中國外運股份有限公司
SINOTRANS LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0598)

(i) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017
(ii) GUARANTEED PROFIT FOR 2017 MET BY CHINA MERCHANTS LOGISTICS
(iii) PROPOSED CHANGE IN AUDITOR

I. GROUP RESULTS

The board of directors (the "Board") of Sinotrans Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures in 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	3	**72,567,178**	59,765,965
Other income		**506,123**	417,921
Tax and other surcharges		**(215,197)**	(195,728)
Transportation and related charges		**(62,521,442)**	(50,725,122)
Staff costs		**(5,618,557)**	(5,018,411)
Depreciation and amortisation		**(1,180,528)**	(1,167,750)
Office and other expenses		**(580,932)**	(572,160)
Other gains and losses, net	4	**943,258**	797,505
Other operating expenses		**(720,381)**	(645,419)
Operating profit	5	**3,179,522**	2,656,801
Finance income	6	**207,602**	184,709
Finance costs	6	**(641,705)**	(322,904)
		2,745,419	2,518,606
Share of profit of joint ventures		**973,884**	882,774
Share of profit of associates		**47,784**	46,340
Profit before income tax		**3,767,087**	3,447,720
Income tax expense	7	**(785,699)**	(648,174)
Profit for the year		**2,981,388**	2,799,546
Profit attributable to			
– Owners of the Company		**2,304,191**	2,253,728
– Non-controlling interests		**677,197**	545,818
		2,981,388	2,799,546
Earnings per share, basic (RMB)	9	**0.38**	0.37

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
			(Restated)
ASSETS			
Non-current assets			
Land use rights		**5,027,101**	4,052,523
Prepayments for acquisition of land use rights		**38,513**	79,914
Property, plant and equipment		**17,238,004**	17,495,855
Investment properties		**963,664**	167,595
Intangible assets		**2,892,091**	2,835,709
Investments in joint ventures		**3,321,365**	3,221,808
Investments in associates		**1,262,418**	902,606
Deferred income tax assets		**328,129**	307,667
Available-for-sale financial assets	*10*	**553,257**	1,072,997
Other non-current assets		**405,267**	300,921
		32,029,809	30,437,595
Current assets			
Financial assets designated as fair value through profit or loss ("FVTPL")		**381,912**	396,710
Prepayments and other current assets		**4,416,124**	3,567,525
Inventories		**314,624**	177,276
Trade and other receivables	*11*	**12,807,113**	12,136,682
Restricted cash		**217,754**	228,339
Term deposits with initial terms of over three months		**2,225,183**	1,346,273
Cash and cash equivalents		**9,709,382**	9,323,955
		30,072,092	27,176,760
Total assets		**62,101,901**	57,614,355
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,049,167**	4,606,483
Reserves		**15,118,725**	14,670,044
		21,167,892	19,276,527
Non-controlling interests		**4,409,106**	3,951,409
Total equity		**25,576,998**	23,227,936

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**232,563**	270,437
Borrowings		**6,609,292**	4,768,003
Long-term bonds		**3,495,827**	3,494,630
Other non-current liabilities		**1,201,182**	1,489,906
Long-term salary payables		**45,419**	27,216
		11,584,283	10,050,192
Current liabilities			
Trade payables	*12*	**9,931,218**	8,250,048
Other payables, accruals and other current liabilities		**9,014,303**	10,389,747
Receipts in advance from customers		**2,388,885**	2,489,902
Current income tax liabilities		**339,918**	271,329
Borrowings		**1,499,248**	339,252
Long-term bonds due within one year		**–**	998,726
Provisions		**366,324**	393,795
Salary and welfare payables		**1,400,724**	1,203,428
		24,940,620	24,336,227
Total liabilities		**36,524,903**	34,386,419
Total equity and liabilities		**62,101,901**	57,614,355
Net current assets		**5,131,472**	2,840,533
Total assets less current liabilities		**37,161,281**	33,278,128

1. GENERAL INFORMATION

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

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

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

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

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

2A. RESTATEMENTS

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

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

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

2B. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

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

- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 – As part of the Annual Improvements to IFRSs 2014-2016 Cycle

New and revised IFRSs in issue but not yet effective

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

- IFRS 9 – Financial Instruments[1]
- IFRS 15 – Revenue from Contracts with Customers and the related Amendements[1]
- IFRS 16 – Leases[2]
- IFRS 17 – Insurance Contracts[4]
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration[1]
- IFRSIC 23 – Uncertainty over Income Tax Treatments[2]
- IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions[1]
- IFRS 4 (Amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
- IFRS 9 (Amendments) – Prepayment Features with Negative Compensation[2]

- IFRS 10 (Amendments), IAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

- IAS 19 (Amendments) – Plan Amendment, Curtailment or Settlement[2]

- IAS 28 (Amendments) – Long-term Interests in Associates and Joint Ventures[2]

- IAS 28 (Amendments) – As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle[1]

- IAS 40 (Amendments) – Transfers of Investment Property[1]

- Amendments to IFRSs – Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

3. SEGMENT INFORMATION

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

During the current year, the Group acquired China Merchants Logistics which including the logistics equipment leasing business, details are set out in note 2A, and changed the Group's internal organisation structure. Accordingly, the Management changed the review structure which including the logistics equipment leasing business to assess performance and allocate resources, due to the nature of the logistics equipment leasing business is different from other segment and the amount of revenue and profit is material to the Group. The composition of its operating segments has been revised and the segment information for the year ended 31 December 2016 has been restated to conform with current year's presentation.

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

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

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

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

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

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

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

Sales between segments are charged at mutually agreed prices.

Segment revenue and results

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

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

Other segment information

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

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

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

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

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

4. OTHER GAINS AND LOSSES, NET

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

5. OPERATING PROFIT

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

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

6. FINANCE INCOME AND FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

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

PRC enterprise income tax expense has been provided on the estimated taxable profit for the year according to the tax laws and regulations applicable to the PRC enterprises. The provision for PRC enterprise income tax is based on the statutory rate of 25% (2016: 25%) of the taxable income of each of the companies comprising the Group in the PRC as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 10% to 20% (2016: 10% to 20%) based on the relevant PRC tax laws and regulations.

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

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

8. DIVIDENDS

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

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

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

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

9. EARNINGS PER SHARE

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

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

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

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

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

During 2017, the Group disposed its entire 15% equity interest in China Merchants Finance Co., Ltd. to a related party for cash consideration of approximately RMB83,592,000. Before the disposal, the investment was accounted for as an available for sale financial asset carried at cost. This transaction has resulted in the Group recognising a gain of approximately RMB8,592,000 in the consolidated statement of profit or loss.

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

The normal credit period for trade receivables generally ranges from 1 to 6 months. As at 31 December 2017 and 2016, the following trade and other receivables were impaired. The aging of these receivables is as follows:

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

As at 31 December 2017 and 2016, the following trade and other receivables were past due but not impaired, because there has not been a significant change in credit quality and the amount are still considered recoverable. The aging analysis of these receivables is as follows:

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

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

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

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

(a) Trade receivables

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

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

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

(b) The Group has transferred bills receivables amounted to RMB677,837,000 (2016: RMB575,960,000) to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivables under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considers the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant, and the issuing banks have never failed to settle the bills on maturity date.

The maximum exposure to loss, which is the same as the amount payable by the Group to the suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date amounted to RMB292,189,000 (2016: RMB317,298,000).

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

At 31 December 2017, the carrying amount of the short-term receivables which have been pledged as security for the borrowing, is RMB40,961,000 (2016: RMB137,175,000). The carrying amount of the associated liability is RMB40,961,000 (2016: RMB137,175,000).

(c) Other receivables

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

(d) Due from related parties

The amounts due from related parties are analysed as follows:

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

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

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

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

12. TRADE PAYABLES

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

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

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

(a) Trade payables

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

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

(b) Due to related parties

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

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

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

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

13. EVENTS AFTER THE REPORTING PERIOD

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

II. MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

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

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

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

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

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

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

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

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

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

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

Revenue

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

Freight Forwarding

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

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

Logistics

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

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

Storage and Terminal Services

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

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

Logistics Equipment Leasing

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

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

Other Services

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

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

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

Transportation and Related Charges

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

Staff Costs

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

Depreciation and Amortisation

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

Office and Related Expenses

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

Other Gains and Losses, Net

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

Other Operating Expenses

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

Operating Profit

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

Share of Profit of Joint Ventures

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

Income Tax Expense

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

Profit for the Year

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

Profit Attributable to Non-controlling Interests

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

Profit Attributable to Owners of the Company

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

Liquidity and Capital Resources

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

The following table summarises the Group's cash flows for each of the two years ended 31 December 2017 and 2016:

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

Operating Activities

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

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

Investing Activities

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

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

Financing Activities

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

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

Capital Expenditure

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

Securities Investment

As at 31 December 2017, the listed equity investments hold by the Group was RMB0.55 billion.

Contingent Liabilities and Guarantees

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

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

Borrowings and Bonds

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

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

Secured and Guaranteed Borrowings

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

Debt-to-asset Ratio

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

Foreign Exchange Rate Risk

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

Credit Risk

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

Employees

At the end of 2017, the Group had 40,053 (2016: 39,681) employees.

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

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

III. OUTLOOK OF BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

Strategic Reorganisation and Resources Integration

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

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

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

The Company will continue to negotiate with Sinoair to proceed merger and implement terms under the Merger Agreement. The Company will comply with the disclosure, and seek for shareholders' and relevant regulatory authorities' approval under the requirements of related Rules and Regulations including Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

IV FINAL DIVIDEND AND BOOK CLOSURE PERIOD

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

For determining the list of shareholders eligible to attend and vote at the AGM, the register of members of the Company will be closed from 30 April 2018 to 31 May 2018, both days inclusive. In order to be eligible to attend and vote at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 27 April 2018, for registration.

The record date for the recommended final dividend is at the close of business on 11 June 2018. For determining the entitlement to the recommended final dividend, the register of members of the Company will be closed from 6 June 2018 to 11 June 2018, both days inclusive. In order to qualify for the recommended final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 5 June 2018, for registration.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of domestic shares of the Company will be paid in Renminbi ("RMB"), and dividends payable to the holders of H Shares of the Company will be paid in Hong Kong dollars ("HK$"). The exchange rate for dividends payable in HK$ is the mean average exchange rate of RMB to HK$ published by the People's Bank of China during the week (19 March 2018 to 25 March 2018) preceding the date of recommendation of the final dividend by the Board. The average exchange rate of RMB to HK$ for the said week was HK$1=RMB0.80662. Accordingly, the amount of final dividend for each H Share of the Company is HK$0.09918.

In accordance to the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which took effect on 1 January 2008, the Company is obliged to withhold and pay enterprise income tax at a tax rate of 10% on behalf of non-resident corporate shareholders on its H share register when making payments of dividend to these shareholders. Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees or other organisations or bodies shall be deemed as shares held by non-resident corporate shareholders. Such shareholders will receive their dividend net of the enterprise income tax.

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

Final Dividend for the Investors of Southbound Trading

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

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

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

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

V. REVIEW OF AUDIT COMMITTEE

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

VI CORPORATE GOVERNANCE

The Company has reviewed and adopted the principles and provisions of the Code Provisions of Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"), and has devised the Company's code on corporate governance. The Company trusts that promoting sound corporate governance is very important to maintain the operation and performance of the Group.

During 2017, the Company continued to improve corporate governance, amended the Articles of Association, and optimized the construction of the Board members; strictly reviewed material connected transactions, and timely disclosed the transaction as required. In addition, the general meetings, Board meetings and Supervisory Committee meetings and the committee meetings under the Board have been convened in compliance with the laws and regulations, to promote the scientific decision.

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

Provision A.1.1 of CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. Considering the efficiency of resolution's approval and the content of the proposal, the Board held only three regular meetings during 2017. However most of other resolutions were approved through temporary meeting, and the Company basically give the notice at least 7 days before the meeting to ensure that all directors are given the opportunity to attend. In the meanwhile, the materials can be submitted to all directors at least 3 days before the meeting to leave some time for all directors to review.

Provision E.1.2 of CG Code provides that the chairman of the board should invite the chairmen of the audit committee, remuneration committee and nomination committee to attend the annual general meeting. The chairman of the Company, also being the chairman of nomination committee of the Company, did not invite the chairmen of audit committee and the remuneration committee during 2017. The reason for the deviation is that the annual general meeting of the Company was held in Beijing and no holders of H-shares of the Company and/or their representatives attended the meeting in person. Therefore, the Company did not invite the chairmen of these committees to attend the annual general meeting.

Saved as the above deviation, the Company confirmed that it has complied with all the other code provisions throughout the year of 2017.

VII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Tansactions by Directors contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct for securities transactions by the Directors and Supervisors of the Company.

The Directors and Supervisors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year of 2017.

VIII. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

So far as was known to the directors of the Company, there was no purchase, sale or redemption of H Shares by any member of the Group during the year ended 31 December 2017.

IX. PUBLICATION OF ANNUAL RESULTS AND 2017 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinotrans.com). The 2017 Annual Report will be dispatched to the Company's shareholders and published on the websites of the HKEX and the Company in due course.

X. PROPOSED CHANGE IN AUDITOR

According to the relevant regulations issued by SASAC in respect of the term of service of the external auditor continuously appointed by the state-owned enterprise and its subsidiaries, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte") will not serve as the international and the PRC auditors of the Company for the year 2018. The Board proposes that at the AGM, SHINEWING (HK) CPA Limited and SHINEWING Certified Public Accountants LLP be appointed as the international and the PRC auditors of the Company for the year 2018 (the "Proposal").

A circular containing further details of the Proposal, together with a notice of AGM will be dispatched to the shareholders as soon as practicable.

The Board was not aware of any other matter regarding the proposed change of auditors that should be brought to the attention of holders of securities of the Company. The Company will seek confirmation from Deloitte as to whether there are matters in relation to their retirement as the auditor of the Company which should be brought to the attention of holders of securities of the Company. Information (if any) provided in the auditor's confirmation will be set out in a circular to be delivered to shareholders of the Company.

The Board has noted the strong work ethic of Deloitte as auditors of the Company over the last years. It hereby expresses its appreciation to Deloitte for their quality service and hard work during their term of office.

By Order of the Board
Sinotrans Limited
Li Shichu
Joint Company Secretary

Hong Kong, 26 March 2018

As at the date of this announcement, the board of directors of the Company comprises Zhao Huxiang (Chairman), Song Dexing (executive director), Li Guanpeng (executive director), Wang Lin (executive director), Yu Jianmin (executive director), Wu Xueming (executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Guo Minjie, Lu Zhengfei, Liu Junhai and Wang Taiwen.