lease liability due within one year	<b>610,231,598.56</b>	495,701,625.84
Lease liabilities due after one year	<b>1,755,115,255.85</b>	1,519,924,346.73

##### (2) Maturity of lease liabilities

Items	Closing balance
Minimum lease payments under non-cancellable operating leases:	—
Year 1 after balance sheet date	710,401,699.16
Year 2 after balance sheet date	448,525,584.97
Year 3 after balance sheet date	213,361,652.79
Future years	1,644,774,647.91
<b>Total</b>	<b>3,017,063,584.83</b>

##### (3) The Group is not exposed to significant liquidity risk in relation to its lease liabilities.



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Long-Term Payables

Items	Closing balance	Opening balance
Related party loans	<b>182,849,283.66</b>	192,657,228.79
Amount due to minority shareholders	<b>4,608,468.93</b>	4,608,469.41
<b>Total</b>	<b>187,457,752.59</b>	197,265,698.20
Less: Long-term payables due within one year	–	–
<b>Long-term payables due after one year</b>	<b>187,457,752.59</b>	197,265,698.20

#### (1) The top 5 items with the largest closing balance

Items	Closing balance	Opening balance
SINOTRANS & CSC (Note 1)	<b>90,718,773.77</b>	100,718,773.77
Guangdong Sinotrans Co., Ltd. (Note 2)	<b>92,130,509.89</b>	91,938,455.02
Guangdong Shilong Port Authority	<b>3,396,889.80</b>	3,396,890.28
Infinitus (China) Co., Ltd.	<b>1,211,579.13</b>	1,211,579.13
<b>Total</b>	<b>187,457,752.59</b>	197,265,698.20

Note 1: Guangxi Sinotrans Logistics Co., Ltd., a subsidiary of the Group, borrowed RMB179.92 million from Sinotrans Airline in 2014, with a loan interest rate of 5.65% per annum. The Group repaid RMB99.2 million in 2018 and RMB10.0 million in the current period, leaving a principal amount of RMB70.72 million outstanding at the end of the period;

Sinotrans Logistics Investment Holdings Co., Ltd., a subsidiary of the Group, borrowed RMB20 million from SINOTRANS&CSC in 2016 with a loan term of 18 years and the interest rate of the loan was executed with reference to the interest rate of bank loans for the same period.

Note 2: The Group borrowed RMB91.94 million from Guangdong Sinotrans in 2013, with a loan term of 10 years, the interest rate of the loan was executed with reference to the bank's lending rate for the same period, and the total principal and interest at the end of the period was RMB92.13 million.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Long-Term Payables (continued)

#### (2) Maturity analysis of long-term payables

Items	Closing balance	Opening balance
1 to 2 years	<b>74,307,718.44</b>	84,115,664.05
2 to 5 years	<b>93,150,034.15</b>	93,150,034.15
Over 5 years	<b>20,000,000.00</b>	20,000,000.00
Total	<b>187,457,752.59</b>	197,265,698.20

### 40. Long-Term Employee Remuneration Payable

Items	Opening balance	Current period	Current payment	Actuarial adjustments	Interest adjustments	Foreign currency translation differences	Changes in the scope of consolidation	Closing balance
I. Net post-employment benefit -- defined benefit plan liability	1,001,525.66	-	20,500.00	-	-	-	-	<b>981,025.66</b>
II. Termination benefits	540,194.97	-	33,108.56	-	-	-	-	<b>507,086.41</b>
III. Other long-term benefits	1,385,319.14	-	1,608.00	-	-	-	-	<b>1,383,711.14</b>
Total	2,927,039.77	-	55,216.56	-	-	-	-	<b>2,871,823.21</b>

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Estimated Liabilities

Items	Opening balance	Increase due to change in scope of consolidation	Increase in current period	Decrease in current period	Effect of translation of foreign currency statements	Closing balance	Reason for change
Pending litigation (Note 1)	216,492,596.56	-	22,323,100.00	8,021,469.25	-	<b>230,794,227.31</b>	Reimbursements and advances based on risk items
One-time housing allowance (Note 2)	22,592,786.58	-	-	-	-	<b>22,592,786.58</b>	—
Disposal costs (Note 3)	14,389,433.21	-	-	-	-	<b>14,389,433.21</b>	—
Others	16,021,122.28	-	-	-	-	<b>16,021,122.28</b>	—
<b>Total</b>	<b>269,495,938.63</b>	<b>-</b>	<b>22,323,100.00</b>	<b>8,021,469.25</b>	<b>-</b>	<b>283,797,569.38</b>	—

Note 1: In respect of the disputes and litigation arising in the ordinary course of the Group's business, the Group's management estimated the risk in accordance with relevant laws and regulations, and the amount of the estimated liability accrued for such pending litigation that is likely to result in losses as at 30 June 2020 was RMB230,794,227.31 (31 December 2019: RMB216,492,596.56).

Note 2: The one-time cash housing allowance represents the Group's projected liability prior to the 2002 restructuring. The Group does not expect to implement a new one-time housing subsidy scheme in the foreseeable future.

Note 3: The disposal costs is for Kangxin Logistics (Tianjin) Co., Ltd. and China Merchants International Cold Chain (China) Co., Ltd. to renovate the leased cold storage. It is stipulated in the contract that the lessee shall bear the expenses incurred in restoring the warehouse to its original state after the expiration of the lease term

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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Deferred Income

#### (1) Deferred income situation

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance	Reason
Government grants	383,338,591.29	7,869,029.00	15,930,169.24	<b>375,277,451.05</b>	Deferred income mainly represents the subsidies allocated by the government to promote the development and standardization of the logistics industry.
Total	383,338,591.29	7,869,029.00	15,930,169.24	<b>375,277,451.05</b>	—

#### (2) Projects related to government grants

Items	Opening balance	New grants increase in current period	Amount included in non-operating income for the period	Amount included in other income for the period	Other changes	Closing balance	Related to assets/income
Subsidies for logistics infrastructure projects	172,523,657.35	-	2,765,663.06	2,531,473.15	-	<b>167,226,521.14</b>	Asset-related
Relocation compensation	72,097,485.26	-	-	2,938,603.98	-	<b>69,158,881.28</b>	Asset-related
Land restitution	63,770,841.81	-	-	752,744.28	-	<b>63,018,097.53</b>	Asset-related
Special logistics project grants	44,317,854.89	7,069,029.00	1,210,134.56	4,441,582.99	-	<b>45,735,166.34</b>	Asset-related
Logistics enterprise support funds	-	800,000.00	-	-	-	<b>800,000.00</b>	Revenue-related
Others	30,628,751.98	-	130,909.08	1,159,058.14	-	<b>29,338,784.76</b>	Asset-related
Total	383,338,591.29	7,869,029.00	4,106,706.70	11,823,462.54	-	<b>375,277,451.05</b>	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Other Non-Current Liabilities

Items	Opening balance	Increase due to change in scope of consolidation	Increase in current period	Decrease in current period	Translation difference of the financial statements in foreign currency	Closing balance
Liabilities associated with Lanshi						
Port (Note)	71,319,466.31	-	131,765,427.60	-	-	<b>203,084,893.91</b>
Total	71,319,466.31	-	131,765,427.60	-	-	<b>203,084,893.91</b>
Less: Other non-current liabilities						
due within one year	-	-	-	-	-	-
Other non-current liabilities						
due after one year	71,319,466.31	-	131,765,427.60	-	-	<b>203,084,893.91</b>

Note: The liabilities related to Langshi Port are detailed in Notes IX. 24 of this note.

### 44. Share Capital

Items	Opening balance		Increase in current period	Decrease in current period	Closing balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
SINOTRANS&CSC	2,461,596,200.00	33.26	-	-	<b>2,461,596,200.00</b>	<b>33.26</b>
China Merchants Group	1,600,597,439.00	21.63	-	-	<b>1,600,597,439.00</b>	<b>21.63</b>
Others	3,338,610,236.00	45.11	-	-	<b>3,338,610,236.00</b>	<b>45.11</b>
<b>Total</b>	<b>7,400,803,875.00</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>7,400,803,875.00</b>	<b>100.00</b>

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 45. Capital Reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
I. Capital (or equity) premium	6,067,944,868.36	-	-	<b>6,067,944,868.36</b>
1. Capital invested by investors	3,103,350,547.94	-	-	<b>3,103,350,547.94</b>
2. Differences arising from the acquisition of minority interests	1,945,510,847.79	-	-	<b>1,945,510,847.79</b>
3. Others	1,019,083,472.63	-	-	<b>1,019,083,472.63</b>
II. Other capital reserves	4,761,642.50	420,537.88	-	<b>5,182,180.38</b>
1. Changes in equity in investees other than net gains and losses, other comprehensive income and profit distributions	4,761,642.50	420,537.88	-	<b>5,182,180.38</b>
2. Others	-	-	-	-
Total	6,072,706,510.86	420,537.88	-	<b>6,073,127,048.74</b>
Including: Exclusively state-owned capital reserves	-	-	-	-

#### 46. Special Reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Production safety costs	53,520,819.76	41,111,170.95	29,087,243.69	<b>65,544,747.02</b>
Total	53,520,819.76	41,111,170.95	29,087,243.69	<b>65,544,747.02</b>

In accordance with the *Administrative Measures for the Withdrawal and Use of Production Safety Expense of Enterprises* (Caiqi [2012] No.16), jointly issued by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, companies engaged in general freight transportation or special freight transportation such as dangerous goods are required to withdraw production safety costs on the basis of business income, which will be recognised to the cost of relevant products or current profit or loss, and transferred to special reserve accordingly.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. Surplus Reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory Surplus Reserves	899,046,022.99	–	–	<b>899,046,022.99</b>
Total	899,046,022.99	–	–	<b>899,046,022.99</b>

According to the provisions of the Articles of Association of the Company, the statutory surplus reserve fund shall be withdrawn at the rate of 10% of the net profit. If the accumulated statutory surplus fund of the Company reaches 50% or more of the Company's registered capital, it may not be withdrawn.

### 48. Retained Earnings

Items	Current period	Prior period
<b>Closing balance of prior period</b>	<b>14,170,510,834.74</b>	12,484,368,855.91
Add: Adjustments to opening retained earnings	–	-67,948,139.86
Including: Change of accounting policy (Note 1)	–	-67,948,139.86
Opening balance	<b>14,170,510,834.74</b>	12,416,420,716.05
<b>Increase in current period</b>	<b>1,222,438,169.05</b>	1,517,484,875.36
Including: Net profit for the period attributable to the Company	<b>1,215,123,919.62</b>	1,517,484,875.36
Other comprehensive income carryforward of retained earnings	<b>7,314,249.43</b>	–
<b>Decrease in current period</b>	<b>888,096,465.00</b>	962,104,503.75
Including: Drawdown of statutory surplus for the period	–	–
Distribution of profits	<b>888,096,465.00</b>	962,104,503.75
<b>Closing balance of current period</b>	<b>14,504,852,538.79</b>	12,971,801,087.66

Note 1: As of 1 January 2019, the company implemented the new lease standard and adjust the amount of opening retained earnings based on the cumulative impact of the first implementation of the new lease standard to be RMB -67,948,139.86.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49. Operating Income, Costs

#### (1) Operating income by service

Items	Amount for the six months ended 30 June 2020		Amount for the six months ended 30 June 2019	
	Income	Costs	Income	Costs
Forwarding and related	<b>26,994,676,753.66</b>	<b>25,770,616,390.27</b>	26,228,797,800.28	24,892,766,765.28
Logistics	<b>10,073,323,152.79</b>	<b>9,149,237,765.44</b>	9,934,370,091.66	8,959,897,369.96
E-commerce	<b>2,622,976,615.31</b>	<b>2,496,806,202.42</b>	1,557,415,190.19	1,477,563,158.18
Total	<b>39,690,976,521.76</b>	<b>37,416,660,358.13</b>	37,720,583,082.13	35,330,227,293.42

#### (2) Operating income is classified by the point of revenue recognition

Six months ended 30 June 2020

Items	Forwarding and related	Logistics	E-commerce
Operating income	—	—	—
Including: Recognised at a certain point of time	<b>26,994,676,753.66</b>	<b>10,073,323,152.79</b>	<b>2,560,587,593.56</b>
Recognised over a certain period	—	—	—
Lease income	—	—	<b>62,389,021.75</b>
Total	<b>26,994,676,753.66</b>	<b>10,073,323,152.79</b>	<b>2,622,976,615.31</b>

Six months ended 30 June 2019

Items	Forwarding and related	Logistics	E-commerce
Operating income	—	—	—
Including: Recognised at a certain point of time	26,228,797,800.28	9,934,370,091.66	1,502,176,759.60
Recognised over a certain period	—	—	—
Lease income	—	—	55,238,430.59
Total	26,228,797,800.28	9,934,370,091.66	1,557,415,190.19



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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Taxes And Surcharges

Items	<b>Amount for the six months ended 30 June 2020</b>	Amount for the six months ended 30 June 2019
Property tax	<b>37,776,031.49</b>	42,859,555.27
Land use tax	<b>15,843,699.95</b>	19,706,231.42
Stamp duties	<b>10,674,117.84</b>	10,536,983.47
City maintenance and construction tax	<b>8,434,233.46</b>	11,530,847.13
Education surcharge	<b>6,662,920.59</b>	9,120,735.96
Others	<b>2,622,033.35</b>	4,108,150.03
Total	<b>82,013,036.68</b>	97,862,503.28

### 51. Selling Expenses

Items	<b>Amount for the six months ended 30 June 2020</b>	Amount for the six months ended 30 June 2019
Employee benefits	<b>313,287,573.75</b>	314,233,940.27
Depreciation and amortisation charges on other assets	<b>10,338,497.86</b>	9,055,198.29
Depreciation of right-of-use assets	<b>10,103,059.87</b>	4,402,004.84
Business entertainment expenses	<b>9,218,703.81</b>	17,427,207.92
Traveling expenses	<b>6,254,396.00</b>	12,174,974.18
Others	<b>44,171,636.20</b>	48,057,180.90
Total	<b>393,373,867.49</b>	405,350,506.40

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For the six months ended 30 June 2020  
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### IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 52. Administration Expenses

Items	<b>Amount for the six months ended 30 June 2020</b>	Amount for the six months ended 30 June 2019
Employee benefits	<b>812,054,578.66</b>	800,845,408.85
Depreciation and amortisation charges on other assets	<b>124,651,808.90</b>	85,194,614.89
Technical service fee for communication network	<b>34,076,668.63</b>	29,531,862.11
Depreciation of right-of-use assets	<b>33,730,961.72</b>	31,995,561.90
Comprehensive consultancy and evaluation services	<b>31,444,126.34</b>	20,928,001.53
Property and utilities	<b>30,424,712.10</b>	30,331,437.01
Business entertainment expenses	<b>13,498,908.09</b>	23,262,289.74
Automobile expenses	<b>13,058,886.74</b>	19,511,160.89
Office charges	<b>12,127,509.10</b>	12,364,104.76
Others	<b>68,120,067.48</b>	90,225,011.90
<b>Total</b>	<b>1,173,188,227.76</b>	1,144,189,453.58

#### 53. Research and Development Expenses

Items	<b>Amount for the six months ended 30 June 2020</b>	Amount for the six months ended 30 June 2019
Information System Development	<b>52,979,013.84</b>	6,369,330.91
<b>Total</b>	<b>52,979,013.84</b>	6,369,330.91

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 54. Financial Costs

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019
Interest expense	<b>264,271,633.74</b>	296,507,996.62
Including: Bank and other loans	<b>152,719,450.79</b>	196,020,710.08
Bond interest	<b>57,126,575.35</b>	54,225,616.43
Interest expense of lease liabilities	<b>54,425,607.60</b>	46,261,670.11
Less: Capitalised interest costs	<b>8,645,583.15</b>	11,353,755.76
Less: Interest income	<b>82,416,739.99</b>	131,911,131.46
Net loss on exchange (net gain denoted by a “-”)	<b>12,090,390.03</b>	-27,303,864.61
Others	<b>76,199.71</b>	-1,086,582.75
Total	<b>185,375,900.34</b>	124,852,662.04

### 55. Other Income

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019
Government subsidy for international freight routes	<b>442,801,144.10</b>	404,692,717.47
Air charter subsidies	<b>37,390,000.00</b>	–
Special subsidy for logistics projects	<b>27,688,674.99</b>	16,932,672.26
Additional deduction for value-added tax	<b>26,116,035.10</b>	5,295,870.75
Foreign trade capital support	<b>23,703,240.00</b>	1,391,264.45
Special funds for the development of modern logistics industry	<b>20,665,205.48</b>	17,945,273.05
Job security allowance	<b>13,874,750.38</b>	434,375.37
Sea container volume subsidy	<b>11,132,678.21</b>	7,909,149.00
Special funds for supporting enterprise development	<b>7,531,220.71</b>	6,020,940.00
Local financial reimbursement	<b>5,624,628.69</b>	6,900,707.31
Logistics standardization project grants	<b>3,589,018.15</b>	4,133,426.21
Special export LCL assistance	<b>1,754,477.84</b>	6,988,689.36
Special allowance for centralized customs inspection	<b>1,172,903.12</b>	569,167.26
Subsidy for customs clearance of imported goods	<b>502,771.52</b>	2,969,650.00
Others	<b>19,135,601.56</b>	10,857,513.35
Total	<b>642,682,349.85</b>	493,041,415.84

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 56. Investment Income

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019
Income from long-term equity investments under the equity method	<b>581,298,071.77</b>	592,996,770.87
Investment income from the disposal of long-term equity investments	<b>54,338.58</b>	26,105,458.70
Investment income from the disposal of receivables financing	<b>-1,002,750.29</b>	-263,435.66
Investment income from holding held-for-trading financial assets	<b>333,320.23</b>	–
Investment income from holding other non-current financial assets	<b>216,853.09</b>	5,000,000.00
Dividend income from holding other equity instrument investments	–	1,808,421.18
<b>Total</b>	<b>580,899,833.38</b>	625,647,215.09

There are no significant restrictions on the repatriation of the Group's investment income.

### 57. Credit Loss Impairment

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019
Impairment losses on bills receivable	<b>300,000.00</b>	–
Impairment loss on accounts receivable	<b>35,918,345.81</b>	20,274,502.53
Impairment losses on other receivables	<b>-3,369,310.01</b>	1,998,456.89
Impairment losses on long-term receivables	<b>29,967,410.37</b>	–
<b>Total</b>	<b>62,816,446.17</b>	22,272,959.42

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 58. Income From Disposal of Assets

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019	Amounts included in non-recurring gains and losses for the current period
Gain on disposal of non-current assets	<b>13,888,297.34</b>	64,070,728.81	13,888,297.34
Including: Gain on disposal of fixed assets	<b>11,244,605.52</b>	63,903,122.51	11,244,605.52
Gain on disposal of intangible assets	–	10,000.00	–
Proceeds from the disposal of construction in progress	–	18,666.08	–
Others	<b>2,643,691.82</b>	138,940.22	2,643,691.82
<b>Total</b>	<b>13,888,297.34</b>	64,070,728.81	13,888,297.34

### 59. Non-Operating Income

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019	Amounts included in non-recurring gains and losses for the current period
Government grants	<b>23,509,684.89</b>	12,485,688.08	23,509,684.89
Liquidated damages, indemnities	<b>5,626,177.01</b>	12,712,568.98	5,626,177.01
Income from write-off of non-current assets	<b>3,288,649.72</b>	3,674,935.12	3,288,649.72
Unpayable accounts payable	<b>1,953,787.50</b>	5,062,245.22	1,953,787.50
Others	<b>3,423,158.23</b>	20,372,345.22	3,423,158.23
<b>Total</b>	<b>37,801,457.35</b>	54,307,782.62	37,801,457.35

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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 60. Government Grants

Details of government grants:

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019
Government grants received related to assets:	—	—
Asset facility grants	5,000,000.00	5,000,000.00
Investment value added subsidy	2,069,029.00	—
Special funds for integrated pilot projects for supply chain system construction	—	1,273,700.00
<b>Subtotal</b>	<b>7,069,029.00</b>	<b>6,273,700.00</b>
Government grants received related to earnings:	—	—
Government subsidies for international freight trains	442,801,144.10	404,692,717.47
Air charter subsidies	37,390,000.00	—
Logistics project-specific grants	23,247,092.00	16,932,672.26
Foreign trade capital support	23,703,240.00	1,391,264.45
Special funds for the development of modern logistics industry	20,665,205.48	17,945,273.05
Job security allowance	13,874,750.38	434,375.37
Compensation for demolition and relocation	11,593,312.16	—
Sea container volume subsidy	11,132,678.21	7,909,149.00
Special funds for supporting enterprise development	7,531,220.71	6,020,940.00
Local financial reimbursement	5,624,628.69	6,900,707.31
Logistics standardization project grants	3,589,018.15	4,133,426.21
Special export LCL assistance	1,754,477.84	6,988,689.36
Special allowance for centralized customs inspection	1,172,903.12	569,167.26
Subsidies for logistics enterprises	800,000.00	—
Subsidy for customs clearance of imported goods	502,771.52	2,969,650.00
Other government grants	19,563,388.04	29,255,976.13
<b>Subtotal</b>	<b>624,945,830.40</b>	<b>506,144,007.87</b>
<b>Total</b>	<b>632,014,859.40</b>	<b>512,417,707.87</b>
Less: Government grants included in deferred income	7,869,029.00	6,273,700.00
Add: Government grants transferred from deferred income to current profit or loss	15,930,169.24	15,070,492.26
Less: Government grants to offset related costs	—	20,983,266.96
<b>Government grants included in current profit or loss</b>	<b>640,075,999.64</b>	<b>500,231,233.17</b>
Including: Government grants included in other income	616,566,314.75	487,745,545.09
Government grants included in non-operating income	23,509,684.89	12,485,688.08

Note: The other government grants consists of a number of government grants items that are not material and are not disclosed separately.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 61. Non-Operating Expenses

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019	Amounts included in non-recurring gains and losses for the current period
Losses from pending litigation	<b>22,323,100.00</b>	-10,725,676.48	22,323,100.00
Compensation	<b>9,693,760.86</b>	14,040,071.66	9,693,760.86
Loss of assets for scrap and destruction	<b>2,109,076.80</b>	3,304,139.54	2,109,076.80
Donation expenditure	<b>779,477.86</b>	555,900.00	779,477.86
Other losses	<b>853,677.01</b>	1,950,308.93	853,677.01
<b>Total</b>	<b>35,759,092.53</b>	9,124,743.65	35,759,092.53

### 62. Income Tax Expenses

#### (1) Income tax expense table

Items	Amount for the six months ended 30 June 2020	Amount for the six months ended 30 June 2019
Current income tax	<b>344,354,219.60</b>	235,618,839.88
Deferred income tax adjustment	<b>-31,911,231.81</b>	-1,260,400.21
<b>Total</b>	<b>312,442,987.79</b>	234,358,439.67

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 62. Income Tax Expenses (continued)

#### (2) The reconciliation of the total profit to the income tax expenses

Items	Amount for the six months ended 30 June 2020
Total profit	1,564,082,516.74
Income tax expense at the rate of 25% (prior period: 25%)	391,020,629.19
Tax implications of non-deductible expenses	13,151,037.31
Income not subject to tax	-145,378,606.22
Unrecognised deductible temporary differences and deductible losses	66,608,438.34
Utilisation of deductible temporary differences and deductible losses in previous years	-2,802,907.66
Effect of different tax rates applicable to subsidiaries in other regions	-8,473,510.30
Withholding tax based on the expected current earnings of subsidiaries, joint ventures and associates established outside the Company's domicile	-
Impact of the subsidiary tax credit	-4,556,266.67
Change in deferred income tax asset/liability balance at the beginning of the period due to tax rate adjustments	-
Unrecognised taxable temporary differences	-
Adjustments for current income tax of prior periods	2,874,173.80
Others	-
Income tax expense	312,442,987.79



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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Earnings Per Share

Basic earnings per share is calculated based on net profit attributable to the Company's ordinary shareholder for the period, divided by the weighted average number of outstanding ordinary shares.

Items	<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
Revenue	—	—
Net profit attributable to shareholders of the Company for the period	<b>1,215,123,919.62</b>	1,517,484,875.36
Including: Net profit from continuing operations	<b>1,215,123,919.62</b>	1,517,484,875.36
Shares	—	—
Weighted average of the Company's outstanding ordinary shares	<b>7,400,803,875.00</b>	7,175,531,003.17
Basic earnings per share (RMB/share)	<b>0.16</b>	0.21
Diluted earnings per share (RMB/share)	<b>0.16</b>	0.21

The Company had no dilutive potential ordinary shares outstanding during the period ended 30 June 2020 and 30 June 2019.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Leases

#### (1) The Group as lessor

##### 1) Operating lease details

Items	Amount
I. Income status	—
Lease income	62,389,021.75
Income related to variable lease payments not included in lease receipts	—
II. Undiscounted lease payments to be received for each of the five consecutive fiscal years after the date of the statement of financial position	—
Year 1	129,033,017.99
Year 2	97,174,476.82
Year 3	44,545,727.46
Year 4	25,093,678.18
Year 5	14,212,888.75
III. Total undiscounted lease receipts to be received in remaining years	18,400,000.00
Up to 1 year (including 1 year)	9,900,000.00
More than 1 year up to 2 years (including 2 years)	8,500,000.00
More than 2 years and up to 3 years (including 3 years)	—
Over 3 years	—

- 2) The Group's operating leases as lessor relate to buildings, vehicles, and equipment for a term of 1-8 years, with a partial renewal option.
- 3) The Group does not consider the unguaranteed residual value of these assets to be a material risk to the Group due to the small amount, versatility of the leased subject matter and the short term of the lease.
- 4) Income relating to operating leases for the period amounted to RMB62,389,021.75 (prior period: RMB55,238,430.59) and there was no revenue relating to variable lease payments before lease receipts.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Leases (continued)

#### (2) The Group as lessee

Items	Amount
Interest expenses of lease liabilities	54,425,607.60
Short-term lease costs included in current profit or loss	182,372,475.34
Lease costs for low-value assets	6,519,534.34
Variable lease payments not included in the measurement of lease liability	-
Total cash outflows related to leases	517,190,801.38
Gains and losses associated with sale and leaseback transactions	-

### 65. Other Comprehensive Income Attributable to Shareholders of the Company

#### (1) Items of other comprehensive income and their income tax effects and transfers to profit or loss

Items	Current period			Prior period		
	Amount before taxes	Income taxes	Net amount after taxes	Amount before taxes	Income taxes	Net amount after taxes
I. Other comprehensive income not to be subsequently reclassified to profit or loss	-2,425,059.33	-	-2,425,059.33	46,350,772.21	-	46,350,772.21
Change in fair value of investments in other equity instruments	-2,425,059.33	-	-2,425,059.33	46,350,772.21	-	46,350,772.21
II. Other comprehensive income to be reclassified to profit or loss	36,964,916.73	-	36,964,916.73	-49,535,606.79	-	-49,535,606.79
Other comprehensive income from gains and losses convertible under the equity method	-20,207,038.51	-	-20,207,038.51	7,793,447.85	-	7,793,447.85
Subtotal	-20,207,038.51	-	-20,207,038.51	7,793,447.85	-	7,793,447.85
Translation differences on foreign currency financial statements	57,171,955.24	-	57,171,955.24	-57,329,054.64	-	-57,329,054.64
Less: Transferred to profit or loss in the current period included in other comprehensive income in the prior period	-	-	-	-	-	-
Subtotal	57,171,955.24	-	57,171,955.24	-57,329,054.64	-	-57,329,054.64
<b>Total other comprehensive income</b>	<b>34,539,857.40</b>	<b>-</b>	<b>34,539,857.40</b>	<b>-3,184,834.58</b>	<b>-</b>	<b>-3,184,834.58</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. Other Comprehensive Income Attributable to Shareholders of the Company (continued)

#### (2) Reconciliation of items of other comprehensive income

30 June 2020

Items	Opening balance	Increase or decrease in current period (Negative numbers are denoted with a -)	Closing balance
Other comprehensive income not transferable to profit or loss under the equity method	1,707,132.75	-	1,707,132.75
Change in fair value of investments in other equity instruments	127,421,126.07	-9,739,308.76	117,681,817.31
Other comprehensive income from gains and losses convertible under the equity method	59,419,169.05	-20,207,038.51	39,212,130.54
Translation differences on foreign currency financial statements	-346,519,139.10	57,171,955.24	-289,347,183.86
<b>Subtotal</b>	<b>-157,971,711.23</b>	<b>27,225,607.97</b>	<b>-130,746,103.26</b>

30 June 2019

Items	Opening balance	Increase or decrease in current period (Negative numbers are denoted with a -)	Closing balance
Other comprehensive income not transferable to profit or loss under the equity method	1,707,132.75	-	1,707,132.75
Change in fair value of investments in other equity instruments	25,339,202.22	46,350,772.21	71,689,974.43
Other comprehensive income transferable to profit or loss under the equity method	25,088,282.38	7,793,447.85	32,881,730.23
Translation differences on foreign currency financial statements	-327,135,927.64	-57,329,054.64	-384,464,982.28
<b>Subtotal</b>	<b>-275,001,310.29</b>	<b>-3,184,834.58</b>	<b>-278,186,144.87</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Consolidated Cash Flow Statement Items

#### (1) Cash received/paid from/to operating/investing/financing activities

##### 1) Cash received from other operating activities

Items	Amount for current period
Government grants received related to operations	643,777,305.99
Collection of deposits, security deposits, advances, etc	161,436,100.28
Current interest income	62,121,384.12
Income from leased fixed assets	57,665,555.95
Compensation payments received	28,027,173.79
Letter of guarantee deposit at the beginning of the year received	25,986,064.06
Others	13,278,404.59
<b>Total</b>	<b>992,291,988.78</b>

##### 2) Cash paid for other operating activities

Items	Amount for current period
Paid of security deposits and advances, etc.	615,586,542.33
Paid asset-backed note collections	184,243,767.82
Paid research and development costs	52,979,013.84
Paid management fees	36,997,266.25
Paid intermediary fees	35,160,475.37
Paid information technology costs	27,522,458.29
Paid property management fees	23,616,272.71
Paid operational hospitality	22,717,611.90
Paid for office supplies	17,793,679.90
Paid for car expenses	16,822,669.52
Paid compensation for breach of contract, etc.	16,657,545.28
Paid travel expenses	14,645,054.91
Paid for communications	12,510,894.32
Paid for home improvements	12,303,009.04
Paid utilities and gas bills	10,835,574.02
Paid insurance premiums	9,847,817.62
Paid for short-term leases	9,560,122.86
Paid for advertising	4,493,815.78
Others	37,212,890.03
<b>Total</b>	<b>1,161,506,481.79</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Consolidated Cash Flow Statement Items (continued)

#### (1) Cash received/paid from/to operating/investing/financing activities (continued)

##### 3) Cash received from other investing activities

Items	Amount for current period
Received repayment from the original shareholders of Keppel Foshan who were replaced in 2019	48,474,211.86
Repayment from Shanghai Pu'an Storage Co., Ltd.	2,480,000.00
<b>Total</b>	<b>50,954,211.86</b>

##### 4) Cash paid for the investing activities

Items	Amount for current period
Payment of loan for Guangdong Sinotrans Co., Ltd.	5,000,000.00
<b>Total</b>	<b>5,000,000.00</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Consolidated Cash Flow Statement Items (continued)

#### (1) Cash received/paid from/to operating/investing/financing activities (continued)

##### 5) Cash received from other financing activities

Items	Amount for current period
Received provisional loan from Sinotrans (Group) Zhejiang Co., Ltd.	18,500,000.00
Receipt of provisional deposit from Keppel	13,412,768.23
Receive provisional deposits from Shenzhen Tally Co., Ltd.	8,000,000.00
<b>Total</b>	<b>39,912,768.23</b>

##### 6) Cash paid for other financing activities

Items	Amount for current period
Lease liability payment paid	328,298,791.70
Repayment to the provisional loan of Sinotrans Shanghai (Group) Co., Ltd.	40,000,000.00
Repayment to the provisional loan of Sinotrans (Group) Zhejiang Co., Ltd.	18,500,000.00
<b>Total</b>	<b>386,798,791.70</b>

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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Consolidated Cash Flow Statement Items (continued)

#### (2) Supplementary information to the statement of cash flows

Items	Amount for current period	Amount for prior period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	<b>1,251,639,528.95</b>	1,583,042,332.12
Add: Asset impairment loss	—	—
Expected credit loss	<b>62,816,446.17</b>	22,272,959.42
Depreciation of fixed assets, depreciation of investment properties, depreciation of right-of-use assets	<b>858,938,625.84</b>	715,067,342.77
Amortisation of intangible assets	<b>125,908,319.75</b>	83,210,655.75
Amortisation of long-term deferred expenses	<b>45,305,404.18</b>	20,858,072.94
Losses from disposal of assets (gains for “-”)	<b>-13,888,297.34</b>	-64,070,728.81
Losses from damage and scrapping of non-current assets (gains denoted with “-”)	<b>-1,179,572.92</b>	-370,795.58
Losses from changes in fair value (gains denoted with “-”)	—	—
Financial expenses (income denoted with “-”)	<b>255,626,050.59</b>	149,953,566.92
Losses on investments (income denoted with “-”)	<b>-580,899,833.38</b>	-625,647,215.09
Decrease in deferred income tax assets (increase denoted with “-”)	<b>-24,530,516.82</b>	-1,034,801.58
Increase in deferred income tax liabilities (decrease denoted with “-”)	<b>-7,380,714.99</b>	-225,598.63
Decrease in inventories (increase denoted with “-”)	<b>16,521,993.13</b>	127,442,942.37
Decrease in operating receivables (increase denoted with “-”)	<b>-1,272,576,525.25</b>	-1,828,122,810.73
Increase in operating payables (decrease denoted with “-”)	<b>-197,142,030.34</b>	-661,048,462.21
<b>Net cash flows from operating activities</b>	<b>519,158,877.57</b>	-478,672,540.34
2. Major investing and financing activities not involving cash receipts and payments:	—	—
Conversion of debts into capital	—	—
Convertible corporate bonds due within one year	—	—
Fixed assets under financing lease	—	—
Conversion of the balance of salary difference in the previous years into national capital	—	—
Business combination under common control	—	—
3. Net changes in cash and cash equivalents:	—	—
Cash closing balance	<b>9,498,881,722.49</b>	11,115,094,372.16
Less: Opening cash balance	<b>10,387,299,779.72</b>	15,317,824,974.56
Add: Adjustments of the classification of account settlement reserves at the beginning of the year	—	—
Net increase in cash and cash equivalents	<b>-888,418,057.23</b>	-4,202,730,602.40



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### Notes to the Financial Statements

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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Consolidated Cash Flow Statement Items (continued)

#### (3) Net cash from acquisition and disposal of subsidiaries for the current period

Items	Amount for current period
I. Access to relevant information on subsidiaries	—
1. Prices for access to subsidiaries (Note 1)	703,651,393.90
2. Cash or cash equivalents paid in the current period for business combinations that occurred during the period:	703,651,393.90
Less: Acquisition date Cash and cash equivalents held by the subsidiary	186,193,994.49
Add: Cash or cash equivalents paid in the current period as a result of a previous business combination	4,483,625.57
3. Net cash paid for acquisition of subsidiaries	521,941,024.98
4. Obtain the net assets of subsidiaries	817,352,383.46
Current assets	519,874,922.54
Non-current assets	614,200,582.79
Current liabilities	209,061,608.22
Non-current liabilities	107,661,513.65
II. Disposal of subsidiary information	—
1. Disposal of subsidiary prices	-
2. Received cash or cash equivalents in current period during disposal of subsidiary	-
Less: Cash and cash equivalents held by subsidiaries at the time of loss of control	-
Add: Received cash or cash equivalents by subsidiaries in the current period over the disposal in prior period	-
3. Received net cash by disposal of subsidiaries	-
4. Dispose of the net assets of subsidiaries	-
Current assets	-
Non-current assets	-
Current liabilities	-
Non-current liabilities	-

Note 1: As described in Note VIII. 2 to the financial statements, the Group paid EUR373,707,226 in consideration to acquire 100% equity of seven companies including KLG Europe Eersel B.V., a subsidiary of KLG Europe Holding B.V.. Of the above consideration, EUR90,727,000 was paid in the current period.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Consolidated Cash Flow Statement Items (continued)

#### (4) Cash paid for distribution of dividends or profits or settlement of interest

Items	Amount for current period	Amount for prior period
Interest expense	<b>214,835,051.94</b>	248,195,649.26
Distribution of dividends to minority shareholders	<b>43,148,412.68</b>	44,740,223.30
<b>Total</b>	<b>257,983,464.62</b>	292,935,872.56

### 67. Cash and Cash Equivalents

Items	Closing balance	Opening balance
<b>I. Cash</b>	<b>9,498,881,722.49</b>	10,387,299,779.72
Including: Cash on hand	<b>16,441,839.70</b>	7,855,552.12
Bank deposits readily available for payment	<b>9,482,439,882.79</b>	10,379,444,227.60
<b>II. Cash equivalents</b>	<b>-</b>	-
<b>III. Balance of cash and cash equivalents at the end of the period</b>	<b>9,498,881,722.49</b>	10,387,299,779.72
Including: Use of restricted cash and cash equivalents by parent companies or subsidiaries within the group	—	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 68. Foreign Currency Monetary Items

Items	Foreign currency balance at the end of the period	Exchange rate of translation	Closing balance in RMB
Cash and cash equivalents	—	—	3,771,349,864.44
Including: USD	429,601,852.22	7.0795	3,041,366,312.79
HKD	327,521,881.54	0.9134	299,158,486.60
JPY	344,460,590.50	0.0658	22,665,506.86
EURO	39,430,109.94	7.9610	313,903,105.23
Others	—	—	94,256,452.96
Accounts receivable	—	—	4,074,533,558.78
Including: USD	456,569,669.67	7.0795	3,232,284,976.43
HKD	498,153,823.64	0.9134	455,013,702.51
JPY	2,137,986,849.36	0.0658	140,679,534.69
EURO	6,585,047.15	7.9610	52,423,560.36
AUD	1,330,743.12	4.8657	6,474,996.80
Others	—	—	187,656,787.99
Accounts payable	—	—	3,151,913,876.44
Including: USD	329,783,241.68	7.0795	2,334,700,459.47
HKD	406,093,845.82	0.9134	370,926,118.77
JPY	2,052,833,665.54	0.0658	135,076,455.19
EURO	17,963,441.03	7.9610	143,006,954.04
AUD	1,114,012.38	4.8657	5,420,450.04
Others	—	—	162,783,438.93
Short-term borrowings	—	—	1,870,835,000.00
Including: EURO	235,000,000.00	7.9610	1,870,835,000.00
Long-term liabilities due within one year	—	—	4,527,776,952.25
Including: USD	6,510,943.30	7.0795	46,094,223.12
HKD	4,906,593,747.68	0.9134	4,481,682,729.13
Long-term borrowings	—	—	2,270,148,844.26
Including: USD	55,523,678.62	7.0795	393,079,882.81
HKD	2,055,034,991.73	0.9134	1,877,068,961.45

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Segment Reporting

#### (1) Basis for determining reporting segments and accounting policies

In accordance with the Group's internal organisational structure, management requirements and internal reporting system, the Group's operations are divided into five operating segments whose operating results are regularly evaluated by the Group's management to determine the allocation of resources to them and evaluate their performance. On the basis of operating segments, the Group determined three reporting segments, which are Forwarding and related, Logistics and E-commerce respectively. These reporting segments are based on the revenue type of the Group.

The operating segments and reporting segments of the Group are analysed as follows:

- Forwarding and related: mainly includes arranging the delivery of goods to designated consignees in other locations within a specified time frame in accordance with customer instructions; including shipping agency services related to freight forwarding to shipping companies, providing storage, storage yards, container loading and unloading stations and terminal services.
- Logistics: it mainly includes any provision of customized and specialised entire logistics services to customers.
- E-commerce: mainly includes providing Logistics solutions for import and export e-commerce customers, providing customers with various public services through a unified online logistics e-commerce platform and providing customers with tracking and monitoring services for logistics equipment through a logistics equipment sharing platform.

Any information on segment reporting is disclosed in accordance with the accounting policies and measurement standards used by the segments when reporting to the management, and these measurement bases are consistent with the accounting and measurement basis at the time of the preparation of the financial statements.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Segment Reporting (continued)

#### (2) Financial Information of reporting segments

Six month ended 30 June 2020

Items	Forwarding and related	Logistics	E-commerce	Undistributed items	Inter-segment elimination	Total
<b>Operating income</b>	-	-	-	-	-	-
Income from external transaction	26,994,676,753.66	10,073,323,152.79	2,622,976,615.31	-	-	39,690,976,521.76
Income from inter-segment transaction	930,170,470.39	105,627,417.05	176,233,460.14	-	-1,212,031,347.58	-
<b>Total operating income from segments</b>	<b>27,924,847,224.05</b>	<b>10,178,950,569.84</b>	<b>2,799,210,075.45</b>	-	<b>-1,212,031,347.58</b>	<b>39,690,976,521.76</b>
Total operating costs	26,634,985,498.98	9,761,324,170.37	2,596,005,294.61	311,275,440.28	-	39,303,590,404.24
Impairment losses on assets	-	-	-	-	-	-
Credit impairment loss	-42,763,194.96	-17,104,077.87	-7,100,734.42	4,151,561.08	-	-62,816,446.17
Gain (loss) on change in fair value	-	-	-	-	-	-
Investment income	14,238,252.98	6,209,311.92	463,982,609.86	96,469,658.62	-	580,899,833.38
Including: income from investments in associates and joint ventures	14,238,252.98	6,209,311.92	463,982,609.86	96,867,897.01	-	581,298,071.77
Income from disposal of assets	-	-	-	13,888,297.34	-	13,888,297.34
Other income	574,388,815.39	28,931,607.01	39,361,927.45	-	-	642,682,349.85
<b>Operating profit</b>	<b>905,555,128.09</b>	<b>330,035,823.48</b>	<b>523,215,123.59</b>	<b>-196,765,923.24</b>	-	<b>1,562,040,151.92</b>
Non-operating income	11,543,539.00	11,939,131.23	324,572.88	13,994,214.24	-	37,801,457.35
Non-operating expenses	23,539,948.94	2,333,622.63	20,290.64	9,865,230.32	-	35,759,092.53
<b>Total profit</b>	<b>893,558,718.15</b>	<b>339,641,332.08</b>	<b>523,519,405.83</b>	<b>-192,636,939.32</b>	-	<b>1,564,082,516.74</b>
Income tax	224,621,910.91	71,272,273.38	16,263,796.06	285,007.44	-	312,442,987.79
Net profit	668,936,807.24	268,369,058.70	507,255,609.77	-192,921,946.76	-	1,251,639,528.95
<b>Total assets</b>	<b>31,636,257,435.71</b>	<b>22,726,609,199.12</b>	<b>6,110,156,920.25</b>	<b>3,631,629,493.14</b>	-	<b>64,104,653,048.22</b>
<b>Total liabilities</b>	<b>10,894,942,838.49</b>	<b>5,916,392,924.73</b>	<b>776,091,881.12</b>	<b>15,890,667,869.57</b>	-	<b>33,478,095,513.91</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Segment Reporting (continued)

#### (2) Financial Information of reporting segments (continued)

Six month ended 30 June 2019

Items	Forwarding and related	Logistics	E-commerce	Undistributed items	Inter-segment elimination	Total
<b>Operating income</b>	-	-	-	-	-	-
Income from external transaction	26,228,797,800.28	9,934,370,091.66	1,557,415,190.19	-	-	37,720,583,082.13
Income from inter-segment transaction	760,772,656.47	117,102,097.45	124,910,274.54	-	-1,002,785,028.46	-
<b>Total operating income from segments</b>	26,989,570,456.75	10,051,472,189.11	1,682,325,464.73	-	-1,002,785,028.46	37,720,583,082.13
Total operating costs	25,789,020,021.44	9,560,929,972.93	1,537,340,227.56	221,561,527.70	-	37,108,851,749.63
Impairment losses on assets	-	-	-	-	-	-
Credit impairment loss	-30,939,004.74	3,262,625.02	184,010.25	5,219,410.05	-	-22,272,959.42
Gain (loss) on change in fair value	-	-	-	-	-	-
Investment income	23,913,140.11	1,696,572.98	492,582,623.18	107,454,878.82	-	625,647,215.09
Including: income from investments in associates and joint ventures	23,913,140.11	1,696,572.98	492,582,623.18	74,804,434.60	-	592,996,770.87
Income from disposal of assets	-	-	-	64,070,728.81	-	64,070,728.81
Other income	476,404,823.42	15,540,264.12	1,096,328.30	-	-	493,041,415.84
<b>Operating profit</b>	909,156,737.63	393,939,580.85	513,937,924.36	-44,816,510.02	-	1,772,217,732.82
Non-operating income	15,182,822.24	30,626,856.06	177,750.15	8,320,354.17	-	54,307,782.62
Non-operating expenses	3,828,659.03	9,271,820.31	13,554.77	-3,989,290.46	-	9,124,743.65
<b>Total profit</b>	920,510,900.84	415,294,616.60	514,102,119.74	-32,506,865.39	-	1,817,400,771.79
Income tax	207,733,446.03	78,100,622.01	11,784,231.03	-63,259,859.40	-	234,358,439.67
Net profit	712,777,454.81	337,193,994.59	502,317,888.71	30,752,994.01	-	1,583,042,332.12
<b>Total assets</b>	28,839,412,783.51	24,557,221,205.02	5,350,568,127.63	2,362,049,902.98	-	61,109,252,019.14
<b>Total liabilities</b>	9,677,513,384.07	5,248,087,864.20	605,779,868.39	17,257,958,313.33	-	32,789,339,429.99

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 69. Segment Reporting (continued)

#### (2) Financial Information of reporting segments (continued)

Six month ended 30 June 2020

Items	Forwarding and related	Logistics	E-commerce	Undistributed items	Inter-segment elimination	Total
Supplementary information	-	-	-	-	-	-
Depreciation and						
Amortisation expenses	420,429,971.94	491,503,793.73	43,805,825.41	29,107,354.51	-	984,846,945.59
Capital expenditures	306,520,472.76	128,903,332.29	58,251,224.91	135,819,510.01	-	629,494,539.97
Non-cash expenses other than depreciation and amortisation	42,763,194.96	17,104,077.87	7,100,734.42	-4,151,561.08	-	62,816,446.17
Increase in long-term equity investments in associates and joint ventures arising from the accounting under the equity method	6,260,768.66	6,209,311.92	463,982,609.86	73,017,232.56	-	549,469,923.00

Six month ended 30 June 2019

Items	Forwarding and related	Logistics	E-commerce	Undistributed items	Inter-segment elimination	Total
Supplementary information	-	-	-	-	-	-
Depreciation and						
Amortisation expenses	337,111,844.72	380,857,955.85	58,140,080.52	25,403,509.52	-	801,513,390.61
Capital expenditures	387,280,631.01	164,639,984.67	79,659,891.75	209,511,310.20	-	841,091,817.63
Non-cash expenses other than depreciation and amortisation	30,939,004.74	-3,262,625.02	-184,010.25	-5,219,410.05	-	22,272,959.42
Increase in long-term equity investments in associates and joint ventures arising from the accounting under the equity method	7,360,541.79	-1,724,377.02	492,582,623.18	66,346,778.15	-	564,565,566.10

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Related Parties With Control Relationships

Name of controlling shareholders and the ultimate controlling party	Place of registration	Business nature	Registered capital (RMB)	Proportion of shareholding (%)	Voting proportion (%)
China Merchants Co., Ltd.	Beijing	Conducting transportation undertaking and etc.	RMB16,900 million	—	—

### 2. Information on Subsidiaries is Provided in Note VIII.

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows:

Names of related parties	Nature
Sinotrans & CSC	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Container Lines Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
SINOTRANS CONTAINER LINES (HONG KONG) COMPANY LIMITED	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Sunny Express Co.,Ltd	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Holdings (Hong Kong) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
RED BRAVES FINANCE LTD.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Anhui Direct Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Aocheng Wuhe Real Estate Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Land Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Automobile Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Sanjianfang Warehouse Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Logistics Center Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Port Jifa Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Port Corporation Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Dalian Harbour Tug & Barge Corporation	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Port Wantong Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Jifa Shipping Agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Jifa International Freight Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Container Terminal Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Fujian Sinotrans Majiang Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangdong Sinotrans Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Nanning Storage and Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Guangxi Nanning Container Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Pingxiang Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Jiuling Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
ASSOCIATED MARITIME COMPANY (HONG KONG) LIMITED	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hebei Shijiazhuang Yuanshi Sinotrans Warehouse Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hebei Sinotrans Jiuling Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Henan Bonded Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Henan Sinotrans Jiuling Storage and transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hubei Sinotrans Cangma Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiangsu Sinotrans Container Station Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Sinotrans Jiangsu Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiangxi Foreign Trade Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiujiang Changwei International Shipping Agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Ming Wah (Singapore) agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Ming Wah International Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants JinLing Shipyard (Nanjing) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Petroleum Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Yangyang Chemicals Transport & Trade Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nantong Sinotrans Port Container Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Foreign Trade Warehouse Pudong Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Wusongkou International Cruise Port Development Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Xinyangshan Container Lines Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
SCSC INTERNATIONAL MERCHANT & SHIPPING (HONG KONG) COMPANY LIMITED	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai CSC Marine Development Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Changjiang International Shipping Agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Ming Wah Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Sinotrans Qiantang Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Sinotrans Zhang Hua Bang Storage & Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shekou Container Terminal Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Chiwan Tug Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

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### Notes to the Financial Statements

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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Shenzhen Lianda Tug Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Nanyou (Holdings) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Shekou New Era Property Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Xunlong Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
CSC Roro Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Merchants Daojiahui Technology Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Merchants Property Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sichuan Sinotrans Storage Service Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Suzhou Storage Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Tianjin Sinotrans Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Wuxi Xihui Sinotrans Warehousing Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Wuhan Changwei International Shipping Industry Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Wuhan China Merchants Ro-Ro Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hong Kong Ming Wah Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Yantai Anshun Automobile Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Yinchuan Inland Port Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Yingkou Gangrong Big Data Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Far Rise Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Singapore Changhang International Shipping Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
CSC Bulk Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Changjiang International Freight Forwarding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Port Service (Shenzhen) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Bonded Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Godown, Wharf & Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants International Terminal (Qingdao) Company Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Container Services Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Group Finance Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Jinling Shipyard (Weihai) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Tanker Corporation	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Investment Development Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Property Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Heavy Industry (Jiangsu) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Zhejiang Youlian Shipbuilding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Zhengzhou China Merchants Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Alashankou Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Erlian Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Gansu Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Guangxi Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Sinotrans Hebei Tangshan Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Hebei Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Hubei Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jiangsu Group Corporation	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jiangxi Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Liaoning Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Changzhou Sinotrans Supply Chain Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shandong Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Foreign Trade Storage Jiefang Island storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Sinotrans Anda Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Xiamen Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Foreign Trade Yangxing Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Qinhuangdao Port Industrial Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Tianjin Sinotrans Binhai Logistics Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Merchants Venture Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Guangxi Guigang Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangdong Sinotrans Huangpu Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Fujian Sinotrans Hexi Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jinling Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Nantong Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

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### Notes to the Financial Statements

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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Sinotrans Inner Mongolia Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shaanxi Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Yangzijiang Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinopec Changjiang Fuel Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shipping Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans International Trade Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Liaoning Container Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shanghai (Group) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Chongqing Wanqiao Traffic Technology Development Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Chongqing Changhang Tianyi Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Chongqing Changhang Yihua Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Chongqing Changjiang Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Changjiang Tanker Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
MAXX LOGISTICS FZCO.	A joint venture of the Group
Beijing Medical Chain Communication Supply Chain Management Co., Ltd.	A joint venture of the Group
Beijing Sinotrans Huali Logistics Co., Ltd.	A joint venture of the Group
Dalian Jd Cargo International Co., Ltd.	A joint venture of the Group
Dongguan Port Container Port Co., Ltd.	A joint venture of the Group
Dongguan Sinotrans Kuasheng E-Commerce Co., Ltd.	A joint venture of the Group
Jiangsu Rixin International Transport Co., Ltd.	A joint venture of the Group
Sinotrans International Cold chain Logistics (Shanghai) Co., Ltd.	A joint venture of the Group
Nantong Comprehensive Bonded zone Sinotrans Logistics Co., Ltd.	A joint venture of the Group
Ningbo Dagang Container Co., Ltd.	A joint venture of the Group

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Ningbo Taiping Int'l Trade Transportation Co., Ltd.	A joint venture of the Group
Rongyun (Xiamen) Supply Chain Co., Ltd.	A joint venture of the Group
Shanghai Lianhe Cold chain Logistics Co., Ltd.	A joint venture of the Group
Shanghai Tongyun International Logistics Co., Ltd.	A joint venture of the Group
Shanghai Wai-hong Yishida International Logistics Co., Ltd.	A joint venture of the Group
Shenyang Jinyun Automobile Logistics Co., Ltd.	A joint venture of the Group
Tangshan Port Sinotrans Shipping Agency Co., Ltd.	A joint venture of the Group
Weihai Comprehensive Bonded Zone Hongxin Supply Chain Management Co., Ltd.	A joint venture of the Group
New Land Bridge (Lianyungang) Terminal Co., Ltd.	A joint venture of the Group
Zhangjiagang Bonded Port Sinotrans Changjiang International Logistics Co., Ltd.	A joint venture of the Group
Sinotrans (Pakistan) Logistics Co., Ltd.	A joint venture of the Group
Sinotrans Philippines Inc.	A joint venture of the Group
Sinotrans Djibouti Co., Ltd.	A joint venture of the Group
Sinotrans Suzhou Logistics Center Co., Ltd.	A joint venture of the Group
Sinotrans Turkey Co., Ltd.	A joint venture of the Group
Sinotrans India Limited	A joint venture of the Group
Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	A joint venture of the Group
DHL – Sinotrans International Air Courier Ltd.	A joint venture of the Group
Sinotrans High-Tech Logistics (Suzhou) Co., Ltd.	A joint venture of the Group
Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	A joint venture of the Group
Nissin-Sinotrans International Logistics Co., Ltd.	A joint venture of the Group
Sinotrans Sarens Logistics Co., Ltd.	A joint venture of the Group
Sinotrans Vietnam Logistics Co., Ltd.	A joint venture of the Group
Sipg Sinotrans Container Depot Co., Ltd.	A joint venture of the Group
Sinotrans PFS Yida (Shanghai) Logistics Co., Ltd	A joint venture of the Group's subsidiary
Guangxi Yunyu Port Service Co., Ltd.	An associate of the Group
Jiangsu Jianyin Port Group Co., Ltd.	An associate of the Group

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 3. The Main Related Parties that have Transactions with the Group but do not have a Control Relationship are as Follows: (continued)

Names of related parties	Nature
Liaoning Sinotrans Hengjiu Transportation Service Co., Ltd.	An associate of the Group
Ma'anshan Tianshun Port Co., Ltd.	An associate of the Group
Nanjing Huaxing Loading and Unloading Service Co., Ltd.	An associate of the Group
Nantong Sinotrans Prince Port Storage Co., Ltd.	An associate of the Group
Qingdao Huasheng Airport Logistics Co., Ltd.	An associate of the Group
Shenzhen Haixing Port Development Co., Ltd.	An associate of the Group
Qingdao Yujiachang Shipping Container Co., Ltd.	An associate of the Group
Shanghai Pu'an Storage Co., Ltd.	An associate of the Group
Shenzhen Haiyitong Technology Co., Ltd.	An associate of the Group
Shenyang Fuyun Cold chain Logistics Co., Ltd.	An associate of the Group
Shenyang Henglu Logistics Co., Ltd.	An associate of the Group
Tianjin Runfeng Logistics Co., Ltd.	An associate of the Group
Tianjin Shiyun Logistics Co., Ltd.	An associate of the Group
Weihai Weidong Shipping Co., Ltd.	An associate of the Group
Wuhan Port Container Co., Ltd.	An associate of the Group
Yangzhou Comprehensive Bonded Zone Supply Chain Management Co., Ltd.	An associate of the Group
E-FASHION E-COMMERCE (WUHAN) Co., Ltd.	An associate of the Group
China Merchants Logistics Group Nanjing Co., Ltd.	An associate of the Group
CIETC International Transportation Co., Ltd.	An associate of the Group
Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	An associate of the Group
Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	An associate of the Group
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	An associate of the Group's subsidiary
Loscam Supply Chain Management (Jiaxing) Co., Ltd.	An associate of the Group's subsidiary
China Merchants Bank Co., Ltd.	Affiliates of the ultimate controlling party
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Affiliates of the ultimate controlling party
Ocean Network Express (China) Ltd.	Other related parties
Ningbo Daxie Merchants International Terminal Co., Ltd.	Other related parties



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions:

#### (1) Pricing policy and basis

- 1) In the course of providing freight forwarding and logistics services to its customers, the Group has a large number of procurement needs for various transportation services and terminal services, etc. The related parties are large-scale domestic shipping and port operators, therefore, in its daily operations, the Group has demand for procurement of transportation services and terminal services such as shipping, container transportation and special equipment transportation from related parties. At the same time, due to the difference in business geographical distribution between the Group and the enterprises owned by SINOTRANS & CSC and some of its joint ventures and associates, there is also a need for the Group to procure freight forwarding and other logistics services from related parties. As a leading comprehensive logistics service provider in China, the Group's related parties have demanded that the Group purchase shipping agency services, freight forwarding services, warehousing services and leasing of logistics equipment from the Group.

On 10 November 2017, the Company renewed the integrated logistics services agreement with China Merchants for the provision and receipt of transportation logistics services by related parties, and the new integrated logistics services agreement is valid from 1 January 2018 to 31 December 2020. Pursuant to the new agreement, the pricing of the Group's connected transactions with China Merchants and its subsidiaries will be priced with reference to the market prices charged by independent third parties for the provision of the same or similar services in the same locality in the ordinary course of business and on normal commercial terms. The limits for the provision of transportation and logistics services by the Group to related parties shall not exceed RMB2.5 billion in 2018, RMB3.25 billion in 2019 and RMB4.225 billion in 2020. The limit for the Group to accept related party transportation and logistics services shall not exceed RMB3.5 billion in 2018, RMB4.55 billion in 2019 and RMB5.915 billion in 2020. On 28 December 2017, the new integrated logistics service agreement was approved by the Company's shareholders.

- 2) The Group's daily business operations require the continuous and stable use of office properties, warehouses, yards, container handling terminals and real estate operated by related parties for production and office purposes, as well as the leasing of land, buildings and logistics and transportation equipment to related parties. On 10 November 2017, the Company renewed the expiring property lease framework agreement with China Merchants, effective from 1 January 2018 to 31 December 2020. Under the new agreement, the pricing of the Group's connected transactions with China Merchants and its subsidiaries will refer to the market prices of similar properties or warehouses in the same period, which may be adjusted by both parties annually. The Group's limit for leasing properties from related parties shall not exceed RMB300 million for 2018, RMB330 million for 2019 and RMB363 million for 2020.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (1) Pricing policy and basis (continued)

- 3) The Company entered into a financial services agreement with China Merchants Group Finance Company Limited (the Finance Company), a subsidiary of China Merchants, for the provision of financial services, including deposits, loans, notes and other financial services by the Finance Company to Sinotrans, effective from 1 January 2018 to 31 December 2020. Pursuant to the financial service agreement, the Company's end-of-day deposit balance with the Finance Company shall not exceed RMB4 billion and the development of Sinotrans shall not exceed RMB2 billion for 2018, and the end-of-day deposit balance with the Finance Company shall not exceed RMB5 billion and the development of Sinotrans shall not exceed RMB2.5 billion for 2019 to 2020.

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services

##### 1) Purchase of goods and receipt of services

Name of the related party	Content of related party transactions	Amount for current period	Amount for prior period
<b>Another enterprise controlled by the same controlling shareholder and the ultimate controlling party</b>	—	<b>772,139,052.34</b>	1,034,634,238.53
Sinotrans Container Lines Co., Ltd.	Transportation and related service	<b>395,933,629.90</b>	435,532,941.62
Sinotrans Sunny Express Co., Ltd.	Transportation and related service	<b>74,565,506.09</b>	183,506,686.78
Nanjing Tanker Corporation	Transportation and related service	<b>48,276,478.80</b>	121,857,952.41
Dalian Container Terminal Co., Ltd.	Transportation and related service	<b>24,552,681.54</b>	24,944,360.87
Dalian Harbour Tug & Barge Corporation	Transportation and related service	<b>24,106,727.00</b>	10,063,584.53
Sinotrans Hebei Co., Ltd.	Transportation and related service	<b>21,227,023.77</b>	155,324.10
Sinotrans Shaanxi Co., Ltd.	Transportation and related service	<b>15,821,247.18</b>	1,867,359.83
Shenzhen Merchants Daojiahui Technology Co., Ltd.	Purchase of goods	<b>12,079,227.67</b>	—
Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	Transportation and related service	<b>12,479,015.00</b>	15,718,279.00
Shanghai Yangtze Maritime Development Co., Ltd.	Transportation and related service	<b>10,946,002.00</b>	—
Shenzhen Chiwan Tug Co., Ltd.	Transportation and related service	<b>9,832,191.76</b>	9,564,360.38
China Merchants Bonded Logistics Co., Ltd.	Transportation and related service	<b>7,288,467.44</b>	3,912,359.40
Shenzhen Merchants Property Management Co., Ltd.	Purchase of goods	<b>5,914,717.08</b>	1,479,731.63
Zhengzhou China Merchants Logistics Co., Ltd.	Transportation and related service	<b>6,711,968.80</b>	—
MING WAH (Singapore) Agency Co., Ltd.	Transportation and related service	<b>5,373,943.46</b>	—
China Merchants Property Management Co., Ltd.	Transportation and related service	<b>4,785,060.04</b>	3,333,528.74
Shanghai Foreign Trade Storage Pudong Storage & Transportation Co., Ltd.	Transportation and related service	<b>4,095,085.59</b>	1,229,989.07
Hebei Sinotrans Jiuling Storage and Transportation Co., Ltd.	Transportation and related service	<b>4,002,400.57</b>	7,215,411.17
China Changjiang Bunker (Sinopec) Co., Ltd.	Transportation and related service	<b>3,668,570.50</b>	3,468,389.77
Sinotrans Alashankou Company	Transportation and related service	<b>3,519,299.93</b>	4,470,985.48
China Merchants International Terminal (Qingdao) Co., Ltd.	Transportation and related service	<b>3,249,560.44</b>	1,053,377.71
Sinotrans Yinchuan Inland Port Logistics Co., Ltd.	Transportation and related service	<b>3,219,917.46</b>	3,976,707.06
CSC RORO LOGISTICS CO., LTD.	Transportation and related service	<b>2,997,539.94</b>	1,531,544.91

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services (continued)

##### 1) Purchase of goods and receipt of services (continued)

Name of the related party	Content of related party transactions	Amount for current period	Amount for prior period
Wuxi Xihui Warehousing Co., Ltd.	Transportation and related service	2,391,531.84	1,590,621.60
Sinotrans Henan Bonded Logistics Co., Ltd.	Transportation and related service	2,361,889.69	5,062,551.03
Chongqing CSC Tianyi Logistics Co., Ltd.	Transportation and related service	2,023,232.98	4,450,122.97
Shanghai Xinyangshan Container Lines Co., Ltd.	Transportation and related service	1,806,795.18	2,261,651.35
Guangxi Sinotrans Nanning Storage and Transportation Company	Transportation and related service	1,703,707.67	1,018,565.78
Sinotrans Erlian Co., Ltd.	Transportation and related service	1,659,111.01	738,165.84
Sinotrans Liaoning Container Co., Ltd.	Transportation and related service	1,603,000.00	-
Shenzhen Lianda Tug Co., Ltd.	Transportation and related service	1,598,906.67	370,341.50
Beijing Sinotrans Logistics Center Co., Ltd.	Transportation and related service	1,523,785.62	6,469,935.91
CSC Bulk Shipping Co., Ltd.	Transportation and related service	1,360,325.35	-
Sinotrans Suzhou Storage Co., Ltd.	Transportation and related service	1,358,409.55	5,167,396.89
Sinotrans Guangxi Nanning Container Transportation Company	Transportation and related service	1,318,665.70	4,245,384.74
Sinotrans Inner Mongolia Co., Ltd.	Transportation and related service	1,236,296.00	1,513,585.59
Jiangsu Sinotrans Container Station Co., Ltd.	Transportation and related service	889,045.06	1,794,794.17
Shanghai Sinotrans Zhanghuabang Storage & Transportation Co., Ltd.	Transportation and related service	801,875.47	3,447,915.61
Shekou Container Terminal Co., Ltd.	Transportation and related service	797,300.77	1,101,778.38
Yantai Anshun Automobile Transportation Co., Ltd.	Transportation and related service	651,321.14	1,249,362.20
Changjiang International Freight Forwarding Co., Ltd.	Transportation and related service	630,823.33	2,016,694.43
Shanghai Sinotrans Qiantang Co., Ltd.	Transportation and related service	553,768.76	10,842,308.82
Shanghai Ming Wah Co., Ltd.	Transportation and related service	451,310.60	7,749,390.25
Guangxi Sinotrans Pingxiang Co., Ltd.	Transportation and related service	301,516.00	5,215,449.47
Sinotrans Hebei Tangshan Company	Transportation and related service	92,262.53	3,977,699.42
China Merchants Container Services Limited	Transportation and related service	51,040.00	1,930,953.89
Beijing Sinotrans Sanjianfang Warehouse Co., Ltd.	Transportation and related service	36,690.91	1,956,597.36
Sinotrans Gansu Co., Ltd.	Transportation and related service	14,930.00	1,109,248.84
Jiaying Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	3,263.00	4,900,552.04
Beijing Sinotrans Automobile Transportation Company	Transportation and related service	-	17,605,414.77
SCSC INTERNATIONAL MERCHANT & SHIPPING (HONG KONG) COMPANY LIMITED	Transportation and related service	-	4,403,751.35
Beijing Sinotrans Land Transportation Co., Ltd.	Transportation and related service	-	3,754,560.15
Shenzhen Shekou New Era Property Management Co., Ltd.	Transportation and related service	-	3,601,167.62
Sinotrans Nantong Co., Ltd.	Transportation and related service	-	2,712,326.63
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Transportation and related service	-	1,789,386.55
Chongqing Changhang Yihua Shipping Co., Ltd.	Transportation and related service	-	1,615,507.51
Nantong Sinotrans Port Container Logistics Co., Ltd.	Transportation and related service	-	1,026,442.11
China Merchants Group Finance Co., Ltd.	Interest expenses	28,262,607.63	54,842,763.88
Others	Transportation and related service	12,009,377.92	28,218,975.42

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services (continued)

##### 1) Purchase of goods and receipt of services (continued)

Name of the related party	Content of related party transactions	Amount for current period	Amount for prior period
<b>Joint ventures and subsidiaries</b>	—	<b>145,101,352.91</b>	146,140,431.72
DHL-Sinotrans International Air Courier Ltd.	Transportation and related service	<b>44,945,058.86</b>	40,262,748.11
China Sinotrans (Pakistan) Logistics Co., Ltd.	Transportation and related service	<b>25,335,318.25</b>	5,644,229.22
New Land Bridge (Lianyungang) Terminal Co., Ltd.	Transportation and related service	<b>15,272,385.39</b>	12,226,857.15
Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	Transportation and related service	<b>10,135,672.30</b>	42,357,258.63
Beijing Sinotrans Huaili Logistics Co., Ltd.	Transportation and related service	<b>9,280,097.55</b>	3,438,368.67
Sinotrans Suzhou Logistics Center Co., Ltd.	Transportation and related service	<b>5,768,363.55</b>	2,057,057.55
Sinotrans Sarens Logistics Co., Ltd.	Transportation and related service	<b>5,650,487.86</b>	7,857,065.60
Sinotrans Turkey Co., Ltd.	Transportation and related service	<b>5,132,811.77</b>	363,200.94
Rongyun (Xiamen) Supply Chain Co., Ltd.	Transportation and related service	<b>3,514,077.29</b>	10,389,476.67
Ningbo Taiping Int'l Trade Transportation Co., Ltd.	Transportation and related service	<b>3,168,284.20</b>	1,902,296.80
Zhangjiagang Bonded Port Area Sinotrans Changjiang International Logistics Co., Ltd.	Transportation and related service	<b>2,687,890.89</b>	2,059,566.19
Sinotrans High-Tech Logistics (Suzhou) Co., Ltd.	Transportation and related service	<b>2,047,358.37</b>	—
Dongguan Sinotrans Kuasheng E-Commerce Co., Ltd.	Transportation and related service	<b>1,723,485.86</b>	4,551,875.20
Tangshan Port Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	<b>1,620,334.29</b>	1,015,230.33
Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	Transportation and related service	<b>1,499,219.74</b>	3,734,741.85
Shenyang Jinyun Automobile Logistics Co., Ltd.	Transportation and related service	<b>1,404,617.19</b>	999,922.73
Nantong Comprehensive Bonded Zone Sinotrans Logistics Co., Ltd.	Transportation and related service	<b>1,209,365.25</b>	139,821.85
Ningbo Dagang Container Co., Ltd.	Transportation and related service	<b>679,643.42</b>	1,419,859.95
Sinotrans India Limited	Transportation and related service	<b>374,685.33</b>	1,488,374.78
Others	Transportation and related service	<b>3,652,195.55</b>	4,232,479.50
<b>Associates and their subsidiaries</b>	—	<b>216,350,710.42</b>	142,222,348.37
China Merchants Logistics Group Nanjing Co., Ltd.	Transportation and related service	<b>48,005,384.81</b>	12,454,261.73
Weihai Weidong Shipping Co., Ltd.	Transportation and related service	<b>35,316,676.17</b>	33,074,355.85
Liaoning Sinotrans Hengjiu Transportation Service Co., Ltd.	Transportation and related service	<b>29,461,052.11</b>	15,584,908.42
Nantong Sinotrans Prince Port Storage Co., Ltd.	Transportation and related service	<b>29,022,572.25</b>	—
Nanjing Huaxing Loading and Unloading Service Co., Ltd.	Transportation and related service	<b>15,081,965.92</b>	13,174,993.69
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	Transportation and related service	<b>11,753,439.82</b>	10,465,200.37
Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	Transportation and related service	<b>11,419,080.26</b>	16,366,182.20
Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	Transportation and related service	<b>8,357,653.34</b>	11,733,945.61

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services (continued)

##### 1) Purchase of goods and receipt of services (continued)

Name of the related party	Content of related party transactions	Amount for current period	Amount for prior period
Wuhan Port Container Co., Ltd.	Transportation and related service	5,357,435.02	6,114,398.78
Shenyang Henglu Logistics Co., Ltd.	Transportation and related service	5,112,448.15	-
Jiangsu Jiangyin Port Group Co., Ltd.	Transportation and related service	4,742,135.43	278,008.91
Ma'Anshan Tianshun Port Co., Ltd.	Transportation and related service	4,713,725.66	7,235,406.26
Qingdao Huasheng Airport Logistics Co., Ltd.	Transportation and related service	2,620,811.16	3,880,857.10
Qingdao Yujiachang Shipping Container Co., Ltd.	Transportation and related service	1,616,244.26	1,414,892.08
Yangzhou Comprehensive Bonded Zone Supply Chain Management Co., Ltd.	Transportation and related service	1,236,663.45	2,779,322.63
Tianjin Shiyun Logistics Co., Ltd.	Transportation and related service	1,185,505.10	3,679,572.13
CIETC International Transportation Co., Ltd.	Transportation and related service	4,371.40	2,991,283.77
Others	Transportation and related service	1,343,546.11	994,758.84
<b>Associate of the ultimate controller</b>	—	<b>272,371.76</b>	<b>477,175.39</b>
China Merchants Bank Co., Ltd.	Interest and handling charges	272,371.76	477,175.39
<b>Other related parties</b>	—	<b>433,687,119.55</b>	<b>502,058,840.37</b>
Ningbo Daxie Merchants International Terminal Co., Ltd.	Transportation and related service	4,881,677.35	4,683,234.22
Ocean Network Express (China) Ltd.	Transportation and related service	428,805,442.20	497,375,606.15
<b>Total services accepted</b>	—	<b>1,567,550,606.98</b>	<b>1,825,533,034.38</b>

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For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services (continued)

##### 2) Provision of services

Name of related parties	Content of related party transactions	Amount for current period	Amount for prior period
<b>Another enterprise controlled by the same controlling shareholder and the ultimate controlling party</b>	—	<b>398,410,985.26</b>	522,352,926.08
Sinotrans Container Lines Co., Ltd.	Transportation and related service	156,373,535.89	210,014,533.77
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	51,672,381.48	50,319,349.70
Sinotrans Sunny Express Co., Ltd.	Transportation and related service	40,397,238.68	76,234,119.49
CSC Roro Logistics Co., Ltd.	Transportation and related service	23,743,602.34	131,231.37
HONG KONG MING WAH SHIPPING CO., LTD.	Transportation and related service	18,766,229.12	—
Sinotrans Gansu Co., Ltd.	Transportation and related service	12,434,051.43	10,178,526.02
Nanjing Tanker Corporation	Transportation and related service	9,556,915.89	11,081,802.04
CSC Bulk Shipping Co., Ltd.	Transportation and related service	6,028,563.25	53,178.15
China Merchants Heavy Industry (Jiangsu) Co., Ltd.	Transportation and related service	5,167,924.56	7,376,696.34
Sinotrans Shaanxi Co., Ltd.	Transportation and related service	4,859,791.19	940,338.70
Henan Sinotrans Bonded Logistics Co., Ltd.	Transportation and related service	3,272,763.47	9,337,745.37
Shanghai Sinotrans Qiantang Co., Ltd.	Transportation and related service	3,098,028.94	37,451,727.86
Sinotrans Inner Mongolia Co., Ltd.	Transportation and related service	2,164,263.20	1,212,332.53
Nanjing Yangyang Chemicals Transport & Trade Co., Ltd.	Transportation and related service	2,051,813.89	2,378,983.79
Changjiang International Freight Forwarding Co., Ltd.	Transportation and related service	1,879,719.10	3,234,922.78
Wuxi Xihui Sinotrans Warehousing Co., Ltd.	Transportation and related service	1,862,226.00	—
Shenzhen Xunlong Shipping Co., Ltd.	Transportation and related service	1,420,000.00	1,089,900.00
Sinotrans Hebei Co., Ltd.	Transportation and related service	1,252,157.83	2,320,899.06
China Yangtze River Shipping Co., Ltd.	Transportation and related service	1,248,867.64	1,101,809.53
China Merchants Port Service (Shenzhen) Co., Ltd.	Transportation and related service	1,116,809.62	1,140,216.50
China Merchants International Terminal (Qingdao) Co., Ltd.	Transportation and related service	1,011,481.25	2,318,455.39
Shanghai Ming Wah Shipping Co., Ltd.	Transportation and related service	820,369.68	3,246,739.77
Beijing Sinotrans Automobile Transportation Company	Transportation and related service	525,398.28	4,641,351.24
SCSC INTERNATIONAL MERCHANT & SHIPPING (HONG KONG) COMPANY LIMITED	Transportation and related service	476,454.54	3,507,699.28
Nanjing Petroleum Transportation Co., Ltd.	Transportation and related service	406,457.37	1,194,552.24
Jiujiang Changwei International Shipping Agency Co., Ltd.	Transportation and related service	274,632.87	1,120,855.66
Sinotrans Jiangsu Logistics Co., Ltd.	Transportation and related service	240,566.04	1,405,374.94
Chongqing CSC Tianyi Logistics Co., Ltd.	Transportation and related service	193,256.11	1,363,377.38
SINOTRANS CONTAINER LINES (HONG KONG) COMPANY LIMITED	Transportation and related service	165,699.89	13,946,782.29
Beijing Sinotrans Land Transportation Co., Ltd.	Transportation and related service	133,659.20	2,755,676.33
Wuhan Changwei International Shipping Industry Co., Ltd.	Transportation and related service	67,268.18	5,542,423.62
Chongqing Wanqiao Traffic Technology Development Co., Ltd.	Transportation and related service	20,534.47	1,152,449.21
Tianjin Sinotrans Co., Ltd.	Transportation and related service	5,423.01	3,835,095.42

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services (continued)

##### 2) Provision of services (continued)

Name of related parties	Content of related party transactions	Amount for current period	Amount for prior period
Chongqing Changhang Yihua Shipping Co., Ltd.	Transportation and related service	-	8,184,858.92
Hebei Shijiazhuang Yuanshi Sinotrans Warehouse Logistics Co., Ltd.	Transportation and related service	-	4,937,146.15
China Merchants JinLing Shipyard (Nanjing) Co., Ltd.	Transportation and related service	-	1,897,974.58
Sinotrans Suzhou Storage Co., Ltd.	Transportation and related service	-	1,674,355.11
Hubei Sinotrans Cangma Logistics Co., Ltd.	Transportation and related service	-	1,187,177.40
China Merchants Group Finance Co., Ltd.	Interest charge	<b>37,834,600.48</b>	24,942,539.83
Others	Transportation and related service	<b>7,868,300.37</b>	7,899,728.32
<b>Joint ventures and subsidiaries</b>	—	<b>130,009,904.86</b>	119,881,650.22
Ningbo Taiping Int'l Trade Transportation Co., Ltd.	Transportation and related service	<b>34,137,988.53</b>	30,706,973.44
DHL-Sinotrans International Air Courier Ltd.	Transportation and related service	<b>20,818,089.27</b>	25,205,715.31
Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	Transportation and related service	<b>20,728,357.95</b>	17,159,190.88
Shanghai Tongyun International Logistics Co., Ltd.	Transportation and related service	<b>16,294,793.85</b>	8,889,390.96
Nissin-Sinotrans International Logistics Co., Ltd.	Transportation and related service	<b>7,426,648.09</b>	10,944,690.42
Sinotrans Sarens Logistics Co., Ltd.	Transportation and related service	<b>6,411,237.37</b>	1,559,523.00
Jiangsu Nissin Sinotrans International Transportation Co., Ltd.	Transportation and related service	<b>5,855,598.60</b>	4,861,497.58
MAXX LOGISTICS FZCO.	Transportation and related service	<b>3,097,232.90</b>	1,690,442.46
Weihai Comprehensive Bonded Zone Hongxin Supply Chain Management Co., Ltd.	Transportation and related service	<b>3,064,116.79</b>	3,117,617.72
Beijing Sinotrans Huali Logistics Co., Ltd.	Transportation and related service	<b>2,480,774.56</b>	2,483,599.56
Rongyun (Xiamen) Supply Chain Co., Ltd.	Transportation and related service	<b>2,352,724.70</b>	1,510,805.01
Dongguan Sinotrans Kuasheng E-Commerce Co., Ltd.	Transportation and related service	<b>1,899,906.90</b>	718,792.08
Shanghai Lianhe Cold Chain Logistics Co., Ltd.	Transportation and related service	<b>1,289,990.23</b>	4,970,651.96
Zhangjiagang Bonded Port Area Sinotrans Changjiang International Logistics Co., Ltd.	Transportation and related service	<b>1,115,162.54</b>	1,779,449.36
Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	Transportation and related service	<b>213,023.22</b>	2,894,903.17
Others	Transportation and related service	<b>2,824,259.36</b>	1,388,407.31
<b>Associates and their subsidiaries</b>	—	<b>92,549,712.85</b>	79,132,906.24
Weihai Weidong Shipping Co., Ltd.	Transportation and related service	<b>40,456,027.95</b>	44,630,210.43
Tianjin Shiyun Logistics Co., Ltd.	Transportation and related service	<b>10,090,212.00</b>	8,788,123.27
Nantong Sinotrans Prince Port Storage Co., Ltd.	Transportation and related service	<b>9,842,516.60</b>	284,340.00
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	Transportation and related service	<b>4,977,922.61</b>	3,930,254.80
China Merchants Logistics Group Nanjing Co., Ltd.	Transportation and related service	<b>6,142,506.97</b>	3,221,851.85
Tianjin Runfeng Logistics Co., Ltd.	Transportation and related service	<b>4,217,479.68</b>	5,729,576.42
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	Transportation and related service	<b>4,047,619.04</b>	4,047,619.04

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (2) Related party transactions in the purchase and sale of goods, and the provision and receipt of services (continued)

##### 2) Provision of services (continued)

Name of related parties	Content of related party transactions	Amount for current period	Amount for prior period
Qingdao Yujiachang Shipping Container Co., Ltd.	Transportation and related service	3,428,517.14	556,132.19
Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	Transportation and related service	2,185,372.46	2,841,169.91
Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	Transportation and related service	2,105,793.04	100,867.74
Shanghai Pu'An Storage Co., Ltd.	Transportation and related service	2,053,511.53	2,308,621.60
E-FASHION E-COMMERCE (WUHAN) Co., Ltd.	Transportation and related service	2,034,369.59	-
CIETC International Transportation Co., Ltd.	Transportation and related service	25,236.99	1,093,742.01
Others	Transportation and related service	942,627.25	1,600,396.98
<b>Associate of the ultimate controller</b>	—	<b>109,034,726.98</b>	165,411,592.21
China Merchants Bank Co., Ltd.	Transportation and related service	7,801,264.11	2,698,741.95
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Transportation and related service	101,233,462.87	162,712,850.26
<b>Other related parties</b>	—	<b>21,660,465.31</b>	54,683,045.27
Ocean Network Express (China) Ltd.	Transportation and related service	21,660,465.31	54,683,045.27
<b>Total services accepted</b>	—	<b>751,665,795.26</b>	941,462,120.02



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (3) Related and entrusted management

On 1 January 2017, the Company renewed the Custody Agreement with SINOTRANS & CSC, stipulating that SINOTRANS & CSC shall entrust the operation and management of its some subsidiaries to the Company, and that the Company shall, in accordance with the agreement, collect custodian fees from SINOTRANS & CSC according to the custodian costs based on the pricing basis of labor costs, and that the trusteeship period shall be from 1 January 2017 to 31 December 2018 and the custodian fees shall be RMB10,377,358.50 per year.

In January 2019, the Company renewed the Custody Agreement with SINOTRANS & CSC to continue to be entrusted to manage some companies under SINOTRANS & CSC, with the entrustment term beginning from 1 January 2019 and ending on 31 December 2021. The custody fee is divided into a fixed portion and a floating portion. Among them, the fixed portion amounts to RMB15 million per year and the floating portion is determined based on some factors such as the application of the scheme of “One Enterprise, One Policy” during the year and the completion of the operating profits of the entrusted enterprises.

#### (4) Related leases

##### 1) The Group as the lessor

Name of lessee	Type of leased assets	Rental income recognised for current period	Rental income recognised for the prior period
Sinotrans Container Lines Co., Ltd.	Transportation equipment	20,237,981.06	19,730,141.89
Sinotrans Container Lines (Hong Kong) Company Limited	Transportation equipment	14,060,093.33	13,091,135.81
Sinotrans Sunny Express Co., Ltd.	Buildings, transportation equipment	11,047,794.79	11,367,943.38
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	Buildings	4,047,619.04	4,047,619.04
Sinotrans Senko International Cold Chain Logistics (Shanghai) Co., Ltd.	Buildings	2,165,487.62	2,165,487.61
Chongqing CSC Tianyi Logistics Co., Ltd.	Transportation equipment	1,496,625.74	1,346,292.08
China Yangtze River Shipping Co., Ltd.	Transportation equipment	1,166,399.17	1,133,850.75
SIPG Sinotrans Container Depot Co., Ltd.	Buildings	-	597,406.60
China Merchants Port Service (Shenzhen) Co., Ltd.	Buildings	-	500,080.05
Others	Buildings, transportation equipment, other assets	402,500.00	649,549.97
<b>Total</b>		<b>54,624,500.75</b>	54,629,507.18

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (4) Related leases (continued)

##### 2) The Group as the lessee

Name of lessor	Type of leased assets	Rental expenditure for current period	Rental expenditure for the prior period
Beijing Aocheng Wuhe Real Estate Co., Ltd.	Lands and buildings	26,526,995.47	26,567,577.24
Beijing Sinotrans Land Transportation Co., Ltd.	Lands and buildings	18,812,448.18	—
Beijing Sinotrans Logistics Center Co., Ltd.	Lands and buildings	14,907,936.48	—
Beijing Sinotrans Sanjianfang Warehouse Ltd.	Lands and buildings	7,615,185.78	—
Shanghai Foreign Trade Storage Pudong Storage & Transportation Co., Ltd.	Lands and buildings	7,396,614.79	—
Sinotrans Shanghai (Group) Co., Ltd.	Lands and buildings	6,584,551.30	11,477,444.84
China Merchants Bonded Logistics Co., Ltd.	Lands and buildings	5,548,215.84	3,219,796.19
Shanghai Sinotrans Zhanghuabang Storage & Transportation Co., Ltd.	Lands and buildings	3,372,713.95	—
Fujian Sinotrans Majiang Storage and Transportation Co., Ltd.	Lands and buildings	3,030,711.90	2,546,300.97
Shenzhen Shekou New Era Property Management Co., Ltd.	Lands and buildings	2,845,200.97	3,601,167.62
Shandong Sinotrans Co., Ltd.	Lands and buildings	2,785,059.71	2,410,862.12
Guangxi Sinotrans Nanning Storage and Transportation Company	Lands and buildings	1,492,800.00	—
Hebei Shijiazhuang Yuanshi Sinotrans Warehouse Logistics Co., Ltd.	Lands and buildings	1,401,823.08	—
Sinotrans Guangxi Nanning Container Transportation Company	Lands and buildings	1,310,400.00	—
Liaoning Sinotrans Co., Ltd.	Lands and buildings	1,285,620.12	1,359,382.66
Changzhou Sinotrans Supply Chain Management Co., Ltd.	Lands and buildings	1,191,459.54	—
China Merchants International Terminal (Qingdao) Co., Ltd.	Lands and buildings	1,155,999.47	1,420,713.58
Shanghai Foreign Trade Warehouse Jiefangdao Storage and Transportation Co., Ltd.	Lands and buildings	1,107,945.36	—
Sinotrans Suzhou Storage Co., Ltd.	Lands and buildings	918,834.00	—
Sinotrans Erlian Co., Ltd.	Lands and buildings	831,850.01	—
Shanghai Sinotrans Anda Storage and Transportation Co., Ltd.	Lands and buildings	789,815.44	—
Xiamen Sinotrans Co., Ltd.	Lands and buildings	759,276.12	707,751.33
Shanghai Foreign Trade Yangxing Storage & Transportation Co., Ltd.	Lands and buildings	717,817.12	—
Beijing Sinotrans Automobile Transportation Company	Lands and buildings	686,332.80	—
Sinotrans Qinhuangdao Port Industrial Co., Ltd.	Lands and buildings	684,871.20	—
Tianjin Sinotrans Binhai Logistics Management Co., Ltd.	Lands and buildings	647,973.66	763,092.87
Tianjin Sinotrans Co., Ltd.	Lands and buildings	644,572.32	536,588.34
Shenzhen Merchants Venture Co., Ltd.	Lands and buildings	604,948.60	—
Sinotrans Guangxi Guigang Company	Lands and buildings	590,000.00	—
Guangdong Sinotrans Huangpu Co., Ltd.	Lands and buildings	561,567.23	775,763.79
Fujian Sinotrans Hexi storage and Transportation Co., Ltd.	Lands and buildings	548,034.72	—
Sinotrans Jinling Co., Ltd.	Lands and buildings	340,570.29	1,117,940.52
Others	Lands and buildings, transportation equipment, other assets	5,602,039.42	3,227,690.24
<b>Total</b>	—	<b>123,300,184.87</b>	<b>59,732,072.31</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (5) Related guarantees

##### 1) The Group as the guarantor

Financing guarantees:

Guaranteed parties	Guaranteed balance in the end of the period	Guaranteed balance at the beginning of the period	Starting date of the guarantee	Maturity date of the guarantee	Whether the guarantee has been fulfilled
China Merchants Shipping Enterprise Co., Ltd.	2,213,761,910.00	2,300,000,000.00	2018-06-24	2021-06-24	No
CHINA ASSESS INVESTMENT LIMITED	1,304,280,396.00	1,279,148,652.00	2017-12-22	2020-12-22	No
China Merchants Shipping Enterprise Co., Ltd.	869,520,264.00	852,765,768.00	2017-12-22	2020-12-22	No
China Merchants Great Stone Trade Logistics Co., Ltd.	435,499,882.81	443,928,962.84	2016-05-31	2031-05-30	No
Jiangmen High-tech Port Development Co., Ltd.	264,079,989.90	187,652,588.56	2018-12-18	2021-12-17	No
Sinotrans Shanghai Cold Chain Logistics Co., Ltd.	159,329,767.28	155,303,811.32	2017-03-29	2032-03-26	No
China Merchants Logistics Shenzhen Co., Ltd.	100,000,000.00	-	2020-06-16	2021-06-29	No
Shenzhen Haixing Harbor Development Co., Ltd.	98,184,899.10	98,340,000.00	2019-07-01	2037-07-01	No
Dongguan Port Container Terminals Co., Ltd.	13,009,500.00	16,383,681.74	2015-08-27	2023-01-09	No
Sinotrans Sarens Logistics Co., Ltd.	11,949,644.39	14,937,055.48	2016-07-01	2021-06-30	No

Credit guarantees:

The Group provides guarantees for its subsidiaries from the credits of financial institutions. The validity period of the credit is generally 1 year, and the credit line can be used in cycle within the validity period. As of 30 June 2020, the Group provided credit guarantees of RMB2,977,900,000.00 for its subsidiaries.

Operating guarantees:

The Group provides operating guarantees for its subsidiaries, associates and joint venture to operate logistics project, loading and unloading operations, tendering operations, maritime booking agents services, warehousing services and other business activities to trade asset. As of 30 June 2020, the balance of operating guarantees provided to subsidiaries and joint ventures amounted to RMB15,900,000.00.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (5) Related guarantees (continued)

##### 2) The Group as the guaranteed party

Guarantor	Guaranteed balance in the end of the period	Guaranteed balance at the beginning of the period	Starting date of the guarantee	Maturity date of the guarantee	Whether the guarantee has been fulfilled
China Merchants Holdings (Hong Kong) Company Limited (Note)	1,277,005,120.58	1,286,772,386.95	2015-06-25	2030-06-30	No

Note: In order to fulfill the financing needs of Hong Kong's "Tsing Yi 181 Project" logistics center, the company's subsidiary, Global Traffic entered a facility with China Development Bank to obtain HKD2.9 billion (equivalent to RMB2,648.86 million). China Merchants Holdings (Hong Kong) Company Limited, a related party of the Company, provided full guarantee.

#### (6) Related party fund lending

Related party	Loan amount	Starting date	Maturity date	Description
<b>Borrowed</b>				
China Merchants Group Finance Co., Ltd.	50,042,777.78	2020-06-23	2021-06-22	Short-term borrowings
China Merchants Group Finance Co., Ltd.	50,054,375.00	2020-04-02	2021-04-01	Short-term borrowings
China Merchants Group Finance Co., Ltd.	50,051,597.22	2020-06-08	2021-06-07	Short-term borrowings
Guangdong Sinotrans Co., Ltd.	92,130,509.89	2013-08-23	2023-08-22	Long-term payables
Sinotrans & CSC	70,718,773.77	2014-09-30	No specific maturity date	Long-term payables
Sinotrans & CSC	20,000,000.00	2016-03-07	2034-03-06	Long-term payables
<b>Lent</b>				
Sinotrans Suzhou Logistics Center Co., Ltd.	49,875,000.00	2016-08-17	2026-08-17	Long-term receivables, Non-current assets due within one year
Shanghai Pu'An Storage Co., Ltd.	32,400,000.00	2017-04-18	2024-12-30	Long-term receivables, Non-current assets due within one year

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (7) Remuneration of directors, supervisors, general managers and senior managers

##### 1) Remuneration of directors, supervisors and general managers

Items	Amount for current period	Amount for prior period
<b>Directors:</b>	—	—
Fee	<b>313,568.44</b>	294,736.88
Other remuneration	—	110,708.51
– Wages, allowances and non-cash benefits	<b>1,006,532.68</b>	1,270,513.02
– Discretionary bonuses	—	152,963.54
– Contributions under the pension plan	<b>167,140.80</b>	227,626.21
<b>Supervisors:</b>	—	—
Fee	<b>101,319.04</b>	95,238.08
Other remuneration	—	58,359.41
– Wages, allowances and non-cash benefits	<b>389,072.68</b>	186,249.46
– Discretionary bonuses	<b>109,350.00</b>	116,113.97
– Contributions under the pension plan	<b>63,139.20</b>	70,503.73

Note: The directors' fees disclosed above was RMB313,568.44 paid to independent non-executive directors (amount for prior period: RMB294,736.88).

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (7) Remuneration of directors, supervisors, general managers and senior managers (continued)

##### 2) Scope of remuneration of directors, supervisors and general managers

Items	Fee of directors	Wages, allowances and non-cash benefits	Discretionary bonuses	Contributions under the pension plan	Other remuneration	Total
<b>Current period</b>						
Directors:						
– Guan Peng Li	–	515,566.34	–	87,770.40	–	603,336.74
– De Xing Song	–	–	–	–	–	–
– Rong Song	–	490,966.34	–	79,370.40	–	570,336.74
– Jian Su	–	–	–	–	–	–
– Xian Liang Xiong	–	–	–	–	–	–
– Jian Jiang	–	–	–	–	–	–
– Jerry Hsu	–	–	–	–	–	–
– Tai Wen Wang	78,392.11	–	–	–	–	78,392.11
– Yan Meng	78,392.11	–	–	–	–	78,392.11
– Hai Qing Song	78,392.11	–	–	–	–	78,392.11
– Qian Li	78,392.11	–	–	–	–	78,392.11
Supervisors:						
– Ying Jie Liu	–	–	–	–	–	–
– Fang Sheng Zhou	50,659.52	–	–	–	–	50,659.52
– Zhao Ping Fan	50,659.52	–	–	–	–	50,659.52
– Dong Xiao Ren	–	136,120.34	71,922.00	26,535.36	–	234,577.70
– Zheng Mao	–	252,952.34	37,428.00	36,603.84	–	326,984.18
<b>Prior period</b>						
Directors:						
– Guan Peng Li	–	484,800.00	–	73,342.08	36,424.32	594,566.40
– De Xing Song	–	–	–	–	–	–
– Rong Song	–	436,200.00	–	68,581.08	36,424.32	541,205.40
– Jian Su	–	–	–	–	–	–
– Xian Liang Xiong	–	–	–	–	–	–
– Jian Jiang	–	–	–	–	–	–
– Jerry Hsu	–	–	–	–	–	–
– Tai Wen Wang	73,684.22	–	–	–	–	73,684.22
– Yan Meng	73,684.22	–	–	–	–	73,684.22
– Hai Qing Song	73,684.22	–	–	–	–	73,684.22
– Qian Li	73,684.22	–	–	–	–	73,684.22
– Hong Wang (Resignation)	–	–	–	–	–	–
– Lin Wang (Resignation)	–	124,522.96	152,963.54	45,468.52	15,321.06	338,276.08
– Xue Ming Wu (Resignation)	–	224,990.06	–	40,234.53	22,538.81	287,763.40
Supervisors:						
– Ying Jie Liu	–	–	–	–	–	–
– Fang Sheng Zhou	47,619.04	–	–	–	–	47,619.04
– Zhao Ping Fan	47,619.04	–	–	–	–	47,619.04
– Dong Xiao Ren	–	105,354.00	71,922.00	42,784.68	36,424.32	256,485.00
– Zheng Mao	–	80,895.46	44,191.97	27,719.05	21,935.09	174,741.57

## Chapter 10

### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (7) Remuneration of directors, supervisors, general managers and senior managers (continued)

##### 3) Five highest paid individuals

Of the five highest paid individuals for current period, 2 of them are directors (prior period: 2) and the detail of their remuneration are set out above. The details of the remuneration of the remaining 3 (prior period: 3) highest paid individuals who are not directors or supervisors for current period are as follows:

Items	Amount for current period	Amount for prior period
Salary, allowance and non-cash benefits	<b>1,202,279.07</b>	903,838.00
Discretionary bonuses	–	247,200.00
Contributions to the pension scheme	<b>156,010.76</b>	201,319.44
Other emoluments	–	97,608.56

The number of highest paid individuals with remuneration within the following bands who are not directors or supervisors is as follows:

Items	The number of individuals for current period	The number of individuals for prior period
Less than HKD1,000,000	<b>3</b>	3
HKD1,000,001 to HKD1,500,00	<b>0</b>	0
HKD1,500,001 to HKD2,000,000	<b>0</b>	0
HKD2,000,001 to HKD2,500,000	<b>0</b>	0

- 4) Other than the directors De Xing Song and Jerry Hsu who have not received any remuneration from the Company, there is not any director of the Company waiving or agreeing to waive any remuneration during this period. During the track record period, the Company has not paid any remuneration to any of the directors, supervisors or five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (7) Remuneration of directors, supervisors, general managers and senior managers (continued)

##### 5) *The remuneration of the major management*

The remuneration of the major management (including the amounts paid and payable to the directors, supervisors and senior management) is as follows:

Items	Amount for current period	Amount for prior period
Salary, allowance and non-cash benefits	3,535,437.21	3,438,885.00
Discretionary bonuses	109,350.00	145,305.00
Contributions to the pension scheme	484,832.28	600,924.66
Other emoluments	–	372,243.54
<b>Total</b>	<b>4,129,619.49</b>	4,557,358.20

#### (8) Transfer of assets by related parties

Related party	Content of related party transactions	Amount for current period	Amount for prior period
Beijing Sinotrans Logistics Center Co., Ltd.	Transfer of intangible assets	249,622.65	–
Nanjing Changjiang Tanker Co., Ltd.	Transfer of equity investments	–	14,791,047.00

#### (9) Deposit of related parties

The difference between the Group's deposits and withdrawals in China Merchants Bank for the six months ended 30 June 2020 is the net deposits of RMB297,084,799.21, and the difference between deposits and withdrawals in the financial company for the six months ended 30 June 2020 is the net withdrawals of RMB861,206,487.49.

#### (10) Trademark license

The Group signed a Trademark License Agreement with SINOTRANS & CSC in March 2015, granting the Group a license to use without compensation ten trademarks such as "SINOTRANS" of SINOTRANS & CSC with the registration number 779072 for a period from 1 March 2015 to 28 February 2025.

#### (11) Other

The Group had no other related party transactions to disclose as at the six months ended 30 June 2020 (six months ended 30 June 2019: nil).



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts

Items	Name of related parties	Closing balance	Opening balance
Cash and bank balances	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>2,979,165,698.00</b>	3,840,372,185.49
	China Merchants Group Finance Co., Ltd.	<b>2,979,165,698.00</b>	3,840,372,185.49
	<b>Associate of the ultimate controller</b>	<b>705,273,702.31</b>	408,188,903.10
	China Merchants Bank Co., Ltd.	<b>705,273,702.31</b>	408,188,903.10
Accounts receivable	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>91,306,410.22</b>	85,156,846.14
	Sinotrans Container Lines Co., Ltd.	<b>36,427,974.78</b>	20,334,447.39
	Sinotrans Sunny Express Co., Ltd.	<b>11,336,780.57</b>	19,237,755.12
	Sinotrans Container Lines (Hong Kong) Company Limited	<b>5,688,312.22</b>	3,953,575.52
	China Merchants Heavy Industry (Jiangsu) Co., Ltd.	<b>3,466,087.98</b>	-
	Sinotrans International Trade Co., Ltd.	<b>3,400,736.66</b>	185,368.00
	Nanjing Tanker Corporation	<b>2,953,850.80</b>	2,964,915.99
	Sinotrans Gansu Co., Ltd.	<b>2,868,691.42</b>	3,636,796.73
	Far rise Co., Ltd.	<b>2,376,662.87</b>	2,376,662.87
	Henan Sinotrans Bonded Logistics Co., Ltd.	<b>2,208,928.53</b>	2,181,245.67
	China Merchants Jinling Shipyard (Weihai) Co., Ltd.	<b>2,114,488.80</b>	-
	Chongqing Wanqiao Communication Tech Co., Ltd.	<b>2,010,832.20</b>	2,010,832.20
	CSC Bulk Shipping Co., Ltd.	<b>1,917,715.10</b>	-
	Zhejiang Youlian Shipbuilding Co., Ltd.	<b>1,282,285.43</b>	-
	SHANGHAI MING WAH SHIPPING CO., LTD.	<b>1,121,614.83</b>	3,147,066.90
	CSC Roro Logistics Co., Ltd.	<b>1,068,034.31</b>	-
	Sinotrans Shaanxi Co., Ltd.	<b>1,006,620.33</b>	-
	Changjiang International Freight Forwarding Co., Ltd.	<b>367,838.09</b>	1,006,844.56
	Sinotrans Inner Mongolia Co., Ltd.	<b>283,073.49</b>	3,015,842.48
	Dalian Port Container Logistics Co., Ltd.	<b>282,000.00</b>	2,500,000.00
	China Merchants International Terminal (Qingdao) Co., Ltd.	<b>86,151.43</b>	2,350,626.45
	Singapore Changhang International Shipping Limited	-	2,227,976.07
	China Merchants Investment Development Co., Ltd.	-	1,507,794.40
	Beijing Sinotrans Land Transportation Co., Ltd.	-	1,408,699.44
	Chongqing Changhang Yihua Shipping Co., Ltd.	-	1,204,053.07
	Others	<b>9,037,730.38</b>	9,906,343.28
	<b>Joint ventures and associates and their subsidiaries</b>	<b>57,968,766.35</b>	52,143,191.84
	DHL-Sinotrans International Air Courier Ltd.	<b>7,593,862.24</b>	5,034,966.32
	Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	<b>5,990,118.63</b>	9,871,054.68
	China Merchants Logistics Group Nanjing Co., Ltd.	<b>4,687,202.25</b>	3,359,386.50
	Nissin-Sinotrans International Logistics Co., Ltd.	<b>4,682,757.52</b>	3,219,247.88
Weihai Weidong Shipping Co., Ltd.	<b>3,615,809.58</b>	2,215,358.60	

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
	Shenyang Jinyun Automobile Logistics Co., Ltd.	3,219,247.88	2,114,547.86
	Sinotrans Djibouti Co., Ltd.	2,609,817.53	–
	Jiangsu Nissin Sinotrans International Transportation Co., Ltd.	2,490,542.14	2,043,276.43
	Qingdao Yujiachang Container Storage And Transportation Co., Ltd.	2,160,894.41	1,843,924.47
	CIETC International Transportation Co., Ltd.	2,114,547.87	1,668,890.21
	Sinotrans Sarens Logistics Co., Ltd.	1,902,424.95	–
	Beijing Medlink Supply Chain Management Co., Ltd.	1,718,479.73	–
	MAXX LOGISTICS FZCO.	1,598,940.86	1,037,359.62
	Beijing Sinotrans Huali Logistics Co., Ltd.	1,388,433.82	1,625,092.65
	Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	1,362,686.85	1,491,060.47
	Tianjin Runfeng Logistics Co., Ltd.	965,742.86	1,483,843.93
	Ningbo Taiping Int'l Trade Transportation Co., Ltd.	740,488.06	1,362,686.85
	Loscam Supply Chain Management (Jiaxing) Co., Ltd.	551,505.52	1,391,981.65
	Shanghai Lianhe Cold Chain Logistics Co., Ltd.	389,549.92	1,109,362.60
	Sinotrans PFS Yida (Shanghai) Logistics Co., Ltd.	320,192.17	1,085,053.73
	Tianjin Shiyun Logistics Co., Ltd.	19,814.26	1,194,080.19
	Others	7,845,707.30	8,992,017.20
	<b>Associate of the ultimate controller</b>	<b>2,009,414.83</b>	<b>3,339,450.42</b>
	COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	2,009,414.83	3,339,450.42
	<b>Other related parties</b>	<b>8,688,317.86</b>	<b>7,365,140.07</b>
	Ocean Network Express Pte. Ltd.	8,688,317.86	7,365,140.07
	<b>Total account receivable</b>	<b>159,972,909.26</b>	<b>148,004,628.47</b>
<b>Other receivables</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>48,102,748.26</b>	<b>63,494,103.97</b>
	CSC Bulk Shipping Co., Ltd.	18,877,058.04	18,877,058.04
	Sinotrans & CSC Group Limited	7,612,945.30	27,150,710.30
	Guangdong Sinotrans Co., Ltd.	5,002,990.54	–
	Zhengzhou China Merchants Logistics Co., Ltd.	3,420,726.64	–
	China Merchants Bonded Logistics Co., Ltd.	3,072,338.24	2,004,623.64
	Sinotrans Container Lines Co., Ltd.	1,723,673.48	–
	Shenzhen Shekou New Era Property Management Co., Ltd.	1,382,372.00	1,382,372.00
	Sinotrans Hubei Co., Ltd.	800,111.82	–
	China Merchants International Terminal (Qingdao) Co., Ltd.	766,500.00	–
	China Merchants Investment Development Co., Ltd.	–	5,000,000.00
	Shenzhen Nanyou (Holdings) Ltd.	–	2,834,077.64
	Shanghai Sinotrans Qiantang Co., Ltd.	–	1,800,000.00
	Others	5,444,032.20	4,445,262.35

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
	<b>Joint ventures and associates</b>	<b>92,259,767.23</b>	86,303,289.25
	Shenyang Jinyun Automobile Logistics Co., Ltd.	20,000,000.00	19,905,205.04
	Sinotrans Djibouti Co., Ltd.	18,867,553.10	19,546,555.39
	MAXX LOGISTICS FZCO.	16,778,438.60	16,529,370.43
	DHL-Sinotrans International Air Courier Ltd.	6,641,402.32	5,107,749.26
	China Merchants Logistics Group Nanjing Co., Ltd.	5,040,848.61	100,000.00
	China Sinotrans (Pakistan) Logistics Co., Ltd.	3,694,886.32	3,625,546.01
	Dalian Jd Cargo International Co., Ltd.	3,600,000.00	3,600,000.00
	Sinotrans High-Tech Logistics (Suzhou) Co., Ltd.	3,064,485.87	-
	Guangxi Yunyu Port Service Co., Ltd.	2,680,000.00	2,500,000.00
	Dongguan Sinotrans Kuasheng E-Commerce Co., Ltd.	2,210,483.68	2,192,033.55
	Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	1,746,503.94	7,042,454.77
	Sinotrans Turkey Co., Ltd.	1,633,279.26	1,661,347.41
	Sinotrans Vietnam Logistics Co., Ltd.	1,251,712.65	-
	Nanjing Huaxing Loading and Unloading Service Co., Ltd.	-	1,776,601.48
	Others	5,050,172.88	2,716,425.91
	<b>Other related parties</b>	<b>300,000.00</b>	300,000.00
	Ocean Network Express Pte. Ltd.	300,000.00	300,000.00
	<b>Total other receivables</b>	<b>140,662,515.49</b>	150,097,393.22
<b>Dividends receivable</b>	<b>Joint ventures and associates</b>	<b>38,462,551.98</b>	33,247,750.69
	New Land Bridge (Lianyungang) Terminal Co., Ltd.	29,665,189.18	24,450,387.89
	Wuhan Port Container Co., Ltd.	6,000,000.00	6,000,000.00
	CIETC International Transportation Co., Ltd.	2,797,362.80	2,797,362.80
<b>Prepayments</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>71,181,430.69</b>	56,394,423.97
	Nanjing Tanker Corporation	39,943,030.97	23,150,273.01
	Shanghai Wusongkou International Cruise Port Development Co., Ltd.	10,456,173.54	6,193,887.72
	China Merchants Investment Development Co., Ltd.	8,869,000.00	-
	Yingkou Gangrong Big Data Co., Ltd.	1,575,903.45	1,804,842.58
	Dalian Harbour Tug& Barge Corporation	1,403,671.42	-
	Sinotrans Alashankou Company	1,317,382.50	-
	Sinotrans Hebei Co., Ltd.	1,076,444.56	-
	Sinotrans Shaanxi Co., Ltd.	1,014,060.38	4,554,258.90
	Dalian Port Corporation Limited	412,862.61	1,286,960.41
	China Changjiang Bunker (Sinopec) Co., Ltd.	396,000.00	5,507,399.51
	Fujian Sinotrans Majiang Storage and Transportation Co., Ltd.	-	3,650,222.52
	Sinotrans Yinchuan Inland Port Logistics Co., Ltd.	-	1,772,727.28
	Dalian Jifa International Freight Co., Ltd.	-	1,635,792.26
	Others	4,716,901.26	6,838,059.78

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
	<b>Joint ventures and associates</b>	<b>30,835,905.31</b>	26,209,605.93
	Liaoning Sinotrans Constant Transportation Service Co., Ltd.	<b>8,019,555.83</b>	–
	China Sinotrans (Pakistan) Logistics Co., Ltd.	<b>7,665,932.70</b>	–
	Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	<b>5,431,064.71</b>	5,238,682.64
	Sinotrans Djibouti Co., Ltd.	<b>1,739,123.57</b>	–
	MAXX LOGISTICS FZCO.	<b>1,533,852.90</b>	–
	Nanjing Huaxing Loading and Unloading Service Co., Ltd.	<b>1,520,870.71</b>	340,000.00
	Sinotrans Suzhou Logistics Center Co., Ltd.	<b>1,353,911.31</b>	653,243.85
	Tangshan Port Sinotrans Shipping Agency Co., Ltd.	<b>875,954.60</b>	10,251,199.63
	Jiangsu Jiangyin Port Group Co., Ltd.	<b>144,978.00</b>	1,329,512.26
	Sinotrans Philippines Inc.	–	4,830,605.40
	Others	<b>2,550,660.98</b>	3,566,362.15
	<b>Other related parties</b>	<b>1,595,876.53</b>	81,277.68
	Ocean Network Express Pte. Ltd.	<b>1,594,800.33</b>	81,277.68
	Ningbo Daxie Merchants International Terminal Co., Ltd.	<b>1,076.20</b>	–
	<b>Total prepayments</b>	<b>103,613,212.53</b>	82,685,307.58
<b>Non-current assets</b>	<b>Joint ventures and associates</b>	<b>12,205,000.00</b>	12,085,000.00
<b>due within one year</b>	Sinotrans Suzhou Logistics Center Co., Ltd.	<b>7,125,000.00</b>	7,125,000.00
	Shanghai Pu'An Storage Co., Ltd.	<b>5,080,000.00</b>	4,960,000.00
<b>Long-term receivables</b>	<b>Joint ventures and associates</b>	<b>70,070,000.00</b>	72,670,000.00
	Sinotrans Suzhou Logistics Center Co., Ltd.	<b>42,750,000.00</b>	42,750,000.00
	Shanghai Pu'An Storage Co., Ltd.	<b>27,320,000.00</b>	29,920,000.00
<b>Accounts payable</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>195,907,250.35</b>	327,382,693.37
	Sinotrans Container Lines Co., Ltd.	<b>64,059,747.85</b>	148,557,919.02
	Sinotrans Sunny Express Co., Ltd.	<b>28,611,429.40</b>	27,952,503.01
	Dalian Container Terminal Co., Ltd.	<b>12,850,390.11</b>	10,098,123.20
	Sinotrans Hebei Co., Ltd.	<b>10,419,161.47</b>	1,138,184.08
	Nanjing Tanker Corporation	<b>10,200,178.61</b>	27,417,442.11
	China Merchants Godown, Wharf & Transportation Co., Ltd.	<b>9,661,735.09</b>	–
	Henan Sinotrans Jiuling Storage and Transportation Company	<b>7,000,926.23</b>	5,906,586.60
	Shanghai Yangtze Maritime Development Co., Ltd.	<b>6,481,816.00</b>	2,389,046.00
	Dalian Port Wantong Logistics Co., Ltd.	<b>3,495,296.04</b>	–
	Shanghai Ming Wah Shipping Co., Ltd.	<b>3,392,514.52</b>	2,210,386.19
	Zhengzhou China Merchants Logistics Co., Ltd.	<b>3,379,799.15</b>	–
	Shanghai Changjiang International Shipping Agency Co., Ltd.	<b>3,209,712.00</b>	7,947,544.00

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
	Shenzhen Xunlong Shipping Co., Ltd.	2,078,463.65	–
	Sinotrans Shaanxi Co., Ltd.	1,924,444.69	2,676,637.77
	Shenzhen Chiwan Shipping & Transportation Co., Ltd.	1,892,894.00	–
	Sinotrans Shanghai Qiantang Co., Ltd.	1,818,405.02	2,603,018.87
	China Changjiang Bunker (Sinopec) Co., Ltd.	1,697,261.13	1,577,358.75
	Wuhan China Merchants Ro-Ro Transportation Co., Ltd.	1,398,527.74	–
	China Merchants Bonded Logistics Co., Ltd.	1,320,873.76	–
	Shanghai Foreign Trade Storage Pudong Storage & Transportation Co., Ltd.	1,155,260.87	–
	Beijing Sinotrans Logistics Center Co., Ltd.	1,038,032.95	14,232,990.97
	Henan Sinotrans Bonded Logistics Co., Ltd.	1,035,906.08	1,299,132.98
	Changjiang International Freight Forwarding Co., Ltd.	482,487.04	1,357,326.82
	Chongqing CSC Tianyi Logistics Co., Ltd.	407,297.86	1,890,799.84
	Beijing Sinotrans Sanjianfang Warehouse Ltd.	390,762.73	4,853,072.13
	Beijing Sinotrans Land Transportation Co., Ltd.	221,406.78	18,663,010.85
	Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	141,950.00	1,962,490.00
	Beijing Sinotrans Automobile Transportation Company	134,052.74	3,574,154.93
	Shanghai Sinotrans Zhanghuabang Storage&Transportation Co., Ltd.	2,655.34	2,055,016.25
	Shanghai Wusongkou International Cruise Port Development Co., Ltd.	–	9,862,381.35
	Chongqing Changjiang Shipping Co., Ltd.	–	1,886,857.90
	Others	16,003,861.50	25,270,709.75
	<b>Joint ventures and associates</b>	<b>124,669,966.67</b>	<b>114,639,074.11</b>
	China Merchants Logistics Group Nanjing Co., Ltd.	39,624,756.89	35,452,299.88
	Nanjing Huaxing Loading and Unloading Service Co., Ltd.	7,138,402.35	5,620,886.51
	Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	6,857,409.04	4,465,067.67
	Ma'Anshan Tianshun Port Co., Ltd.	6,545,639.96	8,579,827.16
	Shenzhen Haiyitong Technology Co., Ltd.	5,760,459.00	4,621,400.50
	Sinotrans Sarens Logistics Co., Ltd.	5,343,026.64	1,188,736.15
	Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	4,931,730.09	7,426,086.98
	Sinotrans Djibouti Co., Ltd.	4,214,501.62	8,091,512.68
	Sinotrans Vietnam Logistics Co., Ltd.	3,966,421.17	1,630,820.07
	Shenyang Henglu Logistics Co., Ltd.	3,748,474.75	3,207,266.17
	Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	3,225,583.60	–
	Weihai Weidong Shipping Co., Ltd.	3,158,273.95	4,111,647.70

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
	MAXX LOGISTICS FZCO.	2,853,209.53	–
	Liaoning Sinotrans Constant Transportation Service Co., Ltd.	2,644,998.00	2,277,395.84
	Wuhan Port Container Co., Ltd.	2,345,089.46	1,671,312.41
	Tangshan Port Sinotrans Shipping Agency Co., Ltd.	2,113,044.90	–
	New Land Bridge (Lianyungang) Terminal Co., Ltd.	2,109,336.24	3,435,172.07
	China Sinotrans (Pakistan) Logistics Co., Ltd.	1,671,513.11	1,538,016.62
	Dongguan Port Container Terminals Co., Ltd.	1,601,078.10	–
	Sinotrans Suzhou Logistics Center Co., Ltd.	1,596,767.17	1,253,484.02
	Qingdao Yujiachang Container Storage And Transportation Co., Ltd.	1,419,257.76	–
	DHL-Sinotrans International Air Courier Ltd.	1,000,497.53	–
	Ningbo Taiping Int'l Trade Transportation Co., Ltd.	372,086.64	2,087,693.36
	Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	–	4,413,793.49
	Sinotrans Philippines Inc.	–	1,557,429.17
	Others	10,428,409.17	12,009,225.66
	<b>Other related parties</b>	<b>28,179,135.39</b>	<b>35,758,741.22</b>
	Ocean Network Express Pte. Ltd.	25,253,808.21	29,817,972.36
	Ningbo Daxie Merchants International Terminal Co., Ltd.	2,925,327.18	5,940,768.86
	<b>Total accounts payable</b>	<b>348,756,352.41</b>	<b>477,780,508.70</b>
<b>Other payables</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>298,111,713.48</b>	<b>241,593,117.28</b>
	RED BRAVES FINANCE LTD.	118,825,515.79	117,091,203.59
	China Merchants Investment Development Co., Ltd.	62,670,704.64	–
	Sichuan Sinotrans Storage Service Co., Ltd.	24,518,369.97	25,696,619.83
	Sinotrans & CSC Group Limited	27,899,112.84	37,402,187.77
	Sinotrans Guangxi Company	16,292,634.43	–
	Beijing Aocheng Wuhe Real Estate Co., Ltd.	6,726,517.69	–
	China Changjiang Bunker (Sinopec) Co., Ltd.	6,608,629.07	–
	CSC Bulk Shipping Co., Ltd.	6,513,200.00	–
	Henan Sinotrans Jiuling Storage and Transportation Company	6,343,459.14	6,243,459.15
	Dalian Port Corporation Limited	4,085,912.00	4,085,912.00
	Jiangxi Foreign Trade Storage and Transportation Co., Ltd.	2,673,454.83	–
	Sinotrans Jiangsu Group Corporation	2,551,630.65	–
	Guangxi Sinotrans Jiuling Storage and Transportation Co., Ltd.	2,256,899.81	2,965,715.71
	Sinotrans Anhui Direct Storage and Transportation Co., Ltd.	1,846,000.00	1,846,000.00
	China Merchants Godown, Wharf & Transportation Co., Ltd.	1,221,050.67	–
	Sinotrans Shanghai (Group) Co., Ltd.	1,000,000.00	42,818,799.83
	Guangdong Sinotrans Co., Ltd.	452,786.54	824,518.52
	Beijing Sinotrans Automobile Transportation Company	240,000.00	240,000.00
	Others	5,385,835.41	2,378,700.88

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
	<b>Joint ventures and associates</b>	<b>67,948,333.18</b>	68,084,462.42
	China Merchants Logistics Group Nanjing Co., Ltd.	43,744,738.22	43,732,916.26
	Shanghai Tongyun International Logistics Co., Ltd.	14,541,000.00	14,415,000.00
	Shanghai Wai-Hong Yishida International Logistics Co., Ltd.	2,486,200.00	2,486,200.00
	Shenyang Fuyun Cold Chain Logistics Co., Ltd.	1,514,280.00	1,544,280.00
	Rongyun (Xiamen) Supply Chain Co., Ltd.	1,271,714.07	1,000,000.00
	Yangzhou Comprehensive Bonded Zone Supply Chain Management Co., Ltd.	2,450,000.00	-
	Others	1,940,400.89	4,906,066.16
	<b>Total other payables</b>	<b>366,060,046.66</b>	309,677,579.70
<b>Dividends payable</b>	<b>The ultimate controller</b>	<b>192,071,692.68</b>	-
	China Merchants Group Co., Ltd.	192,071,692.68	-
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>332,302,323.78</b>	36,197,979.78
	Sinotrans & CSC Group Limited	332,230,063.92	36,125,719.92
	Sinotrans Jiangxi Co., Ltd.	72,259.86	72,259.86
<b>Interest payable</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>28,223,909.54</b>	26,339,510.69
	Sinotrans & CSC Group Limited	28,223,909.54	26,339,510.69
<b>Contract liabilities</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>17,740,945.95</b>	17,425,073.18
	China Merchants Investment Development Co., Ltd.	6,000,000.00	-
	ASSOCIATED MARITIME COMPANY (HONG KONG) LIMITED	4,491,522.50	3,934,419.35
	HONG KONG MING WAH SHIPPING CO., LTD.	4,003,086.09	9,487,632.00
	Ming Wah International Shipping Co., Ltd.	1,818,277.63	1,069,381.90
	Dalian Jifa Shipping Agency Co., Ltd.	1,054,570.85	-
	SINOTRANS SHIP MANAGEMENT LIMITED	-	1,216,719.56
	Others	373,488.88	1,716,920.37
	<b>Joint ventures and associates</b>	<b>5,014,294.32</b>	906,152.35
	DHL-Sinotrans International Air Courier Ltd.	1,665,445.30	543,851.21
	Sinotrans Aramex (Shanghai) International Aviation Express Delivery Co., Ltd.	1,154,898.60	-
	Beijing Medlink Supply Chain Management Co., Ltd.	879,976.49	-
	MAXX LOGISTICS FZCO.	769,831.53	83,986.42
	Others	544,142.40	278,314.72
	<b>Other related parties</b>	<b>1,870,000.00</b>	1,930,000.00
	COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	1,870,000.00	1,930,000.00
	<b>Total contract liabilities</b>	<b>24,625,240.27</b>	20,261,225.53

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### Notes to the Financial Statements

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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (12) Balances of major claims and debts (continued)

Items	Name of related parties	Closing balance	Opening balance
<b>Long-term payables</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>182,849,283.66</b>	192,657,228.79
	Sinotrans & CSC Group Limited	<b>90,718,773.77</b>	100,718,773.77
	Guangdong Sinotrans Co., Ltd.	<b>92,130,509.89</b>	91,938,455.02
<b>Short-term borrowings</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	<b>150,148,750.00</b>	66,000,000.00
	Sinotrans & CSC Group Limited	-	66,000,000.00
	China Merchants Group Finance Co., Ltd.	<b>150,148,750.00</b>	-
	<b>Associate of the ultimate controller</b>	<b>100,000,000.00</b>	-
	China Merchants Bank Co., Ltd.	<b>100,000,000.00</b>	-
<b>Long-term borrowings</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	-	100,000,000.00
	China Merchants Group Finance Co., Ltd.	-	100,000,000.00
<b>Non-current liabilities due within 1 year</b>	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	-	500,000,000.00
	China Merchants Group Finance Co., Ltd.	-	500,000,000.00



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### Notes to the Financial Statements

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## X. RELATED-PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4. Related Party Transactions: (continued)

#### (13) Related party commitments

Items	Closing balance	Opening balance
Related party commitments	<b>1,429,180,362.16</b>	1,236,948,456.97

Note: the above commitments are related party lease commitments.

## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, accounts receivable, borrowings and payables. The details of financial instruments are set out in the notes to items mentioned above. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. These risk exposures are managed and monitored by the management of the Group to ensure that the risks above are controlled within a limited range.

### 1. Risk Management Objectives and Policies

The Group's objective in risk management is to strike an appropriate balance between risks and returns, to minimise the negative impact of the risks on the Group's operating performance and to maximise the interests of shareholders and others equity investors. Based on this risk management objective, the Group's basic strategy for risk management is to identify and analyse the risks faced by the Group, establish an appropriate risk tolerance baseline and conduct risk management, and monitor the risks in a timely and reliable manner and control the risks within a limited range.

The Group uses sensitivity analysis techniques to analyse the reasonableness of risk variables and the possible impact of possible changes on current profit or loss or shareholders' equity. Because any risk variable rarely changes in isolation, and the correlation between variables will have significant effect on the ultimate impact of changes in a risk variable, so the following is done on the assumption that the changes in each variable occur independently.

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (1) Market risk

##### 1) Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. The Group is subject to foreign exchange risk primarily related to USD, HKD and EUR. Except for the Group's companies established in the Hong Kong Special Administrative Region and overseas which conduct their purchases and sales in the registered local currencies, the Group's other major business activities are denominated in RMB. As at 30 June 2020, the assets and liabilities with the USD, HKD and EUR balances described in the following table may have an impact on the Group's operating performance due to changes in fair value or future cash flows resulting from exchange rate changes.

Items	Closing balance	Opening balance
Cash and bank balances	—	—
Including: – USD	<b>3,041,366,312.79</b>	2,260,774,825.16
– HKD	<b>299,158,486.60</b>	285,810,103.68
– EUR	<b>313,903,105.23</b>	33,511,971.70
Accounts receivable	—	—
Including: – USD	<b>3,232,284,976.43</b>	2,280,133,098.65
– HKD	<b>455,013,702.51</b>	276,158,903.66
– EUR	<b>52,423,560.36</b>	39,959,052.06
Long-term receivables	—	—
Including: – HKD	—	20,849,881.64
Accounts payable	—	—
Including: – USD	<b>2,334,700,459.47</b>	2,150,606,329.78
– HKD	<b>370,926,118.77</b>	479,898,246.02
– EUR	<b>143,006,954.04</b>	50,076,997.81
Short-term borrowings	—	—
Including: – EUR	<b>1,870,835,000.00</b>	1,131,371,780.00
Long-term borrowings due within one year	—	—
Including: – USD	<b>46,094,223.12</b>	31,770,540.82
– HKD	<b>4,481,682,729.13</b>	2,225,827,670.58
Long-term borrowings	—	—
Including: – USD	<b>393,079,882.81</b>	415,672,155.90
– HKD	<b>1,877,068,961.45</b>	4,046,904,005.00
<b>Total</b>	<b>18,911,544,472.71</b>	15,729,325,562.46

The Group pays close attention to the impact of exchange rate changes on the Group's foreign exchange risk. The management has made a policy requiring the Group to manage foreign exchange risk related to its functional currency to mitigate the impact of exchange rate fluctuations and to control foreign exchange risk by optimizing the structure of net foreign currency assets.

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (1) Market risk (continued)

##### 1) Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk

With other variables remaining unchanged, the pre-tax effects of reasonable changes in the exchange rate on current profit or loss and shareholders' equity are as follows:

*Unit: RMB*

Exchange rate changes	Current period		Prior period	
	Effects on total profit	Pre-tax effects on shareholders' equity	Effects on total profit	Pre-tax effects on shareholders' equity
USD appreciation by 5% against RMB	<b>174,988,836.15</b>	<b>174,988,836.15</b>	113,770,171.30	113,770,171.30
USD devaluation by 5% against RMB	<b>-174,988,836.15</b>	<b>-174,988,836.15</b>	-113,770,171.30	-113,770,171.30
HKD appreciation by 5% against RMB	<b>-298,775,281.01</b>	<b>-298,775,281.01</b>	-201,604,943.26	-201,604,943.26
HKD devaluation by 5% against RMB	<b>298,775,281.01</b>	<b>298,775,281.01</b>	201,604,943.26	201,604,943.26
EUR appreciation by 5% against RMB	<b>-82,375,764.42</b>	<b>-82,375,764.42</b>	-85,104,860.47	-85,104,860.47
EUR devaluation by 5% against RMB	<b>82,375,764.42</b>	<b>82,375,764.42</b>	85,104,860.47	85,104,860.47

##### 2) Interest rate change risk

The Group's foreign currency borrowings were mainly floating rate borrowings in USD, HKD and EUR, the interest rates of which were not affected by the adjustment of the benchmark lending rate by the People's Bank of China.

The Group's major liabilities that are subject to interest rate risk include short-term and long-term borrowings.

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (1) Market risk (continued)

##### 2) Interest rate change risk (continued)

Sensibility analysis of interest rate risks

The sensibility analysis of interest rate risks is based on the following assumptions:

- Any changes in market interest rates affect interest income or expenses of financial instruments with variable interest rates;
- For financial instruments with fixed interest rates that are measured at fair value, any changes in market interest rates only affect their interest income or expenses;
- Any changes in fair value of other financial assets and liabilities that are calculated using the discounted cash flow method at the prevailing market interest rate at the date of statement of financial position.

On the basis of the above assumptions, and with other variables remaining unchanged, the pre-tax effects of the possible reasonable changes in interest rates on current profit or loss and shareholders' equity are as follows:

Interest rate changes	Current period		Unit: RMB	
	Effects on total profit	Pre-tax effects on shareholders' equity	Effects on total profit	Pre-tax effects on shareholders' equity
Interest rate rises by 0.5%	-43,343,803.98	-43,343,803.98	-27,969,739.70	-27,969,739.70
Interest rate is lowered by 0.5%	43,343,803.98	43,343,803.98	27,969,739.70	27,969,739.70

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (1) Market risk (continued)

##### 3) Other price risks

Held-for-trading financial assets held by the Group, other equity instrument investments and other non-current financial assets are measured at fair value at the date of statement of financial position. As a result, the Group bears the risk of price changes in the securities market. The Company adopts the method of holding multiple equity securities portfolios to reduce the price risk of equity securities investments. With other variables remaining unchanged, the pre-tax effects of the possible reasonable changes in stock prices on shareholders' equity are as follows:

Items	Stock price changes	Current period			Prior period		
		Effects on total profit	Effects on other comprehensive income	Pre-tax effects on shareholders' equity	Effects on total profit	Effects on other comprehensive income	Pre-tax effects on shareholders' equity
Held-for-trading financial assets	Stock price rises by 10%	4,203.88	-	4,203.88	4,122.88	-	4,122.88
Other equity instrument investments		-	23,809,018.62	23,809,018.62	-	25,455,559.09	25,455,559.09
Held-for-trading financial assets	Stock price rises by 10%	-4,203.88	-	-4,203.88	-4,122.88	-	-4,122.88
Other equity instrument investments		-	-23,809,018.62	-23,809,018.62	-25,455,559.09	-	-25,455,559.09

#### (2) Credit risk

As at 30 June 2020, the maximum credit risk exposure that is likely to cause financial losses to the Group was due primarily to the losses on the Group's financial assets arising from the failure of the other party to the contract to fulfill its obligations, including the carrying amount of the recognised financial assets in the consolidated statement of financial position; for financial instruments measured at fair value, the carrying amount reflects its risk exposure that is not the maximum, and its maximum risk exposure will change with future changes in fair value. In addition, it also includes losses to be paid for the performance of contingent obligations and financial guarantees, see the amount of financial guarantee contracts disclosed in Note IX. 41 "Accrued liabilities" and the Note X. 4. (5) "Related guarantees".

In order to reduce the credit risk, the Group has set up a group to determine credit lines, conduct credit approvals and implement other monitoring procedures to ensure that any necessary measures are taken to recover overdue claims. In addition, the Group reviews the recovery of each individual receivable at the end of the reporting period to ensure that sufficient credit loss provision is made for amounts that are irrecoverable. As a result, the Group's management considers that the Group's credit risk has been reduced significantly.

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (2) Credit risk (continued)

Except for the top five in Note IX. 4. “Accounts receivable” and Note IX. 7. “Other receivables”, the Group has no other significant credit concentration risks.

The Group’s cash and cash equivalents is mainly the bank deposits deposited with the state-owned banks with a good reputation and a high credit rating and other large and medium-sized listed banks, and the Group does not consider that it has significant credit risks, and there will be few serious losses resulting from any bank defaults.

As part of the Group’s credit risk management, the Group uses the aging of accounts receivable to assess losses on the impairment of receivables arising from the business. This type of business involves a large number of small customers which have the same risk characteristics. The aging information can reflect the solvency of these customers when the receivables fall due. As at 30 June 2020, the credit risk and expected credit losses for the accounts receivable and contract assets of this type of business are as follows:

Items	Expected average loss rate (%)	Carrying amount	Impairment provision
Within 1 year (including 1 year)	0.81%	11,342,745,601.78	91,804,234.92
1 to 2 years (including 2 years)	44.46%	161,984,182.61	72,019,441.91
2 to 3 years (including 3 years)	83.62%	64,522,094.66	53,952,668.54
Over 3 years	100.00%	178,373,130.18	178,373,130.18
<b>Total</b>	—	11,747,625,009.23	396,149,475.55

The above expected average loss rate is based on the historical actual credit loss ratio and takes into account current and future economic forecasts. During the period from 1 January 2020 to 30 June 2020, other than to consider the impact associated with the COVID-19 epidemic, the Group’s assessment method and major assumptions did not change.

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (2) Credit risk (continued)

As at 30 June 2020, the maximum amount of financial guarantee provided by the Group was RMB123,144,043.49, and the details of the financial guarantee contract are set out in Note X. 4. (5) "Related guarantees". On 30 June 2020, the Group's management assessed the overdue borrowings under the guarantee, the financial position of the borrower concerned and the economic situation of the debtor's industry and concluded that since the initial recognition of such financial guarantee contract, there was no significant increase in relevant credit risk. As a result, the Group has no division into the financial guarantee contract that is required to measure loss provisions on the basis of the amount of the expected credit loss over the entire life, and measures its impairment provision on the basis of the amount equivalent to the expected credit loss of the above financial guarantee contract within the next 12 months. During the period from 1 January 2020 to 30 June 2020, other than to consider the impact associated with the COVID-19 epidemic, the Group's assessment method and major assumptions did not change.

#### (3) Liquidity risk

In managing the liquidity risk, the Group's management believes that sufficient cash and cash equivalents should be maintained and monitored to meet the Group's business needs and to reduce the impact of cash flow fluctuations. The Group's management monitors the use of bank loans and ensures compliance with loan agreements.

At the end of the period, the amount of bank loans that have not been used by the Group was RMB17.767 billion (31 December 2019: RMB17.347 billion).

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Risk Management Objectives and Policies (continued)

#### (3) Liquidity risk (continued)

According to the maturity date of undiscounted contract cash flows, the financial assets and liabilities held by the Group are analysed as follows:

Items	Carrying amount	Within 1 year	1 to 5 years	Over 5 years	Total
<b>1. Non-derivative financial assets and liabilities</b>					
Cash and bank balances	9,584,505,103.71	9,584,505,103.71	-	-	9,584,505,103.71
Held-for-trading financial assets	142,038.83	142,038.83	-	-	142,038.83
Bills receivable	10,559,111.09	10,559,111.09	-	-	10,559,111.09
Accounts receivable	11,536,561,808.33	11,536,561,808.33	-	-	11,536,561,808.33
Receivables financing	611,782,370.73	611,782,370.73	-	-	611,782,370.73
Other receivables	1,574,839,729.65	1,574,839,729.65	-	-	1,574,839,729.65
Other current assets	581,828,237.38	581,828,237.38	-	-	581,828,237.38
Other equity instrument investments	238,090,186.17	-	-	238,090,186.17	238,090,186.17
Other non-current financial assets	720,221,791.93	-	-	720,221,791.93	720,221,791.93
Long-term receivables	70,070,000.00	-	71,306,506.94	7,139,250.00	78,445,756.94
Short-term borrowings	2,125,987,979.17	2,144,873,929.85	-	-	2,144,873,929.85
Long-term borrowings	2,809,378,411.44	108,739,057.73	1,969,376,026.84	1,271,148,313.36	3,349,263,397.93
Accounts payable	9,547,286,216.70	9,547,286,216.70	-	-	9,547,286,216.70
Other payables	2,415,771,477.59	2,415,771,477.59	-	-	2,415,771,477.59
Non-current liabilities due within 1 year	7,218,000,641.70	7,397,773,893.86	-	-	7,397,773,893.86
Other current liabilities	184,224,950.88	184,224,950.88	-	-	184,224,950.88
Bonds payable	1,349,483,424.67	55,500,000.00	1,508,210,958.90	-	1,563,710,958.90
Lease liabilities	1,755,115,255.85	-	1,011,597,448.40	1,295,064,437.27	2,306,661,885.67
Long-term payables	187,457,752.59	9,255,203.81	195,742,905.75	32,202,460.53	227,945,366.28



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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Fair Value

The following table presents the fair value information and the level of the measurement at fair value at the end of the reporting period for the Group's assets and liabilities measured at fair value on a continuous and non-continuous basis at each balance sheet date. The level within which the results of the measurements at fair value fall depends on the lowest level of inputs that are significant to the measurement at fair value as a whole. The three levels of inputs are defined as follows.

Level I input value: the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level II input value: the direct or indirect observable input value of related assets or liabilities other than the Level I input value;

Level III input value: the unobservable input value of related assets or liabilities.

#### (1) Assets measured at fair value on a continuous basis

Items	Fair value at the end of the period			Total
	Level I measurement at fair value	Level II measurement at fair value	Level III measurement at fair value	
<b>I. Continuous measurement at fair value</b>	—	—	—	—
(I) Held-for-trading financial assets	42,038.83	—	100,000.00	142,038.83
1. Financial assets at fair value through profit or loss	42,038.83	—	100,000.00	142,038.83
2. Financial assets designated to be measured at fair value through profit or loss	—	—	—	—
(II) Receivables financing	—	611,782,370.73	—	611,782,370.73
(III) Other equity instrument investments	238,090,186.17	—	—	238,090,186.17
(IV) Other non-current financial assets	—	—	720,221,791.93	720,221,791.93
<b>Total assets measured at fair value on a continuous basis</b>	<b>238,132,225.00</b>	<b>611,782,370.73</b>	<b>720,321,791.93</b>	<b>1,570,236,387.66</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Fair Value (continued)

**(2) Determination of market price of continuous and non-continuous items of level I measurement at fair value**

The Group's financial instruments included in Level I measurement at fair value are shares held in listed companies, both domestic and foreign, and the fair value is determined using the closing price of the open market on the last trading day of the date of the statement of financial position.

**(3) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level II measurement at fair value**

The Group's financial instruments included in Level II measurement at fair value are bank acceptance bills held at fair value through other comprehensive income (receivables financing). The accepting banks for the bank acceptance bills held by the Group are mainly large commercial banks with high credit ratings, with maturities of less than 6 months and minimal credit risk. At the date of the statement of financial position, the carrying value of the bank acceptance bills receivable approximates its fair value.

**(4) Qualitative and quantitative information on the valuation techniques and significant parameters used for continuous and non-continuous items of level III measurement at fair value**

The Group's financial instruments included in Level III measurement at fair value are primarily unlisted equity investments held by the Company and its subsidiaries. The Company and its subsidiaries use valuation techniques to determine the fair value of significant unlisted equity investments. The valuation model used is a market multiplier approach, and the input values to the valuation technique consist primarily of PE multiples of comparable listed companies, PB multiples and the lack of market liquidity discount parameters. The primary unobservable input value used is the lack of market liquidity discount. The higher the lack of a market liquidity discount, the lower the fair value.

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### Notes to the Financial Statements

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## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Fair Value (continued)

#### (5) Reconciliation information between opening and closing carrying amount and sensitivity analysis of unobservable parameters for continuous items of level III measurement at fair value

Reconciliation information between opening and closing carrying amount:

Items	Opening balance	Transfer to Level III	Transfer from Level III	Total current gains or losses		Purchase, issuance, sale and settlement				Effect of foreign currency financial statement translation	Closing balance	Unrealized gains or losses for the period through profit or loss on assets held at the end of the reporting period
				In profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement			
Held-for-trading financial assets	100,000.00	-	-	-	-	-	-	-	-	-	100,000.00	-
Financial assets at fair value through profit or loss	100,000.00	-	-	-	-	-	-	-	-	-	100,000.00	-
—Investments in equity instruments	100,000.00	-	-	-	-	-	-	-	-	-	100,000.00	-
Other non-current financial assets	692,424,249.35	-	-	216,853.09	-	-	-	-	-	27,797,542.57	720,221,791.92	-
Financial assets at fair value through profit or loss	692,424,249.35	-	-	216,853.09	-	-	-	-	-	27,797,542.57	720,221,791.92	-
—Investments in equity instruments	692,424,249.35	-	-	216,853.09	-	-	-	-	-	27,797,542.57	720,221,791.92	-
<b>Total</b>	<b>692,524,249.35</b>	<b>-</b>	<b>-</b>	<b>216,853.09</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,797,542.57</b>	<b>720,321,791.92</b>	<b>-</b>

Note: The amount recognised in profit or loss in the total amount of current gains and losses includes dividends of RMB216,853.09 acquired during the period other non-current financial assets were held.

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For the six months ended 30 June 2020  
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### XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 2. Fair Value (continued)

- (5) **Reconciliation information between opening and closing carrying amount and sensitivity analysis of unobservable parameters for continuous items of level III measurement at fair value (continued)**

Sensitivity analysis of unobservable inputs:

Indicator changes	Current period	
	Effects on total profit	Pre-tax effects on shareholders' equity
Lack of market liquidity discount increased by 5%	-36,016,089.60	-36,016,089.60
Lack of market liquidity discount decreased by 5%	36,016,089.60	36,016,089.60

- (6) **Reasons for conversion and policy for determining the point of conversion for items that are continuously measured at fair value and that are converted between levels during the period**

The Group's continuous fair value measurement items were not converted between levels during the period.

- (7) **Changes in valuation techniques that occurred during the period and their reasons**

There were no changes in valuation techniques during the period for the Group.

- (8) **Fair value of financial assets and financial liabilities that are not measured at fair value**

According to the Group's Management, the carrying value of financial assets and financial liabilities measured at amortised cost in the financial statements as at 30 June 2020 approximates their fair value.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 3. Capital Management

The Group's capital management objectives are to safeguard the Group's continuing operations in order to provide returns to shareholders and other equity holders while maintaining an optimal capital structure to reduce the cost of capital. The Group manages capital using a leverage ratio, which is defined as the ratio of net liabilities and adjusted capital plus net liabilities. There have been no changes to the Group's capital management objectives, policies or procedures for 2020 and 2019. The Group's leverage ratios at the date of the statement of financial position were as follows:

Items	30 June 2020	31 December 2019
Short-term borrowings	<b>2,125,987,979.17</b>	1,202,384,395.00
Non-current liabilities due within one year	<b>7,218,000,641.70</b>	3,268,689,764.93
long-term borrowings	<b>2,809,378,411.44</b>	5,026,139,244.02
Bonds payable	<b>1,349,483,424.67</b>	3,419,486,443.79
Long-term payables	<b>187,457,752.59</b>	197,265,698.20
Lease liabilities	<b>1,755,115,255.85</b>	1,519,924,346.73
Less: cash and cash equivalents	<b>9,498,881,722.49</b>	10,387,299,779.72
Net liability	<b>5,946,541,742.93</b>	4,246,590,112.95
Shareholders' equity	<b>30,626,557,534.31</b>	30,251,479,217.45
Shareholders' equity and net liabilities	<b>36,573,099,277.24</b>	34,498,069,330.40
<b>Leverage ratio</b>	<b>16%</b>	12%

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XII. CONTINGENCIES

### (1) As at 30 June 2020, the Group's financial guarantees were as follows:

Items	Closing balance	Opening balance
Total external guarantees:	—	—
– Loan guarantee for fellow subsidiaries	<b>5,346,472,209.99</b>	5,218,799,782.72
– Loan guarantee for joint ventures	<b>24,959,144.39</b>	31,320,737.22
– Loan guarantee for associates	<b>98,184,899.10</b>	98,340,000.00
<b>Total</b>	<b>5,469,616,253.48</b>	5,348,460,519.94

### (2) As of 30 June 2020, the Group's significant pending litigation and arbitration were as follows.

Concerned Parties	Litigation/deputy content	Amounts involved (RMB10,000)	Recognised expected liabilities (RMB10,000)	Litigation/ deputy status
Shanghai Oriental Pearl Import & Export Co., Ltd.	The Group purchased drugs from the company and sold the same to third parties during 2018 and 2019. Third parties did not make payment to drug purchaser due to their default on payment.	12,058.15	–	First trial
Taizhou Medical City Huaying Trading Co., Ltd.	The Group purchased drugs from the company and sold the same to third parties in 2016. Third parties did not make payment to drug purchaser due to their default on payment.	8,666.12	–	Second trial
Tianjin Keerun Investment Co., Ltd.	The Group provided warehousing and storage services to the other party in 2011, and a dispute arose when it was unable to hand over the goods to the other party permitted by the other party due to the seizure of the storage space for the goods by the court.	8,180.00	8,262.19	First trial
Shanxi Coke Group International Trade Co., Ltd.	In 2013, the Group provided import customs declaration and inspection agency services to the other party and a third party, but the other party failed to release the goods according to the agreement and a dispute arose with the third party, involving the Group.	3,459.06	–	Retrial
Beijing Zhonghe Pawn Co., Ltd.	In 2011, the other party announced that it had entered into a logistics supervision agreement with the Group, and the Group was involved in a dispute between the other party and a third party.	2,500.00	–	First trial
Fuzhou Free Trade Port Zone Development and Construction Co., Ltd.	In 2008, the Group acquired a land use right from the other party by agreement, but the other party had a dispute with the Group on the grounds that the land was idle because the construction work had not commenced in accordance with the agreed period.	2,011.38	–	First trial
Xiamen Xindeco Co., Ltd.	The Group provided warehousing and storage services to the other party in 2019, and a dispute arose when it was unable to hand over the goods to the other party due to the seizure of the storage space for the goods by the court.	1,991.53	–	First trial

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## XII. CONTINGENCIES (CONTINUED)

(2) As of 30 June 2020, the Group's significant pending litigation and arbitration were as follows. (continued)

Concerned Parties	Litigation/deputy content	Amounts involved (RMB10,000)	Recognised expected liabilities (RMB10,000)	Litigation/ deputy status
China Energy Engineering Group Tianjin Electric Power Construction Co., Ltd.	The Group provided logistics services to the other party in 2016 and a dispute arose due to a loss of goods in the course of the services.	1,838.00	735.00	Arbitration in progress
Dongguan Pacific Ocean Bogao Lube Co., Ltd.	The Group provided storage services to the other party in 2018, and a dispute arose between the Group and the other party over the amount of compensation for the damage to the goods due to a fire in the warehouse.	1,514.39	-	First trial
Industrial and Commercial Bank of China Anyang Meiyuanzhuang Sub-branch	The Group provided pledge supervision services to the other party in 2011 and had a dispute with the other party due to improper supervision.	1,384.83	1,384.83	Ruling of withdrawal
Jiangxi Xinhua Logistics Co., Ltd.	The Group received logistics services from the other party in 2016 and had a dispute with the other party over unpaid logistics services payment.	1,318.21	1,318.21	Second trial
Yuyao Fenghui Building Decoration Engineering Department	In 2014, the Group leased a property to a lessee and was involved in a dispute between a third party and the lessee regarding the construction costs of the leased property.	1,220.82	-	First trial

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### XII. CONTINGENCIES (CONTINUED)

(3) As at 30 June 2020, the Group had no contingent liabilities arising from other events.

See Note XIII for details of the Group's capital expenditure commitments.

(4) As at 30 June 2020, the Group had no contingent assets arising from contingencies.

### XIII. CAPITAL COMMITMENTS

Items	Closing balance	Opening balance
Capital expenditures contracted but not recognised in the financial statements	—	—
– Purchase and construction of assets	<b>950,467,496.88</b>	1,422,293,185.96
– Port investment projects	<b>102,238,597.84</b>	261,388,045.54
– Investments in associates, joint ventures and other invested entities	<b>57,672,762.90</b>	56,831,235.05
<b>Total</b>	<b>1,110,378,857.62</b>	1,740,512,466.55

Note: On 1 February 2018, according to the National Development and Reform Commission's approval on the approval of China Merchants Logistics Group Co., Ltd. to jointly establish the China-Belarus Industrial Investment Fund Project (Fa Gai Wai Zi No.214 [2018]), the China-Belarus Industrial Investment fund was established in the Cayman Islands and adopted a limited partnership. The Group's subsidiary, Sintrans Logistics Group Co., Ltd. is a limited partner and has agreed to contribute USD15 million. As of 30 June 2020, it has invested USD6.8535 million, and the amount committed but not funded is approximately RMB57,672,762.90.

### XIV. NON-ADJUSTMENTS IN THE EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Group had no major non-adjustments after the date of the statement of financial position to disclose during the period.

### XV. EXCHANGE OF NON-MONETARY ASSETS

The Group had no exchange of non-monetary assets during the period.

### XVI. DEBT RESTRUCTURING

The Group had no debt restructuring during the period.



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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Cash and Bank Balances

Items	Closing balance			Opening balance		
	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB
<b>Cash on hand</b>	—	—	<b>146,996.42</b>	—	—	146,977.29
Including: RMB	<b>86,202.96</b>	<b>1.0000</b>	<b>86,202.96</b>	86,202.96	1.0000	86,202.96
USD	<b>6,343.74</b>	<b>7.0795</b>	<b>44,910.51</b>	6,347.01	6.9726	44,255.19
Others	-	-	<b>15,882.95</b>	-	-	16,519.14
<b>Cash in bank</b>	—	—	<b>3,124,468,346.33</b>	—	—	4,072,817,027.79
Including: RMB	<b>2,547,326,551.34</b>	<b>1.0000</b>	<b>2,547,326,551.34</b>	3,849,788,308.08	1.0000	3,849,788,308.08
USD	<b>81,468,161.61</b>	<b>7.0795</b>	<b>576,753,850.10</b>	31,929,055.84	6.9726	222,628,534.73
Others	-	-	<b>387,944.89</b>	-	-	400,184.98
<b>Other cash and bank balances</b>	—	—	<b>19,056,708.89</b>	—	—	253,975.55
Including: RMB	<b>19,056,708.89</b>	<b>1.0000</b>	<b>19,056,708.89</b>	253,975.55	1.0000	253,975.55
<b>Total</b>	—	—	<b>3,143,672,051.64</b>	—	—	4,073,217,980.63
Including: total amount deposited abroad	—	—	<b>55,681.53</b>	—	—	54,875.13

#### (1) Restricted use of cash and cash equivalents at the end of the period

Items	Closing balance	Reasons for restricted use	
		Opening balance	
Credit card deposits	<b>134,797.50</b>	134,797.50	Credit card deposits
Security margin	<b>106,670.94</b>		– Security margin
Interest receivable	<b>18,815,240.45</b>	119,178.05	Interest receivable
<b>Total</b>	<b>19,056,708.89</b>	253,975.55	—

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Bills Receivable

(1) Classification of bills receivable

Type	Closing balance	Opening balance
Commercial acceptance bills	397,802.00	2,397,802.00
<b>Total</b>	<b>397,802.00</b>	2,397,802.00

- (2) The Company has no bills receivable pledged at the end of the period.
- (3) As at 30 June 2020, the Company has no bills receivables which were endorsed or discounted at the end of the period and yet undue at the date of the statement of financial position.
- (4) As at 30 June 2020, the Company did not convert the bills into accounts receivable due to the inability of the drawer to perform obligation (31 December 2019: Nil).
- (5) As at 30 June 2020 and 31 December 2019, the Group considers that there are no significant credit risk in the commercial acceptance bills it and would not cause significant losses due to default (it is expected that bills receivable can be fully recovered), thus no credit loss provision has been made.
- (6) There were no bills receivable from shareholders holding more than 5% (including 5%) of the voting shares of the Company in the balance above.
- (7) The aging of the bills receivable above is less than 360 days.

#### 3. Accounts Receivable

(1) Overall status of accounts receivable

Items	Closing balance	Opening balance
Accounts receivable	632,632,778.84	988,181,425.04
Less: Credit loss provision	56,775,933.21	64,261,468.67
<b>Total</b>	<b>575,856,845.63</b>	923,919,956.37

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

#### XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Accounts Receivable (continued)

#### (2) Classification of accounts receivable

Items	Original value			Credit loss provision			Total	Net value	Original currency	Accrual reason	Closing balance of original value
	Aging			Aging							
	Within 180 days	1 to 2 years	2 to 3 years	Within 180 days	1 to 2 years	2 to 3 years					
Low-risk portfolio	54,538,357.89	20,636,465.91	1,597,161.96	2,042,701.25	1,082,701.87	79,957,388.88	79,957,388.88	RMB	—	79,957,388.88	
Normal risk portfolio	287,442,261.78	182,971,553.05	54,385,250.13	7,125,866.10	20,750,458.90	552,675,389.96	485,899,456.75	RMB, USD	Expected credit loss model	552,675,389.96	
Including: Aging portfolio	287,442,261.78	182,971,553.05	54,385,250.13	7,125,866.10	20,750,458.90	552,675,389.96	485,899,456.75	RMB, USD	Expected credit loss model	552,675,389.96	
Portfolio of nature of payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	341,980,619.67	203,608,018.96	55,982,412.09	9,168,567.35	21,833,160.77	632,632,778.84	575,856,846.63	—	—	632,632,778.84	

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Accounts Receivable (continued)

#### (3) Overall aging of accounts receivable

Items	Closing balance			Opening balance		
	Carrying amount	Proportion (%)	Credit loss provision	Carrying amount	Proportion (%)	Credit loss provision
Within 1 year (including 1 year)	545,648,638.63	86.25	3,052,164.53	899,178,166.37	90.99	7,063,114.33
1 to 2 years (including 2 years)	55,982,412.09	8.85	26,184,624.66	46,034,707.72	4.66	18,288,155.46
2 to 3 years (including 3 years)	9,168,567.35	1.45	6,788,685.12	9,704,396.45	0.98	7,929,531.72
Over 3 years	21,833,160.77	3.45	20,750,458.90	33,264,154.50	3.37	30,980,667.16
<b>Total</b>	<b>632,632,778.84</b>	<b>100.00</b>	<b>56,775,933.21</b>	<b>988,181,425.04</b>	<b>100.00</b>	<b>64,261,468.67</b>

#### (4) Accounts receivable of low-risk portfolio

Items	Carrying amount	Expected credit loss rate over the entire life	Credit loss provision
Accounts receivables from related parties	79,957,388.88	0.00%	–
<b>Total</b>	<b>79,957,388.88</b>	<b>0.00%</b>	<b>–</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## VII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Accounts Receivable (continued)

#### (5) Accounts receivable of normal risk portfolio

##### 1) Expected credit loss matrix based on aging

Items	Carrying amount	Expected credit loss rate over the entire life	Credit loss provision
Within 1 year (including 1 year)	470,413,814.83	0.65%	3,052,164.53
1 to 2 years (including 2 years)	54,385,250.13	48.15%	26,184,624.66
2 to 3 years (including 3 years)	7,125,866.10	95.27%	6,788,685.12
Over 3 years	20,750,458.90	100.00%	20,750,458.90
<b>Total</b>	<b>552,675,389.96</b>	<b>—</b>	<b>56,775,933.21</b>

- 2) The Company had no individual instances of non-significant items assessed for expected credit losses for impairment risk during the period.

#### (6) Changes in the credit loss provision for accounts receivable during the period

Items	Opening balance	Accrual	Changes in current period			Closing balance
			Recovery or reversal	Carry forward or write-off	Other changes	
Current period	64,261,468.67	-7,477,864.23	-	-	-7,671.23	<b>56,775,933.21</b>
Prior period	72,836,730.09	-435,405.24	4,384,781.86	-	-	<b>68,016,542.99</b>

- (7) There were no credit loss provision reversed or recovered during the period.
- (8) The Company had no accounts receivable actually written off during the period.
- (9) As at 30 June 2020, the Company had no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company at the end of the period.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Accounts Receivable (continued)

#### (10) Receivables from related parties

Entity name	Relationship with the Group	Amount	Proportion of total accounts receivable (%)
Central South China International Land Port Co., Ltd.	Subsidiary	27,883,375.37	4.41
Longyan Sinotrans Logistics Co., Ltd.	Subsidiary	16,286,584.37	2.57
Shenyang Branch Sinotrans Northeast Co., Ltd.	Subsidiary	9,247,167.98	1.46
Sinotrans North China Co., Ltd.	Subsidiary	7,202,139.47	1.14
Sinotrans Middle East Co., Ltd.	Subsidiary	7,021,820.51	1.11
Sinotrans International Trade Co., Ltd.	Subsidiary	3,346,921.82	0.53
Sinotrans South China Co., Ltd. Dongguan Branch	Subsidiary	2,298,496.27	0.36
Sinotrans Gansu Co., Ltd.	Subsidiary	1,580,803.40	0.25
Sinotrans Angola Co., Ltd.	Subsidiary	1,182,073.51	0.19
Sinotrans Heavy-lift Logistics Co., Ltd. Rugao Branch	Subsidiary	1,070,000.00	0.17
Others	Subsidiary	2,838,006.18	0.45
Total	—	79,957,388.88	12.64

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Accounts Receivable (continued)

#### (11) Entities with the top five accounts receivable

Entity name	Relationship with the Company	Amount	Aging	Credit loss provision	Proportion of total accounts receivable (%)
China National Chemical Engineering Co., Ltd.	Non-related party	47,159,858.97	Within 1 year, 1 to 2 years	239,143.67	7.45
China International Technical Import & Export Corporation	Non-related party	28,814,413.78	Within 1 year	174,730.05	4.55
Central South China International Land Port Co., Ltd.	Subsidiary	27,883,375.37	Within 1 year	—	4.41
State Grid International Engineering Co., Ltd.	Non-related party	24,615,093.45	Within 1 year	46,812.99	3.89
HENGYIINDUSTRIESDN.BHD.	Non-related party	20,542,997.67	Within 1 year, 1 to 2 years	1,589,052.31	3.25
Total	—	149,015,739.24	—	2,049,739.02	23.55

(12) As at 30 June 2020, the Company had no accounts receivable derecognised due to transfer of financial assets.

### 4. Receivables Financing

#### (1) Classification of receivables financing

Type	Closing balance	Opening balance
Bank acceptance bills	24,956,140.30	31,467,958.31
Total	24,956,140.30	31,467,958.31

(2) At the end of the period, the Company has no bank acceptance bills that have not been accepted due to defective endorsement.

## Chapter 10 Notes to the Financial Statements

For the six months ended 30 June 2020  
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### XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 4. Receivables Financing (continued)

(3) The Company has no pledged bills receivable at the end of the period.

(4) **Bills receivable that have been endorsed or discounted at the end of the period but yet undue on the date of the statement of financial position**

Type	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance bills	24,353,050.40	–
Total	24,353,050.40	–

(5) As at 30 June 2020, the Company has no bills converted to accounts receivable due to non-performance by the drawer (31 December 2019: Nil).

(6) There was no credit loss provision, as the Company don't think that the bank acceptance bills held by the Company will be subject to significant credit risk and material losses due to the defaults from bank (the amount of expected bills receivable can be collected in full), as at 30 June 2020 and 31 December 2019.

(7) The balances stated above had no bills receivable from shareholders holding more than 5% (including 5%) of the voting shares of the Company.

(8) The aging of the bills receivable as mentioned above is less than 360 days.

#### 5. Other Receivables

Items	Closing balance	Opening balance
Interest receivable	–	–
Dividends receivable	55,399,600.47	90,850,271.49
Other receivables	9,730,373,367.43	9,633,449,885.96
Total	9,785,772,967.90	9,724,300,157.45



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### Notes to the Financial Statements

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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 5. Other Receivables (continued)

#### (1) Dividends receivable

Invested entities	Opening balance	Increase due to changes in the scope of consolidation	Increase in current period	Decrease in current period	Translation difference in foreign currency statements	Closing balance	Reason for non-recovery	Whether an impairment occurs and its judgment basis
<b>Dividends receivable with the aging of less than 1 year</b>	-	-	2,068,008,581.00	2,057,620,091.44	-	10,388,489.56	—	—
Shanghai Tongyun International Logistics Co., Ltd.	-	-	408,163.27	408,163.27	-	-	—	—
New Land Bridge (Lianyungang) Terminal Co., Ltd.	-	-	130,370.03	130,370.03	-	-	—	No
Sinotrans Heavy-lift Logistics Co., Ltd.	-	-	4,789,265.22	4,789,265.22	-	-	—	No
China Marine Shipping Agency Co., Ltd.	-	-	15,000,000.00	15,000,000.00	-	-	—	No
Sinotrans Japan Co., Ltd.	-	-	10,388,489.56	-	-	10,388,489.56	Announced but not issued yet	No
Sinotrans Logistics Co., Ltd.	-	-	76,400,721.85	76,400,721.85	-	-	—	No
Sinotrans Air Transportation Development Co., Ltd.	-	-	1,100,148,265.96	1,100,148,265.96	-	-	—	No
Sinotrans Eastern Company Limited	-	-	199,890,293.06	199,890,293.06	-	-	—	No
Sinotrans Changjiang Co., Ltd.	-	-	130,299,764.48	130,299,764.48	-	-	—	No
Sinotrans Hubei Company Limited	-	-	2,902,110.91	2,902,110.91	-	-	—	No
Sinotrans Fujian Co., Ltd.	-	-	40,321,396.67	40,321,396.67	-	-	—	No
Sinotrans South China Co., Ltd.	-	-	195,927,485.16	195,927,485.16	-	-	—	No
Sinotrans Central China Co., Ltd.	-	-	274,867,673.89	274,867,673.89	-	-	—	No
Sinotrans Northeast Co., Ltd.	-	-	6,777,370.34	6,777,370.34	-	-	—	No
Sinotrans Chongqing Co., Ltd.	-	-	9,757,210.60	9,757,210.60	-	-	—	No
<b>Dividends receivable with the aging over 1 year</b>	90,850,271.49	-	-	45,839,160.58	-	45,011,110.91	—	—
Sinotrans North China Co., Ltd.	45,839,160.58	-	-	45,839,160.58	-	-	—	—
Sinotrans Eastern Company Limited	10,904,887.09	-	-	-	-	10,904,887.09	Support for subsidiary development	No
Sinotrans Anhui Co., Ltd.	8,067,261.02	-	-	-	-	8,067,261.02	Support for subsidiary development	No
Trade Sky International Limited	3,241,600.00	-	-	-	-	3,241,600.00	Support for subsidiary development	No
CIETC International Transportation Co., Ltd.	2,797,362.80	-	-	-	-	2,797,362.80	Payment approval process not completed	No
China United Tally Co., Ltd.	20,000,000.00	-	-	-	-	20,000,000.00	Note 1	No
<b>Total</b>	<b>90,850,271.49</b>	<b>-</b>	<b>2,068,008,581.00</b>	<b>2,103,459,252.02</b>	<b>-</b>	<b>55,399,600.47</b>	<b>—</b>	<b>—</b>

Note 1: See note IX. 7.(2) note 2 for details of the issuance of dividends by China United Tally.

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 5. Other Receivables (continued)

#### (2) Other receivables

##### 1) Analysis by nature

Portfolio of nature of payments	Closing balance	Opening balance
Related party transactions	<b>9,521,494,377.53</b>	9,412,934,127.80
Transactions between partners	<b>84,491,005.24</b>	54,131,877.50
Land and other deposits	<b>12,423,076.54</b>	17,613,268.64
Other transactions	<b>111,964,908.12</b>	148,770,612.02
Subtotal	<b>9,730,373,367.43</b>	9,633,449,885.96
Less: Credit loss provision	-	-
Total	<b>9,730,373,367.43</b>	9,633,449,885.96

##### 2) Analysis by aging

Items	Closing balance			Opening balance		
	Carrying amount	Proportion (%)	Credit loss provision	Carrying amount	Proportion (%)	Credit loss provision
Within 1 year (including 1 year)	<b>6,224,139,178.68</b>	<b>63.97</b>	-	6,026,180,127.85	62.55	-
1 to 2 years (including 2 years)	<b>42,467,609.56</b>	<b>0.44</b>	-	115,498,366.23	1.20	-
2 to 3 years (including 3 years)	<b>99,198,366.23</b>	<b>1.02</b>	-	141,416,177.54	1.47	-
Over 3 years	<b>3,364,568,212.96</b>	<b>34.57</b>	-	3,350,355,214.34	34.78	-
Total	<b>9,730,373,367.43</b>	<b>100.00</b>	-	9,633,449,885.96	100.00	-

**3)** The Company had no credit loss provisions accrued, recovered or reversed during the period.

**4)** The Company had no other receivables actually written off during the reporting period.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 5. Other Receivables (continued)

#### (2) Other receivables (continued)

##### 5) Outstanding debts of shareholders holding more than 5% (inclusive) of the voting shares of the Company

Entity name	Closing balance		Opening balance	
	Amount owed	Amount of credit loss provision	Amount owed	Amount of credit loss provision
Sinotrans & CSC	7,444,913.17	—	26,984,913.17	—
Total	7,444,913.17	—	26,984,913.17	—

##### 6) Other receivables with the top five closing balances pooled by debtor

Entity name	Relationship with the Company	Amount	Aging	Proportion to total other receivables (%)	Credit loss provision	Nature or content
Sinotrans Logistics Co., Ltd.	Subsidiary	4,513,665,995.93	Within 1 year	46.39	—	Related party transactions
Sinotrans South China Co., Ltd.	Subsidiary	1,713,665,159.81	Within 1 year, Over 3 years	17.61	—	Related party transactions
Sinotrans (HK) Logistics Limited	Subsidiary	1,707,763,899.82	Within 1 year, 1 to 2 years, Over 3 years	17.55	—	Related party transactions
Sinotrans Eastern Company Limited	Subsidiary	500,354,942.43	Within 1 year, Over 3 years	5.14	—	Related party transactions
Sinotrans Central China Co., Ltd.	Subsidiary	460,280,783.28	Within 1 year, Over 3 years	4.73	—	Related party transactions
Total	—	8,895,730,781.27	—	91.42	—	—

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 5. Other Receivables (continued)

#### (2) Other receivables (continued)

##### 7) Receivables from related parties

Entity name	Relationship with the Company	Amount	Proportion to total other receivables (%)
Sinotrans Logistics Co., Ltd.	Subsidiary	4,513,665,995.93	46.39
Sinotrans South China Co., Ltd.	Subsidiary	1,713,665,159.81	17.61
Sinotrans (HK) Logistics Limited	Subsidiary	1,707,763,899.82	17.55
Sinotrans Eastern Company Limited	Subsidiary	500,354,942.43	5.14
Sinotrans Central China Co., Ltd.	Subsidiary	460,280,783.28	4.73
Sinotrans Changjiang Co., Ltd.	Subsidiary	213,331,125.19	2.19
Sinotrans Fujian Co., Ltd.	Subsidiary	184,521,824.85	1.90
Sinotrans Chongqing Co., Ltd	Subsidiary	84,224,500.00	0.87
Sinotrans Heavy-lift Logistics Co., Ltd.	Subsidiary	81,188,414.93	0.83
Others	—	62,497,731.29	0.64
<b>Total</b>	—	<b>9,521,494,377.53</b>	<b>97.85</b>

**8)** At 30 June 2020, the Company had no other receivables transferred from financial assets to derecognition.

**9)** At 30 June 2020, the Company had no other receivables to transfer, such as securitization and factoring of other receivables as the subject matter, and continues to be involved in the formation of assets and liabilities.

**10)** At June 30 2020, the Company had no prepayments transferred to other receivables.

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 6. Long-Term Receivables

Items	Closing balance			Opening balance			Discount rate range at the end of the period
	Carrying amount	Credit loss provision	Carrying value	Carrying amount	Credit loss provision	Carrying value	
Related party loan	1,637,288,242.96	-	1,637,288,242.96	1,395,344,773.34	-	1,395,344,773.34	1.2%, 12.5%
Total	1,637,288,242.96	-	1,637,288,242.96	1,395,344,773.34	-	1,395,344,773.34	—

### 7. Long-Term Equity Investments

#### (1) Classification of long-term equity investment

Items	Opening balance	Increase in current period	Decrease in current period	Other increases (decreases)	Effects of changes in the scope of consolidation	Effects from translation in foreign currency statements	Closing balance
Investment in subsidiary	17,533,006,382.49	90,929,753.74	-	-	-	-	17,623,936,136.23
Investment in joint venture	420,206,520.63	19,078,972.26	408,163.27	-	-	-	438,877,329.62
Investment in associate	282,640,543.33	17,325,527.86	-	-	-	-	299,966,071.19
Subtotal	18,235,853,446.45	127,334,253.86	408,163.27	-	-	-	18,362,779,537.04
Less: impairment provision of long-term equity investments	-	-	-	-	-	-	-
Total	18,235,853,446.45	127,334,253.86	408,163.27	-	-	-	18,362,779,537.04

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 7. Long-Term Equity Investments (continued)

#### (2) Details of long-term equity investments

##### 1) Investment in subsidiary

Invested entities	Opening balance	Increase in current period	Decrease in current period	Closing balance	Impairment provision	Closing balance of impairment provision
Sinotrans Logistics Co., Ltd.	3,749,751,354.67	-	-	<b>3,749,751,354.67</b>	-	-
Sinotrans South China Co., Ltd.	1,272,219,038.71	-	-	<b>1,272,219,038.71</b>	-	-
Sinotrans Air Transportation Development Co., Ltd.	8,297,884,810.19	-	-	<b>8,297,884,810.19</b>	-	-
Sinotrans Eastern Company Limited	1,079,345,218.38	-	-	<b>1,079,345,218.38</b>	-	-
Sinotrans Changjiang Co., Ltd.	791,516,900.00	-	-	<b>791,516,900.00</b>	-	-
Sinotrans Central China Co., Ltd.	629,117,947.59	-	-	<b>629,117,947.59</b>	-	-
Wide Shine Development Limited	430,372,292.05	-	-	<b>430,372,292.05</b>	-	-
Trade Sky International Limited	341,057,315.76	-	-	<b>341,057,315.76</b>	-	-
Sinotrans Fujian Co., Ltd.	200,932,169.33	-	-	<b>200,932,169.33</b>	-	-
Sinotrans North China Co., Ltd.	134,456,656.87	-	-	<b>134,456,656.87</b>	-	-
Sinotrans Heavy-lift Logistics Co., Ltd.	134,428,500.00	-	-	<b>134,428,500.00</b>	-	-
Sinotrans Hubei Company Limited	121,144,778.00	-	-	<b>121,144,778.00</b>	-	-
Sinotrans Innovative Technology Co., Ltd.	100,000,000.00	-	-	<b>100,000,000.00</b>	-	-
Sinotrans Logistics Investment Co., Ltd.	97,238,088.71	-	-	<b>97,238,088.71</b>	-	-
Sinotrans Northeast Co., Ltd.	44,070,246.26	90,929,753.74	-	<b>135,000,000.00</b>	-	-
Shandong Sinotrans Asia Europe Internet of things Operation Co., Ltd.	30,600,000.00	-	-	<b>30,600,000.00</b>	-	-
Others	78,871,065.97	-	-	<b>78,871,065.97</b>	-	-
<b>Total</b>	<b>17,533,006,382.49</b>	<b>90,929,753.74</b>	<b>-</b>	<b>17,623,936,136.23</b>	<b>-</b>	<b>-</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

#### XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

##### 7. Long-Term Equity Investments (continued)

##### (2) Details of long-term equity investments (continued)

##### 2) Investment in associate and joint venture

Invested Entities	Investment cost	Opening balance	Opening balance of impairment provision	Changes for the current period					Effects from translation in foreign currency statements	Closing balance of impairment provision
				Increase in investment	Decrease in investment	Investment or loss under equity method adjustments	Other comprehensive income changes in equity	Cash dividends and profits declared		
Joint ventures										
Wulu Sanshan Port Co., Ltd.	431,211,227.30	420,206,520.63	-	-	-	19,078,972.26	-	-408,163.27	-	438,877,329.62
Sinotrans Suzhou Logistics Centre Co., Ltd.	140,000,000.00	131,197,362.81	-	-	4,354,289.81	-	-	-	-	135,551,652.12
Nissin-Sinotrans International Logistics Co., Ltd.	97,898,300.00	90,780,776.20	-	-	1,082,990.19	-	-	-	-	91,863,766.39
Sinotrans PFS Cold Chain Logistics Co., Ltd.	55,516,961.25	83,194,512.03	-	-	4,472,546.02	-	-	-	-	87,667,058.05
Shanghai Tongyun International Logistics Co., Ltd.	90,000,000.00	49,469,563.64	-	-	2,291,601.64	-	-	-408,163.27	-	51,761,165.28
Shanghai Lianhe Cold Chain Logistics Co., Ltd.	16,058,835.00	32,654,106.41	-	-	508,463.86	-	-	-	-	32,754,407.00
SINOTRANS/MAJDO/UEMIDDLE/ASTCO LTD	15,000,000.00	13,824,407.19	-	-	2,791.33	-	-	-	-	13,827,198.52
Others	3,695,600.00	8,266,810.25	-	-	635,943.05	-	-	-	-	8,902,753.30
Associates										
Jiangsu Jiangyin Port Group Co., Ltd.	13,039,531.05	10,818,982.60	-	-	5,730,346.36	-	-	-	-	16,549,328.96
Shanghai Pu/An Storage Co., Ltd.	166,756,452.64	282,640,543.33	-	-	17,325,527.86	-	-	-	-	299,966,071.19
Ma Anshan Tianshun Port Co., Ltd.	59,319,000.00	169,101,072.82	-	-	16,456,831.49	-	-	-	-	185,557,904.11
CIETC International Transportation Co., Ltd.	78,173,640.00	76,293,861.28	-	-	-	-	-	-	-	76,293,861.28
Total	21,000,000.00	28,981,796.79	-	-	1,010,187.03	-	-	-	-	29,991,983.82
	8,263,812.64	8,263,812.64	-	-	-141,490.66	-	-	-	-	8,122,321.98
	597,367,679.94	702,847,063.96	-	-	36,404,500.12	-	-	-408,163.27	-	738,843,400.81

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 7. Long-Term Equity Investments (continued)

- (3) The Company had no impairment provision on long-term equity investments during the period.
- (4) There are no circumstances relating to restrictions on the Company's ability to transfer funds to investment entities.

### 8. Long-Term Borrowings

Type of Borrowing	Closing balance	Opening balance	Interest rate range at the end of the current period (%)
Credit loans	<b>116,875,000.00</b>	616,875,000.00	1.20
<b>Total</b>	<b>116,875,000.00</b>	616,875,000.00	—
Less: long-term loans due within one year	—	500,000,000.00	—
Including: Credit loans	—	500,000,000.00	—
<b>Long-term borrowings due more than one year</b>	<b>116,875,000.00</b>	116,875,000.00	—

#### (1) The top five highest long-term borrowings at the end of the period

Name of entity	Start date of the loan	Termination of loan	Currency	Interest rate (%)	Closing balance		Opening balance	
					Foreign currency	Local currency	Foreign currency	Local currency
Agricultural Development Bank of China	2016-8-10	2026-8-10	RMB	1.20	-	<b>49,875,000.00</b>	-	49,875,000.00
Agricultural Development Bank of China	2015-11-20	2034-11-17	RMB	1.20	-	<b>40,000,000.00</b>	-	40,000,000.00
Agricultural Development Bank of China	2016-2-29	2033-2-28	RMB	1.20	-	<b>27,000,000.00</b>	-	27,000,000.00



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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 9. Bonds Payable

#### (1) Bonds payable

Items	Closing balance	Opening balance
2016 corporate bonds (phase I) – RMB2,000M	–	2,052,367,210.99
2016 corporate bonds (phase II) – RMB1,500M	<b>1,349,483,424.67</b>	1,367,119,232.80
<b>Total</b>	<b>1,349,483,424.67</b>	3,419,486,443.79

Note: See note IX. 37 for details of bonds payable of the Company.

#### (2) Statement of changes in bonds payable

Name of bonds	Face value	Date of issue	Bond term	Amount issued	Opening balance	Effects of changes in the scope of consolidation	Issue for the period	Interest accrued by face value	Premium or discount Amortisation	Repayment and interest paid for the period	Effects from translation in foreign currency statements	Closing balance	Amounts in closing
													balances classified to non-current liabilities due within one year
2016 corporate bonds (phase I) – RMB2,000M	2,000,000,000.00	2016-3-2	5 years	2,000,000,000.00	2,052,367,210.99	–	–	32,000,000.00	133,698.63	64,000,000.00	–	2,020,500,909.62	2,020,500,909.62
2016 corporate bonds (phase II) – RMB1,500M	1,500,000,000.00	2016-8-24	5 years	1,500,000,000.00	1,367,119,232.80	–	–	24,975,000.00	17,876.72	–	–	1,392,112,109.52	42,628,684.85
<b>Total</b>	<b>3,500,000,000.00</b>	—	—	<b>3,500,000,000.00</b>	<b>3,419,486,443.79</b>	–	–	<b>56,975,000.00</b>	<b>151,575.35</b>	<b>64,000,000.00</b>	–	<b>3,412,613,019.14</b>	<b>2,063,129,594.47</b>

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 10. Capital Reserves

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
<b>I. Capital (or share capital) premium</b>	10,764,553,016.02	–	–	<b>10,764,553,016.02</b>
1. Capital invested by investors	10,845,010,221.40	–	–	<b>10,845,010,221.40</b>
2. Others	-80,457,205.38	–	–	<b>-80,457,205.38</b>
<b>II. Other capital reserves</b>	-544,469.65	–	–	<b>-544,469.65</b>
1. Others	-544,469.65	–	–	<b>-544,469.65</b>
Total	10,764,008,546.37	–	–	<b>10,764,008,546.37</b>
Including: state-owned exclusive capital reserve	–	–	–	–

### 11. Retained Earnings

Items	Amount for current period	Amount for prior period
<b>Closing balance of prior period</b>	<b>1,719,921,892.00</b>	1,920,223,092.41
Add: Adjustments of retained earnings at the beginning of the period	–	-23,003,108.98
Including: Change in accounting policy	–	-23,003,108.98
Opening balance	<b>1,719,921,892.00</b>	1,897,219,983.43
<b>Increase in current period</b>	<b>2,118,401,655.89</b>	928,188,676.37
Including: Net profit for the period attributable to the Company	<b>2,118,401,655.89</b>	928,188,676.37
<b>Decrease in current period</b>	<b>888,096,465.00</b>	962,104,503.75
Including: Withdrawn of the statutory reserve funds during the period	–	–
Distributed profits	<b>888,096,465.00</b>	962,104,503.75
<b>Closing balance in current period</b>	<b>2,950,227,082.89</b>	1,863,304,156.05

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### Notes to the Financial Statements

For the six months ended 30 June 2020

(Unless otherwise indicated, the unit of amount is RMB)

## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 12. Operating Revenue and Cost

Items	Accumulated amount for current period		Accumulated amount for prior period	
	Revenue	Cost	Revenue	Cost
Forwarding and related Logistics	484,387,917.76	484,337,794.18	–	–
	627,020,232.48	498,665,686.27	826,536,613.30	653,973,419.87
<b>Total</b>	<b>1,111,408,150.24</b>	<b>983,003,480.45</b>	826,536,613.30	653,973,419.87

### 13. Finance Costs

Items	Accumulated amount for current period	Accumulated amount for prior period
Interest expenses	113,774,080.78	141,876,998.00
Including: Bank and other borrowings	41,862,898.65	72,578,182.25
Bond interests and discounts on notes	57,126,575.35	54,225,616.43
Expense of lease liabilities	14,784,606.78	15,073,199.32
Less: Capitalized interest costs	–	–
Less: interest income	140,112,585.07	131,061,252.84
Net foreign exchange losses (net gains denoted with “-”)	-25,889,765.99	-3,825,013.64
Others	-7,198,317.24	1,714,725.91
<b>Total</b>	<b>-59,426,587.52</b>	8,705,457.43

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 14. Investments Income

Items	<b>Accumulated amount for current period</b>	Accumulated amount for prior period
Income from long-term equity investments under the cost method	<b>2,067,470,047.70</b>	893,536,878.71
Income from long-term equity investments under the equity method	<b>36,404,500.12</b>	30,055,931.22
Investment income from holding other non-current financial assets	<b>130,370.03</b>	5,000,000.00
Investment income from holding held-for-trading financial assets	<b>333,320.23</b>	118,290.30
<b>Total</b>	<b>2,104,338,238.08</b>	928,711,100.23

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### Notes to the Financial Statements

For the six months ended 30 June 2020

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## XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 15. Supplementary Information to the Cash Flow Statement of the Company

Items	Accumulated amount for current period	Accumulated amount for prior period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	<b>2,118,401,655.89</b>	928,188,676.37
Add: Asset impairment losses	—	—
Expected credit loss	<b>-7,477,864.23</b>	-4,820,187.10
Depreciation of fixed assets and investment properties	<b>18,095,333.63</b>	18,565,301.70
Amortisation of intangible assets	<b>15,814,407.02</b>	11,501,232.99
Amortisation of long-term deferred expenses	<b>290,490.06</b>	255,499.24
Losses from disposal of assets (gains denoted with “-”)	<b>475.58</b>	-10,000.00
Losses from damage and scrapping of non-current assets (gains denoted with “-”)	—	686.55
Losses from changes in fair value (gains denoted with “-”)	—	—
Financial expenses (income denoted with “-”)	<b>113,774,080.78</b>	6,990,731.52
Losses on investments (income denoted with “-”)	<b>-2,104,338,238.08</b>	-928,711,100.23
Decrease in deferred income tax assets (increase denoted with “-”)	—	—
Increase in deferred income tax liabilities (decrease denoted with “-”)	—	—
Decrease in inventories (increase denoted with “-”)	—	—
Decrease in operating receivables (increase denoted with “-”)	<b>345,989,582.65</b>	-92,785,854.25
Increase in operating payables (decrease denoted with “-”)	<b>-494,843,941.97</b>	-98,360,823.87
<b>Net cash flows from operating activities</b>	<b>5,705,981.33</b>	-159,185,837.08
2. Major investing and financing activities not involving cash receipts and payments:	—	—
Conversion of debts into capital	—	—
Convertible corporate bonds due within one year	—	—
Fixed assets under finance lease	—	—
Transfer from the balance of prior annual wage differentials to the national capital	—	—
3. Net changes in cash and cash equivalents:	—	—
Closing balance of cash	<b>3,124,615,342.75</b>	3,261,143,603.56
Less: Opening balance of cash	<b>4,072,964,005.08</b>	2,232,379,636.67
Add: Adjustment to the classification of the provision for customer settlements at the beginning of the period	—	—
Net increase in cash and cash equivalents	<b>-948,348,662.33</b>	1,028,763,966.89

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### Notes to the Financial Statements

For the six months ended 30 June 2020  
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#### XVIII. OTHER SIGNIFICANT EVENTS

##### Impact of the COVID-19 pandemic

The Group's businesses is global and closely related to international trade, and the global COVID-19 pandemic has created additional uncertainties in the Group's operating environment.

At the date of statement of financial position, the Group has conducted a comprehensive review of the impact of the COVID-19 pandemic on its financial position and operating results, including the impairment of non-financial assets, expected credit losses on financial assets and the recognition of non-financial obligations. Any significant financial impact has been appropriately reflected and disclosed in the financial statements and its notes.

Since the second quarter of 2020, the impact of the COVID-19 pandemic on the country has gradually weakened, and as various industries have started to gradually resume work, the Group has conscientiously implemented the epidemic prevention and control and resumption of work and production of China Merchants Group under the guideline of "stability is the first priority, advancement is the focus and work is the first order", and insisted on the same research and development and deployment of epidemic prevention and control and resumption of work and production simultaneously to ensure the company's production and operation in a smooth and orderly manner. At the same time, through measures such as deepening cooperation, extending services and strengthening business development, the Company expanded the incremental number of new customers while deepening cooperative relationships with strategic customers and stimulating the stock of old customers, resulting in counter-trend growth in many businesses. During the epidemic period, the Group's China-European Union (CEU) trains became an important support to stabilize the international supply chain, despite the disruption of other logistics channels; Sinotrans Cross-border E-Commerce Company, a subsidiary of the Group, deployed a number of scheduled and temporary international freight charter flights to provide transportation services for customers, relying on its capacity advantage in the face of the severe situation when domestic and overseas airlines significantly reduced their scheduled flights.

At present, the situation of overseas COVID-19 pandemic is still not optimistic, the Group will continue to closely monitor the development of the epidemic and take active measures to deal with its impact.

In addition to the above, as of 30 June 2020, the Group had no other significant events to disclose.

#### XIX. APPROVAL OF THE FINANCIAL STATEMENTS

The Group's financial statements for the six months ended 30 June 2020 were approved for issuance by the Board of Directors of the Company on 27 August 2020.

## Chapter 10 Supplementary Information

### (1) NON-RECURRING STATEMENT OF PROFIT OR LOSS FOR THE PERIOD

In accordance with the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public – Non-recurring Profit or Loss (2008) issued by China Securities Regulatory Commission, the Company's non-recurring profit or loss for the six months ended 30 June 2020 are as follows:

Items	Accumulated amount for current period	Accumulated amount for prior period	Description
Profit or loss on the disposal of non-current assets	<b>13,942,635.92</b>	90,176,187.51	—
Tax returns and reliefs that are approved beyond authority, have no official approval document or occasional	-	-	—
Government grants included in current profit or loss	<b>148,752,177.33</b>	108,612,633.66	—
Capital occupancy fees from non-financial enterprises included in current profit or loss	<b>2,514,349.03</b>	6,823,270.94	—
Income from the fair value of identifiable net assets of invested entities when the investment cost of the enterprise for the acquisition of subsidiaries, associates and joint ventures is less than the investment obtained	-	-	—
Profit or loss from exchange of non-monetary assets	-	-	—
Profit or loss on entrusting others to invest or manage assets	-	-	—
Asset impairment provision due to force majeure factors such as natural disasters	-	-	—
Profit or loss from debt restructuring	-	-	—
Enterprise restructuring costs	-	-	—
Profit or loss in excess of fair value arising from transactions with materially unfair transaction prices	-	-	—
Current net profit or loss of subsidiaries from the business combination under the same control from the beginning of the period to the date of combination	-	-	—
Profit or loss arising from contingencies irrelevant to the normal business operations of the company	-	-	—
In addition to the effective hedging business related to the normal business operations of the company, profit or loss from changes in fair value of financial assets measured at fair value whose changes are included in the current profit or loss and financial liabilities measured at fair value whose changes are included in current profit or loss, and income from investments from disposal of financial assets measured at fair value whose changes are included in the current profit or loss, financial liabilities measured at fair value whose changes are included in current profit or loss	<b>550,173.32</b>	6,808,421.18	—

## Chapter 10 Supplementary Information

### (1) NON-RECURRING STATEMENT OF PROFIT OR LOSS FOR THE PERIOD (CONTINUED)

Items	Accumulated amount for current period	Accumulated amount for prior period	Description
Reversal of provision for impairment of receivables subject to separate impairment tests	374,314.69	15,546,496.70	—
Profit or loss from external entrusted loans	-	-	—
Profit or loss from changes in fair value of investment properties subsequently measured using the fair value model	-	-	—
Effects of one-time adjustment to current profit or loss on current profit or loss according to tax and accounting and other laws and regulations	-	-	—
Trusteeship fee income from entrusted operations	7,075,471.70	7,500,000.00	—
Other non-operating income and expenses other than the above	-21,467,320.07	32,697,350.89	—
Other profit or loss meeting the definition of non-recurring profit or loss	26,116,035.10	5,295,870.75	Value-added tax plus deduction
Subtotal	177,857,837.02	273,460,231.63	—
Income tax effects	-42,106,154.07	-62,776,328.44	—
Effects of non-controlling interests (after tax)	-8,012,490.91	-1,471,807.97	—
<b>Total</b>	<b>127,739,192.04</b>	<b>209,212,095.22</b>	—

### (2) RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Securities to the Public – Calculation and Disclosure of Return on Net Assets and Earnings per Share (as amended in 2010) issued by CSRC, the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Company for the six months ended 30 June 2020 are as follows:

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	4.18	0.16	0.16
Net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss	3.74	0.15	0.15

*Unit: RMB per share*



## Chapter 11 Documents Available for Check

Documents Available for Inspection      Financial statements signed and sealed by legal representative, chief financial officer and head of the financial department  
Original copies of all documents and announcements of the Company which had been disclosed to the public on the newspapers designated by the China Securities Regulatory Commission during the Reporting Period

Chairman: Li Guanpeng  
Submission Date as Approved by the Board: 27 August 2020

### Revision History

Applicable       Not applicable



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