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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)

**ANNOUNCEMENT OF ANNUAL RESULTS OF THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2018**

The board of directors (the “**Board**”) of Sinotrans Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018, which have been prepared in accordance with China Accounting Standards for Business Enterprises. This announcement, including the full text of the 2018 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. Printed version of the Group’s 2018 Annual Report will be sent to H shareholders of the Company on or before 30 April 2019 and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at <http://www.sinotrans.com> at the same time.



中國外運股份有限公司
SINOTRANS LIMITED

Stock Code: 00598 Hong Kong 601598 Shanghai

Customers' Success Our Achievement

Annual Report 2018



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 herein and confirm that there are no misrepresentations or misleading statements contained in, or material omissions from, this 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 the proxy

Director	Song Dexing	Absent due to other business engagement	Jerry Hsu

3. ShineWing Certified Public Accountants LLP has issued a standard auditors' report with unqualified opinions for the Company.

4. The Company's legal representative, Li Guanpeng, Financial Controller, Wang Jiuyun, and Chief Accountant, Li Xiaoyan ("persons in charge of accounting"), hereby make the statement that they guarantee the contents of the financial report contained in the annual 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 of Directors

As audited by ShineWing Certified Public Accountants LLP, retained earnings of the parent company at the beginning of 2018 amount to RMB1,393,750,246.98, plus net profit amounting to RMB1,122,673,529.95 achieved by the parent company. At the end of 2018, profits available for distribution after deduction of 2017 cash dividend of RMB483,933,331.52 paid and withdrawal of surplus reserves RMB112,267,353.00 in 2018 are RMB1,920,223,092.41.

The proposed final dividend for 2018 is RMB1.3 per 10 shares (tax included) (i.e. RMB0.13 yuan per share, tax included) to the share base of 7,400,803,875 shares after the issuance of A shares. Total dividend allotment is RMB962,104,504 yuan (tax included), the residual profits are recognized as retained earnings. During the year, the Company will not distribute shares or convert any reserve into shares. The proposal will be submitted to the general meeting of shareholders for approval.

6. Risk disclaimer of forward-looking statements

☒ Applicable ☐ Not applicable

Forward-looking statements including future plans and development strategies in this report don't constitute substantial commitments of the Company to investors. Investors should be noted with the risk of investment.

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

None

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

None

9. Disclaimer of significant risks

The Company has described the potential risks in detail in the Report. Please see " (4) Potential risks" of "3. Discussion and analysis on future development of the Company" in "Chapter 5 Management Discussion and Analysis of Business Performance (report of board of Directors)".

10. Others

☒ Applicable ☐ Not applicable

The Company's 2018 financial report has been prepared in accordance with Accounting Standards for Business Enterprises and related provisions (hereinafter referred to as "PRC GAAP Standards") published by the Ministry of Finance, the People's Republic of China. Unless otherwise specified, the functional currency used in this report is Renminbi ("RMB").

Contents contained in the annual report are in compliance with all the requirements of Listing Rules of Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Report is published in Mainland China and Hong Kong. Where there is any conflict between the Chinese and the English versions of the annual report, the Chinese version shall prevail.

Corporate Mission

Focusing on Customer's Demand, Latent Business Pressure and Challenges, Continuously Create Business and Social Value through Best Solutions and Services



Corporate Vision

From a logistics integrator to a world-class intelligent logistics platform enterprise





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Performance Highlights and Event Highlights in 2018

Operating
Revenue

(RMB)

77.312

billion



5.68%

Total Profit

(RMB)

4.108 billion

9.06%

Earnings Per Share

(RMB)

0.45

17.36%

Net Profit
Attributable
to Shareholders of
the Company

(RMB)

2.704

billion



17.36%

Business Volume of
Sea Freight Forwarding



11.6%

Business Volume of
Contract Logistics



13.9%

Revenue
Contribution
from Direct
Customers

44.0%⁺



Business Volume of
Project Logistics



25.6%

Self-owned Land

(m²)

12⁺ million

Event Highlights

Spring



> January 2018

- The international direct train, "Xiangman Train - ASEAN Express" from Central China, was successfully launched. The rail route is 3,000 kilometers long in total, and it takes only 60 hours and 96 hours to travel to Pingxiang, Guangxi and Yên Viên Station, Vietnam, respectively.

> February 2018

- The first return train of China Railway Express (Russia-Shenyang) entered

the dedicated railway line owned by the Shenyang Branch of Sinotrans Liaoning Company Limited. It is the first return train of Sinotrans' China Railway Express to carry cargo from Russia, marking the two-way regular operation between China and Europe and China and Russia via China Railway Express in Shenyang. In 2018, the total revenue of rail freight forwarding was RMB1,053.43 million, a year-on-year increase of 31.01%. The total cargo volume of rail freight forwarding was 3,252,300 tonnes, a year-on-year increase of 50.14%.

> March 2018

- The Company announced 2017 annual results. The Group's revenue increased by 21.4% year-on-year to approximately RMB72.57 billion in 2017.
- Sinotrans Huazhong Co., Ltd. was established.



Summer



> April 2018

- Sinotrans promoted the nationwide platform product of LCL with its best effort (Qingdao Central Warehouse took the lead in operations in October 2018. Dalian Central Warehouse officially commenced operations in November while Tianjin Central Warehouse and Suzhou Satellite Warehouse were put into operation in December. South China region and the key cities in North China including Dalian, Tianjin and Qingdao were initially covered in the network.

- The Group selected some pilot units to start the quality improvement project, and accumulated experience for replication and promotion for comprehensive promotion.

> May 2018

- Completed the logistics services for top events such as F1 Chinese Grand Prix and the Global Equestrian Championship.

> June 2018

- Sinotrans Cold Chain Logistics Co., Ltd. was established in Shanghai, marking the

completion of organizational integration with China Merchant's logistics cold chain segment. It possesses higher competitiveness in terms of asset scale, industry customers, and cold storage technology.

- The Company was awarded the titles of "Shanghai Cooperation Organization Qingdao Summit Sponsor" and "Shanghai Cooperation Organization Qingdao Summit Designated Cold Chain Logistics Service Provider" by the Shanghai Cooperation Organization Qingdao Summit.



Autumn



> July 2018

- The opening ceremony of Sinotrans North China Co., Ltd was held in Tianjin.

> August 2018

- The Company announced 2018 interim results. The Group's revenue for the first half of 2018 increased by approximately 4.1% to RMB36.176 billion.
- Hunan/Central South China International Land Port Co., Ltd. was established as a joint venture with the Changsha Government. This is the first joint venture company of Sinotrans attempting operate Sinotrans' trains in a platform mode.



Winter



> November 2018

- By adopting the professional mobile explosion-proof terminals, the Company became the first company to provide pilot service for Customs in Shanghai in respect of the remote visualized monitoring of hazardous chemical labels.
- With its outstanding contribution to the industry and its industry influence, Sinotrans won the "2018 China Chemical Logistics Industry Gold Can Award for Continuous Industry Contribution".
- "China Intelligent Logistics Development Report in new Era" was jointly issued by the Group and CPAG, in which an "Sinotrans Initiative" for China's intelligent logistics in the new era is offered.

> December 2018

- Regional integration work in East China was initiated, five major regions, the construction is basically completed.
- The digital warehousing management (cloud warehouse) platform was awarded the "Excellent Example of Logistics Information Platform 2018" by the China Federation of Logistics and Purchasing.
- Complete Loscam International Holdings Co., Ltd. as a pilot enterprise of mixed ownership, introduce external investors and reform diversification of equity.
- The Group establishes the ILOG smart transportation platform as the starting point, builds a nationwide intelligent motor transportation network, and forms an end-

to-end vehicle-matching carrier platform that combines offline and online services to provide B-end and small-B-end customers. A total of 23 boutique lines were opened, with a total shipment volume of 678,000 tons in the year, and monthly average delivery and shipments increased by more than 4 times.

> January 2019

- On 18 January 2019, the Company was successfully listed on the Shanghai Stock Exchange with the stock name of "Sinotrans" and the stock code of "601598". The completion of Sinotrans' A+H unified capital market operation platform has created more room for the Company's capitalization development.



Chapter 1 Definitions

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

Interpretation of Common Words

Articles of Association	the Articles of Association of the Sinotrans Limited
Board	the board of Directors of the Company
Supervisory Committee	the Supervisory Committee of the Company
CG Code	code provisions of Corporate Governance Code as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange
China Merchants	招商局集團有限公司 (China Merchants Group Limited), a state wholly-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, the ultimate holding company of the Company, which holds approximately 56.34% of the issued share capital of the Company at the date of this Report
China Merchants Group or CMG	招商局集團有限公司 (China Merchants Group Limited) and its subsidiaries
China Merchants Logistics	招商局物流集團有限公司 (China Merchants Logistics Holdings Company Limited), a company incorporated in the PRC, being acquired by the Company in 2017 and become a wholly-owned subsidiary of the Company in 2017
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	中國外運股份有限公司 (Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange of Hong Kong Limited and A shares are listed on the Shanghai Stock Exchange
Company Law	the Company Law of the People's Republic of China
Director(s)/Supervisors	Director(s)/Supervisors of the Company
Domestic Share(s)	domestic invested share(s) of RMB1.00 each in the share capital of the Company
Ethics Code	the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants

Finance Company	招商局集團財務有限公司 (China Merchants Group Finance Co., Ltd.) formerly known as 中外運長航財務有限公司 (Sinotrans & CSC Finance Co., Ltd.), a Company owned as to 51% by China Merchants and 49% by Sinotrans & CSC
Group	Sinotrans Limited and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
H share(s)	overseas listed foreign invested share(s) of RMB1.00 each in the share capital of the Company
PRC GAAP Standards	Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant regulations
IFRS	Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board ("IASB")
ISA	standards and interpretations issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants
SEHK Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
SSE Listing Rules	Listing Rules of Shanghai Stock Exchange
Listing Rules in Listing Place	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Listing Rules of Shanghai Stock Exchange
Management	The Group's major operating decision-makers
Model Code	the Model Code for Securities Transactions by Directors contained in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange
PRC	the People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	H Share(s) and Domestic Share(s)
Shareholder(s)	holder(s) of the Shares

Chapter 1

Definitions

Shenzhen-Hong Kong Stock Connect	the Program of the Shenzhen-Hong Kong Stock Connect
Sinoair	Sinotrans Air Transportation Development Co., Ltd., a subsidiary of the Company
Sinotrans & CSC	Sinotrans & CSC Holdings Co., Ltd., a wholly-owned subsidiary of China Merchants Group Limited established under the laws of the PRC, the controlling shareholder of the Company which holds approximately 34.71% of the issued Share capital of the Company at the date of this Report
Sinotrans & CSC Group	Sinotrans & CSC Holdings Co., Ltd. and its subsidiaries
Sinotrans Group Company	China National Foreign Trade Transportation (Group) Corporation
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Subsidiary	have the meaning given by Listing Rules of Hong Kong Stock Exchange
Takeovers Code	The Hong Kong Code on Takeovers and Mergers
CSRC	China Securities Regulatory Commission
Shanghai Stock Exchange	Shanghai Stock Exchange

Chapter 2 Company Overview and Main Financial Indicators

1. 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
English name of the Company	SINOTRANS LIMITED
English abbreviation of the Company	SINOTRANS
Legal representative of the Company	Li Guanpeng

2. CONTACT PERSON AND CONTACTS

	Secretary of the Board	Joint Company Secretary	Representative of Securities Affairs
Name	Li Shichu	Hui Wai Man, Shirley	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	Sinotrans Building Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing, China
Tel.	010-52295721	010-52295721	010-52295721
Fax	010-52296519	010-52296519	010-52296519
Email	ir@sinotrans.com	ir@sinotrans.com	ir@sinotrans.com

3. BASIC PROFILE

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	10/F, 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

4. INFORMATION DISCLOSURE AND PREPARATION LOCATIONS

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

Chapter 2

Company Overview and Main Financial Indicators

5. OVERVIEW OF COMPANY STOCK

Type of share	Stock exchange	Stock abbreviation	Stock code
H-share	The Stock Exchange of Hong Kong Limited	Sinotrans	0598
A-share	Shanghai Stock Exchange	Sinotrans	601598

6. OTHER RELATED INFORMATION

Public certified accountants engaged by the Company (domestic)	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fuhua Mansion, No. 8 Chaoyang North Street, Dongcheng District, Beijing
	Name of signing public certified accountant	Wang Yang, Feng Guanghui
Public certified accountants engaged by the Company (overseas)	Name	ShineWing (HK) CPA Limited
	Office address	43/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Compliance legal counsel engaged by the Company (for Chinese laws)	Name	FenXun Partners
	Office address	Suite 3501, China World Office 2, No. 1 Jianguomenwai Avenue Beijing
Compliance legal counsel engaged by the Company (for Hong Kong laws)	Name	Baker McKenzie
	Office address	14/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
A-share registrar and transfer office 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
H-share registrar and transfer office of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	Room 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Business address in Hong Kong	Address	Room F and G, 20/F, MG Tower, No.133 Hoi Bun Road, Kwun Tong, Hong Kong
Principal banker	Name	Bank of China
	Address	No.1 Inner Street, Fuxingmen, Xicheng District, Beijing, China

Note: The continuous supervision period of CITIC Securities Company Limited and China Merchants Securities Company Limited, A-share sponsors of the Company, is from 18 January 2019 to 31 December 2021.

7. MAIN ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST FOUR YEARS

(1) Main accounting data

Unit: Yuan Currency: RMB					
Main accounting data	2018	2017	Movements (%)	2016	2015
Operating income	77,311,836,514.83	73,157,512,716.11	5.68	60,252,933,128.26	45,934,827,578.08
Net profits attributable to shareholders of the company	2,704,106,404.93	2,304,190,975.71	17.36	2,253,728,441.22	1,493,263,426.23
Net profits attributable to shareholders of the company, net of non-recurring profit or loss	1,105,881,741.17	1,224,597,304.14	-9.69	1,124,824,197.33	1,249,875,333.53
Net cash flows from operating activities	2,013,393,334.59	3,005,727,364.91	-33.01	2,372,902,263.23	2,433,568,596.98
	At the end of 2018	At the end of 2017	Movements (%)	At the end of 2016	At the end of 2015
Net assets attributable to shareholders of listed company	23,236,402,371.62	21,429,972,624.12	8.43	19,536,847,287.93	15,385,265,936.19
Total assets	61,494,221,583.94	62,326,204,460.09	-1.33	57,838,658,451.59	35,309,163,759.06
Total Liabilities	33,640,780,678.18	36,491,144,056.27	-7.81	34,354,420,930.83	16,590,458,738.16

The Company changed from IFRS to PRC GAAP Standards to prepare the 2018 financial statements. In view of the Company's merger of Sinoair, the Auditor has prepared the "Financial Statements and Audit Report for Three Years Ended 31 December 2015, 2016, 2017 and 6 Months Ended 30 June 2018" under PRC GAAP Standards. Therefore the table above just lists the data of 2015-2018.

(2) Main financial indicators

Main financial indicators	2018	2017	Movements (%)	2016	2015
Basic earnings per share (Yuan/share)	0.45	0.38	17.36	0.37	0.32
Diluted earnings per share (Yuan/share)	0.45	0.38	17.36	0.37	0.32
Basic earnings per share, net of non-recurring profit or loss (Yuan/share)	0.18	0.26	-30.77	0.24	0.27
Net weighted average return on equity (%)	11.97	11.22	increased by 0.75	12.10	10.22
Net weighted average return on equity, net of non-recurring profit or loss (%)	4.90	6.11	decreased by 1.21	7.08	8.56

Description of main accounting data and financial indicators of the Company for the past four years at the end of the period

☒ Applicable ☐ Not applicable

During the reporting period, the Group's turnover achieved an increase of RMB4.154 billion, up 5.68% over the previous year, mainly due to the increase of RMB1.498 billion in freight forwarding, increase of RMB1.649 billion in logistics, increase of RMB0.18 billion in storage and terminal services, and RMB0.828 billion in other services. The Group's net profit attributable to shareholders of the listed company recorded a growth of approximately RMB0.4 billion over the previous year, representing a year-on-year increase of 17.36%. However, net profit attributable to shareholders of the listed company after deduction of non-recurring profits and losses decreased by RMB0.119 billion, down 9.69% from the previous year, because the Group drew the provision of possible dismissal expenses, reverse of deferred income tax asset caused by the business consolidation after acquiring Sinoair, and added provisions for impairment losses of credit, financial expense and impairment losses of individual goodwill assets caused by comprehensive impairment tests on assets and transfer of certain receivables.

Chapter 2

Company Overview and Main Financial Indicators

Basic earnings per share, net of nonrecurring profit or loss decreased by 30.77% from the previous year, the decrease rate was larger than that of the profit attributable to shareholders of the Company, net of non-recurring profit or loss, mainly due to the Group's acquisition of China Merchants Logistics by offering of domestic shares, and earnings per share net of nonrecurring profit or loss are net profit attributable to shareholders of the listed company after deducting nonrecurring profit or loss divided by weighted annual shares.

8. STATISTICS DIFFERENCE BETWEEN PRC GAAP STANDARDS AND FOREIGN ACCOUNTING STANDARDS

(I) Difference of net profits and net assets attributable to shareholders of the company in the financial reports disclosed under IFRS and PRC GAAP Standards

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

	Net profits		Net assets	
	Amounts of the current period	Amounts of the previous period	Amounts at the end of the period	Amounts at the beginning of the period
Under PRC GAAP	3,198,968,329.58	2,981,386,545.23	27,853,440,905.76	25,835,060,403.82
Items and amounts adjusted based on IFRS				
Provision			-41,536,205.81	-33,687,174.45
Other non-current assets				-224,302,824.00
Other non-significant difference			-72,998.10	-72,998.10
Under IFRS	3,198,968,329.58	2,981,386,545.23	27,811,831,701.85	25,576,997,407.27

(II) Difference of net profits and net assets attributable to shareholders of the company in the financial report disclosed under the foreign accounting standards and PRC GAAP standards.

☐ Applicable ☒ Not applicable

(III) Explanation on the differences between IFRS and PRC GAAP Standards

☒ Applicable ☐ Not applicable

1. In compliance with PRC GAAP Standards, safe production expenditure provisioned by the Group is stated at special reserve under owners' equity, while it is stated at provision under liabilities under the IFRS. Thus, there are differences.
2. In compliance with PRC GAAP Standards, floating of non-tradable shares under equity split was stated at other non-current assets by the Company last year, while it was stated at equity by the Company last year under the IFRS. Thus, there were differences.

As Sinoair delisted at the end of the year, its floating of non-tradable shares under equity split was written down by the Company against capital reserve, there were no differences under IFRS and PRC GAAP Standards.

9. MAIN FINANCIAL INDICATORS OF 2018 BY QUARTER

Unit: Yuan Currency: RMB

	First Quarter (January-March)	Second Quarter (April-June)	Third Quarter (July-September)	Fourth Quarter (October-December)
Revenue	17,479,230,632.21	19,014,879,499.06	19,248,906,916.39	21,568,819,467.17
Net profits attributable to owners of the Company	479,804,940.44	815,711,498.48	642,481,434.45	766,108,531.56
Net profits attributable to owners of the Company, net of non-recurring gains and losses	336,960,541.68	590,203,248.85	447,565,580.94	-268,847,630.30
Net cash flow from operating activities	-1,181,617,775.80	120,024,659.57	905,364,236.25	2,169,622,214.57

Note: Net profit attributable to shareholders of the listed company net of non-recurring gains and losses in Q4 is negative, primarily due to the Group drew the provision of possible dismissal expenses, reverse of deferred income tax asset caused by the business consolidation after acquiring Sinoair, and added provisions for impairment losses of credit, financial expense and impairment losses of individual goodwill assets caused by comprehensive impairment tests on assets and transfer of certain receivables.

Explanation on the differences between the quarterly data and the disclosed in periodic reports

☐ Applicable ☒ Not applicable

10. ITEMS OF NON-RECURRING GAINS AND LOSSES AND THEIR AMOUNTS

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items of non-recurring gains/(losses)	2018	Note (if applicable)	2017	2016
Gains/(Losses) from disposal of non-current assets	693,786,460.93		178,908,646.56	199,490,752.24
Contingence tax refund or exemption, or due to override approval or document without formal approval	-		-	-
Government subsidy accounted into gains/(losses) for the current period	152,105,123.07		250,126,057.83	159,787,655.81
Fund possession cost paid by non-financial enterprises and recorded under current gains/(losses)	8,978,297.29		8,666,019.04	2,703,779.09
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the revenue generated from their identifiable net assets of the invested entity at fair value at the time of acquisition	-		-	24,502,523.23
Gains/(Losses) of non-monetary asset swap	-		-	
Gains/(Losses) from entrusted investment or asset management	-		-	

Chapter 2

Company Overview and Main Financial Indicators

Items of non-recurring gains/(losses)	2018	Note (if applicable)	2017	2016
Provision for impairment of assets due to force majeure such as natural disaster	-		-	
Gains/(Losses) from debt restructuring	-		-	-
Gains/(Losses) from corporate restructuring	-		-	-
Gains/(Losses) from the excess of the fair value compared to the unfair consideration of a transaction	-		-	-
Current net gains/(losses) of subsidiaries resulting from merger of enterprises under common control from the beginning of the year to the date of merger	-		420,323,994.54	713,036,556.19
Gains/(Losses) from contingencies irrelevant to the normal operations of the Company	-		-	-
Apart from hedging instruments relating to the normal operations of the Company, gains/(losses) from change in fair value of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, and investment income from disposal of financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets	442,838,077.81		563,643,477.50	358,536,768.20
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	11,371,444.80		6,167,764.67	
Gains/(Losses) from external entrusted loans	-		684,000.00	247,364.38
Gains/(Losses) from changes in fair value of investment properties using the fair value model for subsequent measurement	-		-	-
Effect of one-off adjustment to current gains/(losses) in accordance with laws and regulations on taxation and accounting, etc.	-		-	-
Income of entrustment fees from entrusted operations	10,377,358.50		10,377,358.50	8,490,566.04
Other non-operating income and expenses save for the above	-249,263,114.03		-35,512,306.50	-59,895,191.21
Other items falling within the meaning of non-recurring gains/(losses)	660,598,884.90	The control is lost and profit from equity is remeasured by fair value	126,172,329.03	-
Subtotal	1,730,792,533.27		1,529,557,341.17	1,406,900,773.97
Effect on income tax	-116,774,977.15		-294,544,556.87	-175,992,996.96
Effect on non-controlling interests (after tax)	-15,792,892.36		-155,419,112.73	-102,003,533.12
Total	1,598,224,663.76		1,079,593,671.57	1,128,904,243.89

11. ITEMS MEASURED BY FAIR VALUE

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Balances at the beginning of the period	Balances at the end of the period	Current changes	Effect on current profit
Investment in held-for-trading equity instruments (Note 1)	381,911,520.22	140,176.57	-381,771,343.65	426,572,100.73
Other non-current financial assets	226,192,723.59	493,936,852.61	267,744,129.02	12,167,434.96
Investment in other equity instruments	327,064,735.04	154,458,821.08	-172,605,913.86	4,098,542.12
Others (Note 2)	2,000,000,000.00	400,000,000.00	-1,600,000,000.00	
Total	2,935,168,978.85	1,048,535,850.26	-1,886,633,128.59	442,838,077.81

Note 1: Investment in held-for-trading equity instruments is mainly consisted of the preference shares held by the Group in Americold Realty Trust ("Americold"), which were converted to ordinary shares and sold when restricted period due in 2018.

Note 2: As at 31 December 2018, the Group held the short-term wealth management products of RMB400,000,000.00 issued by Bank of China without a fixed term.

12. OTHERS

☐ Applicable ☒ Not applicable

Chapter 3 Chairman's Statement



To the shareholders,

I am pleased to present the annual report of Sinotrans Limited for the financial year ended 31 December 2018 for your review.

Li Guanpeng
Chairman and President



I. REVIEW OF OPERATIONS

2018 witnessed a moderate growth of the world economy and a slackened momentum. China's economy sought progress while maintaining stability. In terms of phased changes, China's economy had shifted from a stage of rapid growth to a stage of quality development. China's foreign trade kept a steady growth with imports and exports hitting record highs, whereby China could hopefully maintain the world's largest trading nation in commodities. In 2018, China's GDP recorded a year-on-year growth of 6.6% while the total value of imports and exports of commodity trade in China increased by 9.7% year on year. The total value of imports and exports in China denominated in US dollar increased by 12.6% year-on-year, of which, exports and imports increased by 9.9% and 15.8% respectively.

In 2018, the Group maintained a steady development trend and kept performance growth in all aspects. 2018 marked the Group's winning of honors and awards, including The First Place among China's Top 100 Logistics Enterprises, China's Outstanding Logistics Enterprise Award, 2018 Asian Star of Intelligence and Innovation Logistics (Asia Logistics Biennale) and Representative Enterprises in the Logistics Industry for the 40th Anniversary of Reform and Opening-up, whereby the comprehensive competitiveness and brand influence kept enhancing. In 2018, the Group achieved revenue of RMB77.312 billion, representing an increase of 5.68% as compared to 2017; achieved net profit of RMB3.199 billion, representing an increase of 7.3% as compared to 2017; and achieved net profit attributable to shareholders of the Company of RMB2.704 billion, representing an increase of 17.36% as compared to 2017. Earnings per share were RMB0.45 (2017: RMB0.38).

II. DIVIDENDS

The Board has proposed to recommend a final dividend of RMB0.13 per share (tax included), total allotment of RMB962,104,504 (tax included), at the forthcoming annual general meeting to reward shareholders for their continuous support to the Group.

III. ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

We believe that active performance of social responsibilities represents an essential quality for a good company, which is very important in terms of both the community's future and the sustainable operation of the company.

Since the establishment of the ISO9001:2015/ISO14001:2015/OHSAS18001:2007 quality and EHS (Environment, Health and Safety) management systems of the Group in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment have been conducted. Controllable environmental factors in the operating activities and relevant services of the Group that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention is given to significant environmental factors and effective control is exercised to minimize adverse impact on the environment. Since 2015, the Company has been preparing and issuing an "Environmental, Social and Governance Report" annually, stating its performance in the previous year. For more information on the Group's performance of environmental and social responsibilities in 2018, please refer to the "Social Responsibility Report (ESG Report)" to be published by the Company subsequently.

IV. INVESTOR RELATIONS

With a strong emphasis on investor relations, on the premise of conformity with relevant laws and regulations, the Group has always sought to ensure effective communications between investors and Management. Latest updates on the Group's business development and operations are released in a timely manner through a variety of means, and accurate information disclosure is being conducted in accordance with corporate governance principles.

I am deeply convinced that sustained and effective communications with investors will improve the management transparency and corporate governance standards, and create greater value for shareholders.

Chapter 3

Chairman's Statement

V. PROSPECTS

In 2019, China is still in an important period of strategic opportunity for development and has ample resilience, Economic structure should be optimized and upgraded, scientific and technological innovation capacity should be continuously enhanced, reform and opening-up should be deepened, and the process of green development should be accelerated. The economic fundamentals are remain sound over the long term. Joint efforts to pursue the Belt and Road Initiative are producing a pace-setting effect, cooperation mechanisms for countries along its routes are steadily improving, and economic cooperation, trade, and cultural and people-to-people exchanges under the Initiative have gathered momentum. Substantive steps were taken in the planning and building of the Guangdong-Hong Kong-Macao Greater Bay Area, Fully deepening mutually beneficial cooperation with the Mainland. Transportation and Logistics Industry, The current 10% tax rate of transportation industry will be reduced to 9%. The urban land use tax of logistics enterprises will be reduced, and the industry tax burden will be significantly reduced. At the same time, the government should clean up and standardize all kinds of fees related to enterprises, promote the reduction of logistics costs, and promote logistics enterprises to reduce costs and increase efficiency.

In 2019, the Group will deepen regional integration; continue promoting the integration of contract logistics, whereby achieving the sharing and coordination of resources between subsidiaries and contract logistics business. In the meantime, we will complete the digital planning with more investment in digitization and more efforts in R&D of new technology industrialization application. We will be in a better position to enhance operation quality by perfecting the systems. Additionally, we will strengthen the performance assessment and emphasize the result-oriented culture, to safeguard the promotion of the Group's transformation.

VI. APPRECIATION

On behalf of the Board, I hereby would like to take this opportunity to express my honest gratitude to all shareholders, partners, and customers for their lasting attention, supports and assistance. And also, I would like to extend my deepest appreciation and respect to the extraordinary efforts and treasurable contribution made by all the Directors, Supervisors and staff in 2018. Sinotrans will constantly reform and innovate, and endeavor to create more value.

Li Guanpeng

Chairman and President

Beijing, the PRC

25 March 2019

Chapter 4 Business Overview

I. PRINCIPAL OPERATIONS, BUSINESS MODEL AND INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal operations and business model of the Company

The Group is a leading integrated logistics services enterprise in the PRC whose principal businesses include freight forwarding, logistics, storage and terminal services, and other services. The geographical areas covered by the Group's businesses operation mainly include coastal regions and strategic locations under rapid growth in China. We also have an extensive domestic service network, as well as a well-covered overseas network. Its overseas network covers more than 30 countries, and over 60 self-owned entities. Domestically, it has the land of more than 12 million sq.m, warehouses in operation of over 6 million sq.m (among half of which are self-owned) and 8 river terminals with shoreline resources of about 3,900 meters. With comprehensive service networks source and the mode of integrated logistics services and professional capability, the Group is able to provide customers with omni channel integrated logistics services and become our customers' professional collaborative partner in logistics, maintaining its leading position amidst market competition.

1. Freight Forwarding

The freight forwarding business of Sinotrans primarily include sea freight forwarding, air freight forwarding and shipping agency. Sinotrans is one of the leading sea freight forwarding service providers in the world and the largest freight forwarding company in China, with an annual volume of sea freight forwarding of more than 10 million TEUs. With service networks throughout the world, the Group can provide integrated supply chain logistics services from all major ports in China to major trading countries and regions in the world. Meanwhile, Sinotrans is a leading company in the domestic air freight forwarding industry, providing door-to-door services between China and over 200 countries and regions around the global and has built a national unified aerial work platform with six ports including Beijing, Shanghai, Guangzhou, Chengdu, Zhengzhou and Hong Kong as the core. Sinotrans is also a leading shipping agency service company in China, and it has established not only branches in more than 70 ports in coastal areas in China and areas along the Yangtze River, but also representative offices in Hong Kong, Japan, Korea, Singapore, UK, Germany and Thailand, etc., rendering shipping companies with services such as entering and leaving ports, booking space, documentations, ship supply and other ship related businesses in ports.

In recent years, the Company has freed itself from the single model for its freight forwarding and related businesses, packaged service modules revolving customer needs and provided integrated supply chain services focusing on the products, and gradually developed a series of unique and competitive products through the combination of online and digital businesses.

Chapter 4

Business Overview

2. Logistics

Sinotrans offers tailored and integrated logistics solutions covering the entire value chain to customers based on their needs and ensures the successful implementation of such solutions. The logistics principal services include contract logistics, project logistics, chemical logistics and cold chain logistics.

(1) *Contract logistics*

Contract logistics customers are in such industries as fast-moving consumer goods, automobile and spare parts, electronic products, international procurement and medical health etc. The Company provides customers with supply chain management services containing purchasing logistics, inbound logistics, production logistics, outbounds logistics and reverse logistics based on long-term cooperation agreements. Managing a wide range of logistics center resources across the country, Sinotrans has established a contract logistics service system covering major economic areas of the country and has gradually extended the service network overseas, which enables the Company to provide customers with one-stop all-round contract logistics services.

(2) *Project logistics*

The overseas project logistics business of Sinotrans mostly cover the countries and regions along “The Belt and Road”. The Company furnishes the engineering procurement construction customers in China in the industries such as petrochemical, electric power, metallurgical mining, infrastructure and rail vehicles etc.. with design and implementation services of one-stop door-to-door logistics solutions for engineering equipment and materials from China to overseas destinations. The services provided include but are not limited to logistics plan design, sea transportation, air transportation, land transportation, warehousing, loading and unloading, packaging, customs declaration and inspection, port transit, bulk transportation, import and export policy consulting, etc..

3. Storage and terminal services

Sinotrans has rich resources of terminals and container yards, being an indispensable basis for the Company to offer high quality and efficient freight forwarding and comprehensive logistics services. As to the storage and terminal services of the Company, Sinotrans provide storage and related services for the customers.

4. Other services

Other services of the Company mainly comprise logistics equipment leasing, shipping, trucking and express services etc.

The Company fully initiated the digitalization transformation. In 2018, the internal system structure was fully updated, cloud service accounted for 40% of all the system applications, the Company completed the construction of the platform of corporate big data, internet of things and block chain; we also enforced the communication and connections with upstream and downstream customers, government entities and other cooperative parties and realized data docking with more than 50 shipping companies, more than 100 airline companies and more than 1,800 sea ports and air ports home and abroad, thus, the logistics visualization level was fully elevated. The Company achieved obvious performance in terms of intelligent logistics, the application of AI automatic document identification system reduced 25%-50% operation procedure, and increased 30%-50% efficiency; various technologies of automation, model identification and block chain and internet of things were integrated and put into use in many key scenarios including warehouse automation, supply chain finance and logistics tracking. We also built logistics resources cloud platform, realized 100% data collection of home and abroad warehouse, land, container yard resources which make it possible for the resources sharing and coordination. To improve the overall management and control capability and launch joint innovation with key customers, the Company initiated the construction of control tower project, the preliminary project increased the order tracking accuracy rate to 99%, and reduced half of the workload of customer service staff.

The Company put efforts in the development of e-commerce related business. Firstly, we accelerated the online operation of core business, container O2O volume increased 100.4%, among which, the number of accretive customers experienced rapid growth and the volume of assembling and dispatching in the port was doubled. Customs cloud realized single point "head to head" channel docking with national international trade, and implemented the regional customs service sharing center which has showed remarkable regional outcome. Secondly, cross-border e-commerce logistics services added 6 new service routes including Saudi Arabia, the United Arab Emirates, Korea, Poland, Vietnam and Thailand routes, and operated 21 route products based on the existing routes, resulting in 82.5% revenue increased and 65.4% volume increased in cross-border e-commerce logistics business. Thirdly, the Company joined "The state-owned Enterprise E-commerce Alliance" and "WCA", actively explored the jointly development model of B2B online and offline business in the concept of industrial internet.

Chapter 4

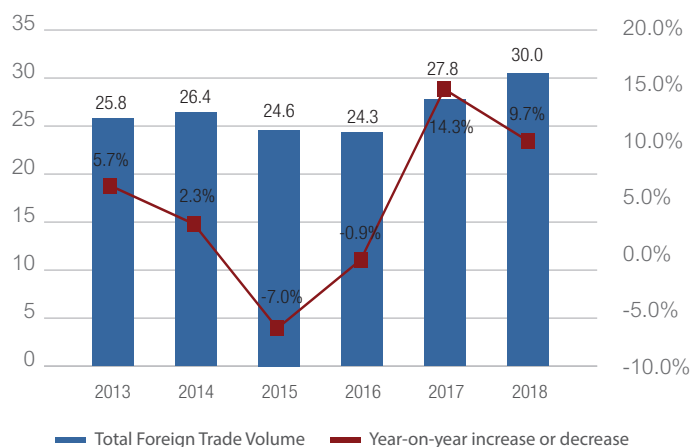
Business Overview

(II) Industry development

1. Development of the logistics industry promoted by great support and guidance from the government

“Construction of logistics infrastructure network” and “modern supply chain” are included in the report to the 19th CPC National Congress. It is indicated in the report that the construction of logistics infrastructure network shall be strengthened and new growth drivers and driving forces are required to be cultivated and formed in the field of modern supply chain. In 2018, government agencies issued a series of important documents on adjusting the transport structure, developing green transport and promoting supply chain innovation one after another. The general office of the State Council issued such documents as the Three-Year Action Plan for Promoting Transport Structural Adjustment (2018-2020) and the Notice on Printing and Issuance of the Three-Year Action Plan for Winning the Blue Sky Protection Campaign; where it is proposed that by 2020, China’s freight structure will be remarkably optimized, the volume of bulk cargo transported by railways and waterways will be significantly increased, the collector-distributor volume of port and railway as well as the volume of multi-modal container traffic will be on the rapid rise, and breakthroughs will be made in the adjustment of transport structure in key regions, so as to make the Beijing-Tianjin-Hebei Region and surrounding areas a national demonstration area for the adjustment of transport structure. Eight ministries including the Ministry of Commerce issued the Notice on Carrying out Supply Chain Innovation and Application Pilot, proposing that the modern supply chain should become an important area to cultivate new growth drivers and driving forces, a focus for supply-side structural reform, and an important carrier for the construction of “The Belt and Road” and the formation of a new pattern of comprehensive opening up.

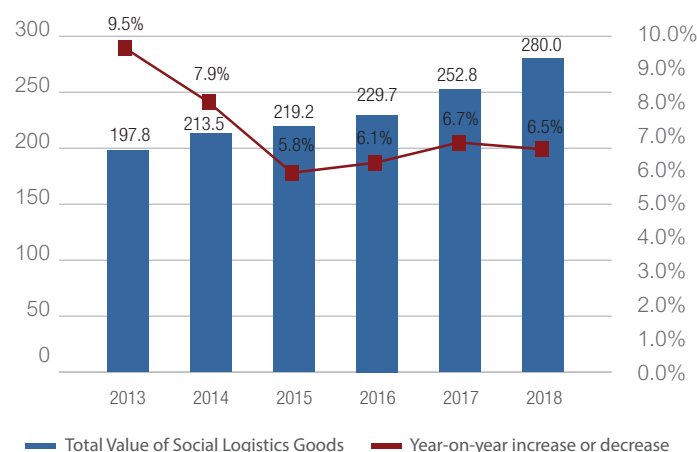
The Changes of China’s Total Foreign Trade Volume from 2013 to 2018



2. Steadily expanded logistics market scale with steadily improved quality

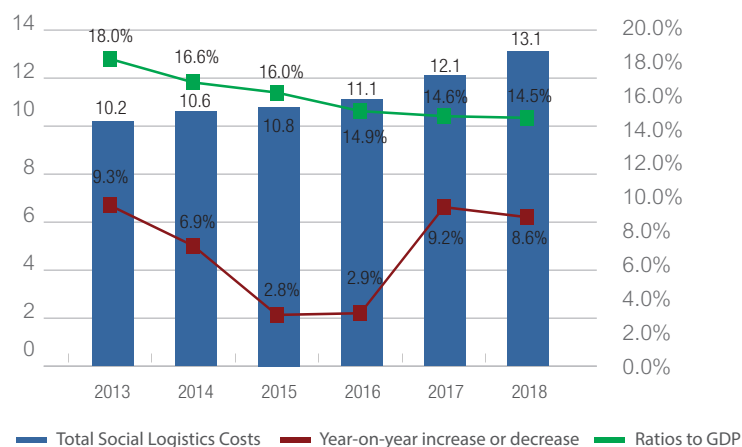
In 2018, China's logistics industry was growing steadily on the whole, its operating environment was further improved, and the growth trend of logistics demand was still stable. China Logistics Information Center estimated that in 2018, the total value of social logistics goods in China reached approximately RMB280 trillion, representing a year-on-year increase of approximately 6.5% in terms of comparable prices. The growth rate was lower than that of the same period last year.

The Changes of Total Value of Social Logistics Goods from 2013 to 2018



We have noticed from the Press Reference of the 19th China International Transportation and Logistics Expo that in 2018, the total social logistics cost in China reached approximately RMB13.1 trillion, representing a year-on-year increase of approximately 9%. The growth rate was lower than that of the same period last year, but higher than that of total logistics and current GDP. In 2018, the ratio of the total social logistics cost in China to GDP was approximately 14.5%, which was lower than that of the same period last year, having been declining for five consecutive years. The “cost reduction” of the logistics industry achieved substantial results, and the operation quality had been continuously improved.

The Changes of Total Social Logistics Costs and Ratios to GDP from 2013 to 2018



Chapter 4

Business Overview

In 2018, good results were achieved in the structural reform of logistics demand, and we accelerated the adjustment of transport structure, the transformation and upgrading of driving forces. In the field of consumption, logistics became the vital momentum for logistics demand, with e-commerce, express delivery and other logistics demands growing rapidly. The driving force for the development of industrial logistics had been continuously transformed. The logistics of high-tech and equipment manufacturing industries remained in the lead. And pharmaceutical industry logistics and computer industry logistics demand grew rapidly.

II. EXPLANATION ON SIGNIFICANT CHANGES TO MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

As for Significant changes to major assets of the Company during the reporting period, please refer to “(III) Analysis of assets and liabilities” of “II Main business performance during the reporting period” in “Chapter 5 Management Discussions and Analysis of Business Performance (Report of Directors)”.

Including: Overseas assets RMB20.16 billion, accounting for 32.78% of the total assets.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

1. Business and Brand Advantages

Over the years, the Group has focused on the development of integrated logistics service, while continuing to further innovate and transform. It has also established stable and long-term business relationships with a number of customers and suppliers both at home and abroad. With the capabilities of providing integrated logistics services covering sea, road and air channels as well as end-to-end and integrated logistics services, the Group has good business and brand advantages among the peers.

2. Network and Resource Advantages

The Group owns logistics centers, container freight stations, terminals and other logistics resources in coastal ports, key cities in China and relevant overseas regions. Sinotrans is constructing domestic operation regional entities, namely East China, South China, Central China, North China and Northeast China. The Group operates its businesses in all the provinces and regions in China, along with its overseas entities located in Asia, Europe, America, Africa and Oceania, all of which actively interact with the five domestic regional entities in China. The Group will also coordinate with finance, trade, shipping and ports businesses worldwide under CMG to implement industry-finance integration and industry-industry collaboration, so as to provide customers with access to global logistics services.

3. Talent and Service Advantages

The Company has a group of logistics professionals and a high-caliber management team to adapt to ever-changing customer demands, industrial innovation and cross-border competition and to constantly provide customers with superior logistics services. Having great logistics solution designs and the capacity of implementation, the Company has accumulated extensive experience in industrialized services and achieved good results, including engineering logistics, fast-moving consumer goods and retail industry, electronic communication and professional logistics sectors such as high-tech industry, chemical industry, automobile and spare parts industry, cold-chain transport, special transport, LTL express, convention and exhibition event logistics etc.

4. Innovation and Technical Advantages

The Company is committed to forging a world-class intelligent logistics platform corporation. By leveraging logistics whole-scene advantages of whole-region, whole-process and integrated online and offline channels, along with algorithm advantages, the Company has achieved noticeable results in the development and application of artificial intelligence, block chain, cloud computing, big data and IoT new technologies and the promotion of intelligent logistics applications like intelligent storage and intelligent transport. The Company strives to expedite the innovation and development of its E-commerce related business and accelerate the construction of digitalization of existing principal operations, platform and ecosphere operation. Rapid growth was achieved in “Y2T” Platform, NTOCC platform of Sinotrans and Sinotrans customs cloud. *“China Intelligent Logistics Development Report in new Era”* was jointly issued by the Company and CPAG in 2018, in which a “Sinotrans Initiative” for China’s intelligent logistics in the new era is offered.

Chapter 5 Management Discussion and Analysis of Business Performance (Report of the Board of Directors)

I. DISCUSSION AND ANALYSIS OF BUSINESS PERFORMANCE

Overview of operation

In 2018, the Group adhered to the “13th Five-Year” Plan, and worked on quality enhancement, transformation, integration, innovation, reform, and empowerment, with the joint efforts of all the staff, thereby creating positive developments in various respects and opening up a brand-new landscape of development.

- Enhancement in both quality and efficiency for a fast and enduring success. By means of expending revenue, lowering costs and expenditures, reduction and leveraging intelligence, the quality and efficiency was improved, which in turn drove the continuous refinement of the operational quality of the Company.
- Visualization on strategy ignited efficiency. (1) Leveraging the visualization of strategies, the Company expanded the freight forwarding business into a whole supply chain service, upgraded its logistics to a value chain optimization service, built the e-commerce platform and ecosystem, and centralized the network resources for its businesses based on channel construction; (2) the Company put its strategies into practice in order by using the system of strategy management, which steadily enhanced the operational quality, facilitated continuous improvement of customer structure, and released the effects of the strategies; and (3) the Company kept reviewing its business segment strategies and flexibly adjusted them, and even further clarified the positioning and direction for business transformation.
- Breakthroughs in transformation and reorganization. The path for the business segment transformation was further detailed. (1) The productization of freight forwarding and related business achieved an initial success; (2) the logistics service improved the value chain integration capability; (3) the digitalization promoted the e-commerce business and accelerated the on-line principal operations to a full extent; and (4) the building of five channels quickened the unified network operation.
- Breakthroughs in integration. To forge the single integrated logistics operation platform of China Merchants Group, the Company expedited the integration of the resources and made some substantive achievements in 2018. (1) The integration among entities of logistics services was underway; (2) the integration of the five regional subsidiaries came into shape.
- Digitalization-driven smart logistics. The Company was driven to transform from a labor-intensive enterprise into a technology-intensive one by virtue of intensifying innovation and focusing on the development of digitalization and smart logistics. (1) The innovation mechanism was improved day by day; (2) the digitalized transformation was going full blast; (3) the A+H capital operation platform was established; and (4) the smart logistics was markedly effective.

- Heightening of fundamental management and empowerment. The fundamental management was fully boosted. (1) The BMS system was on a fast track to online operation; (2) The subsidiaries stepped up efforts to solidify the establishment of three defenses of risk control and internal control.

The table below sets forth certain operation statistics of the Group by business segments for 2018 and the previous year

	For the year ended 31 December	
	2018	2017
Freight Forwarding		
Sea Freight Forwarding (in ten thousand TEUs)	1,304.2	1,168.2
Air Freight Forwarding (in million kilograms)	530.1	533.3
Shipping Agency (in ten thousand TEUs)	2,654.9	2,436.5
(in million tonnes)	378.1	338.7
Logistics		
Contract Logistics (in million tonnes)	41.7	36.6
Project Logistics (in million tonnes)	10.3	8.2
Chemical Logistics (in million tonnes)	3.3	2.7
Cold chain Logistics (in million tonnes)	1.1	1.1
Storage and Terminal Services		
Warehouse and Yard Operation		
Containers (in ten thousand TEUs)	850.2	881.5
Bulk Cargo (in million tonnes)	15.8	17.3
Terminal Service (in ten thousand TEUs)	388.3	401.9
Other services		
Pallet Leasing (in ten thousand units per day)	2,578.9	2,293.2
Container Leasing (in ten thousand TEUs per day)	8.4	8.2
Shipping (in ten thousand TEUs)	284.6	246.6
Trucking (in ten thousand TEUs)	84.8	88.8
Express Services (in ten thousand units)	8,982.5	6,134.4

Freight Forwarding

External revenue from the Group's freight forwarding business increased by 3.25% to RMB47.55 billion of which, about 80% was contributed by export business during 2018, compared to RMB46.06 billion in 2017; and the segment result amounted to RMB1,114 million, up by 1.09% from RMB1,102 million in 2017, which was mainly attributable to the increase of freight forwarding business volume. The Group's sea freight forwarding business mainly covers the routes between China and in Asia, Europe and America, accounting for approximately 47%, 18% and 16% of the sea freight forwarding business respectively.

Logistics

In 2018, external revenue from the Group's logistics services amounted to RMB20.49 billion, representing an increase of 8.75% from RMB18.84 billion in 2017; and the segment profit amounted to RMB697 million, representing an increase of 7.33% from RMB650 million in 2017, which were mainly driven by the increase of logistics services volume.

Chapter 5

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

Storage and Terminal Services

In 2018, external revenue from the Group's storage and terminal services amounted to RMB2.504 billion, representing an increase of 7.72% from RMB2.325 billion in 2017. Segment profit from the Group's storage and terminal services amounted to RMB376 million, representing an increase of 8.48% from RMB346 million in 2017, which was mainly attributable to increased content of value-added services provided by the Group during the reporting period.

Other Services

In 2018, the Group's external revenue from other services (mainly from logistics equipment leasing, shipping, trucking and express service) amounted to RMB6.76 billion, representing an increase of 13.95% from RMB5.93 billion in 2017; Segment profit from the Group's other services amounted to RMB370 million, representing a decrease of 5.83% from RMB393 million in 2017 which was mainly attributable to the decrease in trucking volume of the Group and the decrease in profit in automobile transportation and shipping and trucking caused by factors like fluctuation in fuel oil.

The Group's express service related joint venture recorded an investment gain of RMB1.05 billion, representing a year-on-year increase of 17.64%.

Segment Revenue and Result Contribution from Sub-Business Segments

Business Segment	Sub-Segment	Contribution to Segment Revenue	Contribution to Segment Profit
Freight Forwarding	Sea Freight Forwarding	81.77%	59.72%
	Air Freight Forwarding	10.02%	8.73%
	Shipping Agency	8.21%	31.55%
	Total	100%	100%
Logistics	Contract Logistics	71.64%	71.55%
	Project Logistics	17.74%	21.04%
	Chemical Logistics	8.15%	10.17%
	Cold Chain Logistics	2.47%	-2.76%
	Total	100%	100%
Storage and Terminal Services	Warehouse and Yard Operation	68.56%	54.35%
	Terminal Service	31.44%	45.65%
	Total	100%	100%
Other Services	Pallet Leasing	19.98%	103.79%
	Container Leasing	1.75%	10.84%
	Shipping	15.11%	5.15%
	Trucking	30.00%	-27.91%
	Express Service	33.16%	8.13%
	Total	100%	100%

II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD

In 2018, the Group achieved turnover of RMB77.312 billion, net profit of RMB3.199 billion and net profit attributable to shareholders of RMB2.704 billion, representing a year-on-year growth of 5.68%, 7.3% and 17.36% respectively.

(I) Analysis on Principal Operations

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

In RMB

Item	Amount for the current period	Amount for the same period of last year	Change (%)	Analysis of reason for changes
Operating income	77,311,836,514.83	73,157,512,716.11	5.68	Mainly because of the year-on-year growth of freight forwarding and logistics businesses volume
Operating cost	71,767,219,812.34	67,608,278,134.47	6.15	Mainly because of the year-on-year growth of direct transportation cost and operating expense caused by the increase in business volume
Sales expense	931,060,960.57	836,941,681.23	11.25	Mainly because of the year-on-year growth of labor cost
Administrative expense	2,812,080,135.14	2,497,084,388.47	12.61	Mainly because of the increase of labor cost and the year-on-year growth of the service fees for consultation and evaluation services
R&D expense	23,925,038.10	1,294,905.02	1,747.63	Mainly because of the increase of R&D expense caused by the independent development of new business system
Financial expense	458,590,051.38	434,103,526.54	5.64	Mainly because of the increase of interest expenditure and service fee of factoring receivables
Net cash flow from operating activities	2,013,393,334.59	3,005,727,364.91	-33.01	Mainly because of the increase of RMB875 million in the account payable to suppliers, and the increases of labor cost and expense

Chapter 5

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

Item	Amount for the current period	Amount for the same period of last year	Change (%)	Analysis of reason for changes
Net cash flow from investment activities	4,875,518,151.31	-2,441,731,891.49	N/A	Mainly because: The Company recovered wealth management products at the beginning of the year, with cash inflow of RMB1.6 billion; The Company disposed of Loscam International and received cash of RMB1.776 billion this year; The Company disposed of stocks of China Merchants Americold, and received cash of RMB792 million this year; The Company invested RMB351 million into China Merchants Hainan Development Investment Co., Ltd. this year.
Net cash flow from financing activities	-1,295,120,599.19	-153,043,731.83	N/A	Mainly because: The Company paid the equity purchase price of RMB881 million to Sinotrans & CSC this year (China Merchants Logistics acquired 8 non-listing enterprises of Sinotrans & CSC); The Company paid equity purchase price of RMB2.31 billion to China Merchants Holding (Hong Kong) Company Limited (China Merchants Logistics acquired China Merchants Loscam)

2. Income and Cost Analysis

☒ Applicable ☐ Not applicable

(1). Principal Businesses by Sector and by Product

In RMB

By sector	Principal businesses by sector			Increase/ decrease of operating income from last year (%)	Increase/ decrease of operating cost from last year (%)	Increase/ decrease of gross margin from last year (%)
	Operating income	Operating cost	Gross margin (%)			
Logistics industry	76,580,592,432.73	71,158,208,163.12	7.08	5.53	5.99	Decreased by 0.41

By product	Principal businesses by product			Increase/ decrease of operating income from last year (%)	Increase/ decrease of operating cost from last year (%)	Increase/ decrease of gross margin from last year (%)
	Operating income	Operating cost	Gross margin (%)			
freight forwarding	47,255,482,593.10	44,924,992,930.86	4.93	3.36	3.69	Decreased by 0.30
logistics	20,148,915,127.63	18,599,140,373.23	7.69	7.93	8.87	Decreased by 0.80
Storage and terminal services	2,439,881,972.58	1,764,938,049.96	27.66	7.19	5.93	Increased by 0.86
Other services	6,736,312,739.42	5,869,136,809.07	12.87	14.12	16.07	Decreased by 1.46

Description of conditions of principal businesses by sector and by product

☐ Applicable ☒ Not applicable

(2). Analysis Statement of Production and Sales

☐ Applicable ☒ Not applicable

Chapter 5

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

(3). Statement of Cost Analysis

In RMB

By sector	Cost components	Amount for the current period	Percentage in total cost for current period (%)	Amount for the same period of last year	Percentage in total cost for the same period of last year (%)	Change in
						percentage of the amount as compared with the same period last year (%)
Logistics industry	Transportation and relevant expense	64,217,661,561.64	90.25	61,201,683,251.03	91.16	4.93
Logistics industry	Labor cost	3,625,936,439.07	5.10	3,359,802,594.57	5.00	7.92
Logistics industry	Depreciation and amortization	1,163,584,317.09	1.64	1,111,075,300.28	1.65	4.73
Logistics industry	Repair and maintenance expense	64,498,927.35	0.09	27,255,186.64	0.04	136.65
Logistics industry	Fuel expense	384,625,071.72	0.54	238,139,536.24	0.35	61.51
Logistics industry	Rental cost	561,675,301.05	0.79	321,158,861.82	0.48	74.89
Logistics industry	Safe production expense	41,436,436.50	0.06	16,362,523.05	0.02	153.24
Logistics industry	Other operating expenses	1,098,816,703.15	1.54	859,184,983.67	1.28	27.89

Description of other conditions for cost analysis

☐ Applicable☒ Not applicable

(4). Key customers and Key Suppliers

☒ Applicable☐ Not applicable

Sales to top five customers amounted to RMB5,804.5610 million, accounting for 7.51% of the total sales in the year; Among the sales to top five customers, the sales to related parties amounted to RMB0 million, accounting for 0% of the total sales in the year.

In RMB

Customer	Total sales	Percentage in total sales of the year	Related party or not
Company 1	238,576.86	3.09%	No
Company 2	173,528.90	2.24%	No
Company 3	60,862.98	0.79%	No
Company 4	55,015.77	0.71%	No
Company 5	52,471.58	0.68%	No
Total	580,456.10	7.51%	/

Purchases from top five suppliers amounted to RMB11,326.6113 million, accounting for 15.78% of the total purchases in the year; Among the purchases from top five suppliers, the purchases from the related parties amounted to RMB0, accounting for 0% of the total purchases in the year.

In RMB

Purchaser	Total purchases	Percentage in total purchases of the year	Related party or not
Company 1	339,968.89	4.74%	No
Company 2	274,711.55	3.83%	No
Company 3	209,188.86	2.91%	No
Company 4	207,807.97	2.90%	No
Company 5	100,983.86	1.41%	No
Total	1,132,661.13	15.78%	/

3. Expense

☒ Applicable ☐ Not applicable

For details, please refer to "Analysis Statement of Changes to Relevant Items in Statements of Income and Cash Flow".

4. R&D investment

Statement of research and development (R&D) investment

☒ Applicable ☐ Not applicable

In RMB

Expensed R&D investment for the current period	23,925,038.10
Capitalized R&D investment for the current period	18,715,541.10
Total R&D investment	42,640,579.20
Percentage of total R&D investment in operating income (%)	0.06
Number of R&D employees in the Company	289
Percentage of R&D employees in total number of the Company (%)	0.79
Percentage of capitalized R&D investment (%)	43.89

Description

☐ Applicable ☒ Not applicable

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5. Cash Flow

✓Applicable

☐Not applicable

	For the year ended 31 December	
	2018 In RMB million	2017 In RMB million
Net cash generated from operating activities	2,013.39	3,005.73
Net cash used in investing activities	4,875.52	-2,441.73
Net cash used in financing activities	-1,295.12	-153.04
Exchange gains on cash and cash equivalents	14.65	-25.52
Net increase in cash and cash equivalents	5,608.44	385.43
Cash and cash equivalents at the end of the period	15,317.82	9,709.38

Operating Activities

During the year ended 31 December 2018, net cash inflow generated from operating activities decreased by 33.01% from RMB3.006 billion in 2017 to RMB2.013 billion in 2018, which was mainly due to the increase of RMB236 million in prepayments and other current assets (the same period in 2017: increase of RMB85 million); the increase of RMB338 million in remuneration payables the decrease of RMB875 million in trade payables (the same period in 2017: increase of RMB1.846 billion), increase the payment of tax expense of RMB217 million, the decrease of RMB325 million in trade receivables, and the increase of RMB259 million in contractual liabilities (the same period in 2017: decrease of RMB101 million), the decrease of RMB92 million in other receivables, partially offset by the increase of other payables and other current liabilities of RMB23 million (the same period in 2017: decrease of RMB477 million).

Investment Activities

The net cash inflow generated from investment activities for the year ended 31 December 2018 amounted to RMB4,876 million, mainly including RMB1,600 million of recovery of financial assets held for trading at the beginning of the period, RMB2,225 million of recovery of over-three-month time deposits at the beginning of the period, RMB994 million of dividends received from joint ventures and associates, RMB427 million of cash received from the disposal of property, machinery, equipment, intangible assets and land use rights, RMB1,776 million of cash received from the disposal of Loscam International, RMB792 million of cash received from the disposal of ordinary shares of Americold, partially offset by RMB2,283 million of purchases of property, machinery and equipment, RMB302 million of purchases of intangible assets and other assets, RMB351 million of cash investment in China Merchants Hainan Development Investment Co., Ltd.

As of the year ended at 31 December 2017, the net cash outflow from investment activities amounted to RMB2.442 billion, mainly including RMB3.249 billion for purchase of property, machines and equipment, RMB800 million for purchase of financial assets held for trading, the increase in over-three-month time deposit of RMB879 million, partially offset by RMB889 million of dividends from associates and joint ventures, RMB971 million of proceeds from the disposal of financial assets available for sale, and RMB567 million of cash inflow from the disposal of property, machines and equipment, intangible assets and land use rights.

Financing Activities

In 2018, the net cash outflow from financing activities amounted to RMB1.295 billion, mainly including RMB6.323 billion for repayment of loans, RMB881 million of payment for the transfer of shares in Sinotrans & CSC, RMB450 million of payment for loan from our affiliate SINOTRANS SHIPPING INC., RMB2.31 billion of payment of advances for the Loscam project of China Merchants Holding (Hong Kong) Company Limited, RMB962 million of dividend payment, RMB751 million of payment of borrowings and bonds interest, partially offset by RMB9.689 billion of new borrowings and transaction payment of RMB692 million received from the factoring company.

In 2017, the net cash outflow from financing activities amounted to RMB153 million, mainly including RMB1 billion for repayment of long and short-term bonds, RMB4.529 billion for repayment of borrowings, RMB2.87 billion for other payables to ultimate controlling company, RMB830 million of dividend payment, and RMB391 million of payment of borrowings and bonds interest, partially offset by RMB9.38 billion of new borrowings.

6. Other Instructions

(1) Income Tax

The Group's income tax expense increased by 15.75% from RMB0.786 billion in 2017 to RMB0.909 billion in 2018, mainly due to profit increase and income tax on stock disposal income.

(2) Capital Expenditure

In 2018, the Group's capital expenditure was RMB2,629 million, mainly including RMB1,063 million used for the construction of warehouses, terminals, yards, and logistics centers, RMB1,105 million used for purchase of transportation vehicles and equipment, RMB330 million used for updating and purchasing IT investment and office facilities, and RMB130 million used for acquisition of properties and others.

(3) Securities Investment

As at 31 December 2018, the listed equity investments hold by the Group was RMB0.154 billion, the details of which are set out in Note X.12 to the financial statement.

(4) Contingent Liabilities and Guarantees

As at 31 December 2018, contingent liabilities mainly comprised outstanding lawsuits of the Group arising from its ordinary course of business amounting to RMB53.37 million (2017: RMB46.90 million).

Please see "XV. Major Contracts and Performance Thereof – (II) Guarantees" under "Chapter 6 Important Matters" of the Annual Report for details of the guarantees.

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(5) *Borrowings and Bonds*

As at 31 December 2018, the Group's total borrowings amounted to RMB11.87 billion (31 December 2017: RMB10.09 billion), which comprised RMB3.935 billion denominated in Renminbi, RMB7.336 billion in Hong Kong dollars and RMB0.601 billion in US dollars. Of the above bank borrowings, RMB1.166 billion shall be payable within a year.

As at 31 December 2018, the Group's total bonds amounted to RMB3.497 billion (31 December 2017: RMB3.496 billion). Of the above bonds, none shall be payable within a year.

The details of the Group's borrowing and bonds as at 31 December 2018 are set out in Notes X. 25, 33 and 34 to the financial statements.

(6) *Secured and Guaranteed Borrowings*

The details of the Group's secured and guaranteed borrowings as at 31 December 2018 are set out in Note X. 25 and X. 33 to the financial statements.

(7) *Debt-to-Asset Ratio*

As at 31 December 2018, the debt-to-asset ratio of the Group was 54.71% (2017: 58.55%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2018.

(II) Significant Changes to the Profit Resulting from Non-principal Business

☒ Applicable ☐ Not applicable

The influence of non-principal business to the profit (non-recurrent) approximately RMB1.598 billion during the reporting period, where as follow:

1. The Group booked the equity disposal gain of RMB543.681 million by transferring 55% of the equity of Loscam International. The fair value of the remaining equity held by the Group was determined as RMB2,012.021 million based on the consideration of equity transfer. The difference of RMB660.599 million between the fair value of the remaining equity and the fair value of the identifiable net asset was recognized in the investment income for the current period.
2. The Group converted the preference shares of Americold Realty Trust ("Americold") held by it into ordinary shares in 2018 and sold all these shares upon the expiry of the lock-up period. The proceeds from the disposal of these shares amounted to RMB173.870 million. The Group adopted the comparable company method under the market comparison approach to calculate the fair value of the preferred shares of Americold held by it. In 2018, the recognized proceeds from the change of fair value of these shares amounted to RMB236.004 million.
3. During the reporting period, the non-recurring government subsidy recognized in profit or loss for the current period was RMB152 million, and the litigation loss incurred was RMB172 million.

(III) Analysis of Assets and Liabilities✓Applicable ☐ Not applicable**1. Assets and Liabilities**

Unit: Yuan

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total asset (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)
Held-for-trading financial assets	400,140,176.57	0.65	2,381,911,520.22	3.82	-83.20
Non-current assets due within one year	74,928,213.64	0.12	2,424,731.04	0.00	2,990.17
Long-term equity investments	6,973,522,714.05	11.34	4,583,783,297.12	7.35	52.13
Investments in other equity instruments	154,458,821.08	0.25	327,064,735.04	0.52	-52.77
Other non-current financial assets	493,936,852.61	0.80	226,192,723.59	0.36	118.37
Investment properties	2,478,006,337.36	4.03	963,664,060.56	1.55	157.14
Construction in progress	1,997,349,529.53	3.25	3,495,556,994.29	5.61	-42.86
Goodwill	169,670,069.78	0.28	2,508,581,429.57	4.02	-93.24
Deferred income tax assets	212,892,635.40	0.35	328,129,324.54	0.53	-35.12
Other non-current assets	38,513,050.27	0.06	285,442,729.58	0.46	-86.51
Short-term borrowings	2,231,743,549.91	3.63	1,499,248,448.97	2.41	48.86
Other payables	3,045,689,490.76	4.95	6,191,924,523.81	9.93	-50.81
Non-current liabilities due within one year	1,166,302,753.40	1.90	2,441,523,391.54	3.92	-52.23
Long term borrowings	8,473,129,636.53	13.78	6,609,292,439.50	10.60	28.20
Long-term payables	656,231,579.79	1.07	809,425,056.59	1.30	-18.93
Long-term payable compensation to employees	3,043,019.68	0.00	45,418,888.50	0.07	-93.30
Deferred income tax liabilities	11,590,458.74	0.02	232,562,611.22	0.37	-95.02

Other explanations:

- (1) The change in held-for-trading financial assets was primarily due to the fact that the preference shares held by the Group in Americold were converted to ordinary shares in 2018 and sold all these shares upon the expiry of the lock-up period, which resulted in the decrease by RMB382 million in held-for-trading financial assets; RMB1.60 billion was recovered when short-term wealth management products were due.

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- (2) The change in non-current assets due within one year was primarily due to the fact that Dongguan Container Terminals Co., Ltd. a joint venture of the Group, obtained a loan of RMB48.04 million in 2016, which was due in November 2019 with the principal paid on a lump-sum basis, and thus was reclassified in full to non-current assets due within one year.
- (3) The change in long-term equity investments was primarily due to the fact that our Group's disposal of 55% equity during the reporting period resulted in an increase in long-term equity investments of RMB2,012 million and the investment income recognized under equity accounting method was RMB1,171 million.
- (4) The change in investments in other equity instruments was primarily due to the decrease in the fair value of Air China Limited and BOE Technology Group Co., Ltd. held by the Group during the reporting period.
- (5) The change in other non-current financial assets was primarily due to the additional investment of RMB160 million in China Merchants Logistics Synergy Limited Partnership and the investment of RMB16.7779 million in Zhongbai Industry Investment Fund.
- (6) The change in construction in progress and investment property was primarily due to the fact that it was converted to investment property of RMB1,553 million.
- (7) The change in goodwill was primarily due to the fact that Loscam International ceased to be included in the scope of consolidation of the Group at the end of the year, whose balances of goodwill of RMB2,204 million was deducted from the Group. The Group performed an impairment test on goodwill at the end of the year. The goodwill of Shenzhen Henglu Logistics Co., Ltd.* (深圳市恒路物流股份有限公司) was formed when the Company acquired Shenzhen Henglu Logistics Co., Ltd. in 2015 through a company under non-common control, and was evaluated by Guozhonglian Asset Appraisal and Valuation Company Limited. The number of the valuation report was GuoZhongLianPingBaoZi (2019) No. 2-0087 with valuation benchmark date of 31 December 2018 on which the recoverable value of the asset group of Shenzhen Henglu Logistics Co., Ltd. was evaluated by assets-based method and amounted to RMB121,696,800. Therefore, the goodwill was provisioned in full during the year.
- (8) The change in deferred income tax assets was primarily due to the decrease of RMB67,345,800 in deductible losses during the year, the decrease of RMB41,192,200 in deductible temporary differences of provision for outstanding litigation and the decrease of RMB33,097,500 in other deductible temporary differences.

- (9) The change in other non-current assets was primarily due to the fact that the Company and Sinoair (a listed company of A shares) respectively passed on October 2006 the share reform plan, pursuant to which, the Company, as the shareholder of non-tradable shares of Sinoair, paid 2.9 shares for every 10 tradable shares to all holders of tradable shares whose name registered on the member register on Share Record Date when the reform plan was implemented. Before the implementation, the Company held approximately 70.35% of the shares of Sinoair. As of the end of the implementation, the Company transferred a total of 62,427,204 non-listed shares of Sinoair to shareholders of A-share of Sinoair, accounting for 6.9% of the total shares in issue of Sinoair and 9.8% of the non-listed shares held by the Company in Sinoair. Upon the transfer, the Company held approximately 63.46% of the shares of Sinoair. The Group recognized RMB224,302,824.00 for the floating of non-tradable shares under equity split during the transfer, which was stated at non-current assets. As of 31 December 2018, Sinoair terminated its listing process, and thus its floating of non-tradable shares under equity split was written down by the Company against capital reserve at the end of the period.
- (10) The change in short-term borrowings was primarily due to the Wide Shine Development's increase of RMB683 million in short-term borrowings and Sinotrans Chemical Logistics' increase of RMB6.42 million.
- (11) The change in other payables was primarily due to the decrease of RMB2,779 million in accounts due to related parties and the increase of RMB692 million in temporary borrowings.
- (12) The change in non-current liabilities due within one year was primarily due to the decreases of RMB812 million in long-term borrowings due within one year and RMB450 million of other non-current liabilities due within one year.
- (13) The increase in long-term borrowings was mainly attributable to the collateralised borrowing of China Merchants Logistics, a subsidiary of the Company.
- (14) The change in long-term payables was primarily due to a decrease in borrowings of RMB591 million from related parties, mainly including repayment for a borrowing of RMB450 million to China Merchants and a borrowing of RMB50 million to China Merchants Energy Shipping.
- (15) The change in long-term payable compensation to employees was primarily due to the decrease of RMB48.2472 million resulting from the change in the scope of consolidation of Loscam International.
- (16) The decrease in deferred income tax liabilities during the year was primarily due to the disposal of China Merchants Loscam International Holdings Company Limited resulting in a decrease of RMB221 million.

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2. Restriction on Material Assets as of the End of the Reporting Period

☒ Applicable ☐ Not applicable

The major restricted assets of the Company are mainly consisted of monetary capital such as guaranteed deposit and collateralized assets for obtaining long-term and short-term borrowings from banks. Which mainly include:

- (1) The capital in the accounts of the subsidiaries of the Group, which was under supervision and with limited right of use, amounted to RMB210 million at the end of the year, among which, guaranteed deposit amounted to RMB130 million, deposits for letters of credit of RMB2.0092 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 an agreement of facilities 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, while Global Traffic entered into a debenture with China Development Bank on 26 June 2015, under which the Global Traffic was the charger. As of 31 December 2018, the construction in progress with limited ownership and right of use at the beginning of the year was completed and converted to investment property.

For details, please refer to Note X.23 to the financial statements.

3. Other Instructions

☐ Applicable ☒ Not applicable

(IV) Analysis of the Industry Operation Information

☒ Applicable ☐ Not applicable

For details, please refer to “I. Principal Operations, Business Model and Industry of the Company During the Reporting Period” under Chapter 4 “Business Overview”.

(V) Analysis of Investments Situation**1. Overall Analysis of Outward Equity Investments**

☒ Applicable ☐ Not applicable

The Group’s long-term equity investment at the end of the period amounted to RMB6,974 million, representing an increase of RMB2,390 million or 52.13% as compared with RMB4,584 million at the beginning of the year. The increase was primarily due to an increase in long-term equity investments of RMB2,012 million incurred from the disposal of 55% equity of Loscam International.

(1) Material Equity Investment

☒ Applicable ☐ Not applicable

For details, please refer to “(III) Related Party Transactions in the Course of Acquisition and Disposal of Assets or Equity” and “(IV) Significant Related Party Transactions of Outward Equity Investments” under “chapter 6 Important Matters” in “XIV. Related Party Transactions and Significant Related Party Transactions”.

(2) Material Non-Equity Investment
☐ Applicable ☒ Not applicable
(3) Financial Assets at Fair Value
☒ Applicable ☐ Not applicable

Item	Source of funds	Cost at the beginning of the year	Acquisition during the period	Addition	Disposal during the period	Change in fair value			Investment income
						Cost at the end of the period	At the beginning of the year	At the end of the year	
Wealth management	Self-financing	2,000,000,000.00	-	-	1,600,000,000.00	400,000,000.00	-	-	-
China United Tally Co., Ltd.	Self-financing	-	-	91,441,143.61	-	91,441,143.61	-	-	10,000,000.00
Taizhou Yiyao Sino Foreign 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	-	-	240,000.00
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	-	-	500,000.00
Chengdu Rongjie Technology Co., Ltd.* (成都蓉捷科技有限公司)	Self-financing	400,000.00	-	-	-	400,000.00	-	-	69,700.00
Nanjing Port Longtan Container Co., Ltd. Pingze Container Port Co., Ltd.* (平澤集裝箱碼頭有限公司)	Self-financing	184,626,449.99	-	-	-	184,626,449.99	-	-	1,050,000.00
Americold Realty Trust (US REIT) Preference shares	Self-financing	2,870,000.00	-	-	-	2,870,000.00	-	-	118,060.00
China Merchants Port Holdings Company Limited	Self-financing	302,579,763.56	-	-	302,579,763.56	-	79,278,884.44	-	190,567,762.27
China Ferry Terminal Services Limited	Self-financing	8,359.00	-	403.00	-	8,762.00	44,513.22	31,414.57	-
Zhongbai Industry Investment Fund	Self-financing	122,992.68	-	5,929.67	-	128,922.35	-	-	189,674.96
	Self-financing	-	16,777,930.74	-	-	16,777,930.74	-	-	-

Note: Please refer to Note 10(2), (12), (13) for details.

(VI) Material Assets and Equity Disposal
☒ Applicable ☐ Not applicable

On 25 October 2018, China Merchants Shipping and Enterprises Company Limited (hereinafter “China Merchants Shipping”), a subsidiary of the Group, China Merchants Logistics, CITIC Capital Maneuver Holdings Limited and FV Pallet Leasing Holding Ltd entered into the Sales and Purchase Agreement of 55 shares of China Merchants Loscam International Holdings Company Limited, pursuant to which, 55% of the equity in Loscam International was transferred at the agreed consideration of RMB2,475 million. The consideration is to be payable in US\$ at the exchange rate of USD against onshore RMB which was published by the Bank of China six days before the completion date. Please refer to the announcement dated 25 October 2018 published by the Company at www.hkex.com.hk of the Hong Kong Stock Exchange. China Merchants Shipping received the payment of USD358,363,300 for the equity transfer on 20 December 2018. The parties completed equity transfer prior to 31 December 2018, for which the Board of Directors conducted election and revised the Articles of Association, pursuant to which, Loscam International was changed from a subsidiary of the Company to an associate of the Company.

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(VII) Analysis of Major Holding Companies and Investees of the Company✓Applicable ☐Not applicable**1. Major Holding Subsidiaries**

Full name of subsidiary	Nature of business	Registered capital	Shareholding (%)	Total assets (RMB0'000)	Net assets (RMB0'000)	Operating income (RMB0'000)	Net profit (RMB0'000)
Sinotrans South China Co., Ltd.	Freight forwarding, logistics, and storage and terminal services	1,349,668,931.90	100.00	665,596.49	330,984.59	865,708.93	23,820.96
Sinotrans Eastern Company Limited	Freight forwarding, logistics, and storage and terminal services	1,120,503,439.18	100.00	519,102.11	234,976.95	1,709,182.75	31,356.13
Sinotrans Air Transportation Development Co., Ltd.	Air freight forwarding and express services	905,481,720.00	60.95	1,027,899.78	868,729.48	695,308.98	115,700.24
Sinotrans Central China Co., Ltd.	Freight forwarding, logistics, and storage and terminal services	645,339,941.77	100.00	422,526.56	167,894.52	913,576.44	23,350.01
China Merchants Logistics Holding Company Limited (Note 1)	Logistics and logistics equipment leasing	1,444,000,000.00	100.00	2,031,894.24	539,237.06	1,377,660.19	141,683.36

Note 1: China Merchants Logistics Holding Limited changed its name to "Sinotrans Logistics Co., Ltd." on 6 March 2019.

2. Major investees

Name of investee	Nature of business	Registered capital	Shareholding by the Company (%)	Total assets (RMB0'000)	Net assets (RMB0'000)	Operating income (RMB0'000)	Net profit (RMB0'000)
Joint ventures							
DHL Worldwide Express BV	Air express	US\$14.5 million	50.00	467,130.10	259,736.76	1,271,576.39	210,134.09
China Merchants Loscam International Holdings Co., Ltd.* (招商路凱國際控股有限公司)	Pallet leasing	US\$101	45.00	606,930.91	300,316.11	150,844.39	23,108.94
Wuhan Port Container Company Limited	Container loading and freight forwarding	RMB400 million	30.00	90,008.77	54,735.97	13,130.11	6,858.10

(VIII) Structured Entities Controlled by the Company☐Applicable ✓Not applicable

III. DISCUSSION AND ANALYSIS OF THE FUTURE DEVELOPMENT OF THE COMPANY

(1) Industry Landscape and Trend

☒ Applicable ☐ Not applicable

China's logistics industry has developed steadily over the years and the market expansion forged ahead. According to information issued on the press release of the 19th China International Transportation and Logistics Expo, China has made the world's largest logistics market. However, there is still room for improvement in logistics performance, technological innovation, as well as industrial supply chain and facilities and equipment, etc. compared with developed countries. For that purpose, China has set the strategic objective of becoming a "logistical power", and published the Opinions on Further Promoting Logistics Cost Reduction and Efficiency Enhancement to Promote the Development of the Real Economy (《關於進一步推進物流降本增效促進實體經濟發展的意見》), Three-Year Action Plan for Adjustment of Transportation Structure (《調整運輸結構三年行動計劃》), Three-Year Action Plan to Win the Battle for a Blue Sky (《打贏藍天保衛戰三年行動計劃》), the Guiding Opinions on Actively Promoting the Innovation and Application of Supply Chain (《關於積極推進供應鏈創新與應用的指導意見》), the Opinions on Comprehensively Advancing the Development of Green Transportation (《關於全面深入推進綠色交通發展的意見》), Three-Year Action Plan for Adjustment of Transportation Structure (2018-2020) (《推進運輸結構調整三年行動計劃(2018-2020年)》) in succession to support and guide logistics in policy. Pursuant to such documents, an intelligent, green and modern supply chain will be the emphasis of the future logistics development, which will boost the high quality of logistics industry and expand the development road of logistics with distinctive Chinese features with a view to achieving the goal of being a "logistical power".

Firstly, intelligence. Within the context of consumption upgrading and cost reduction and efficiency enhancement in the logistics industry, intelligent logistics has become the developing direction of modern logistics. National government agencies at all levels have unveiled fresh policies to encourage the logistics industry to develop in an intelligent way, and actively stimulate enterprises to innovate in logistics patterns. The main contents include: through vigorously promoting the development of "Internet +" logistics and leveraging the real-time, efficient and accurate edges of Internet to achieve the rational deployment, integration and utilization of offline transportation vehicles, warehouses and other resources, improve the effectiveness of logistics resources, finally realizing the real-time tracking and online, visual management of transportation tools and goods.

Secondly, greening. With the continuous advancement of the structural reform of ecological civilization, the logistics community has reached a consensus on green logistics. In terms of policies, the Ministry of Transport and other government bodies have successively formulated a series of policies, including the Implementation Plan for Promoting the Construction of Ecological Civilization in Transportation (《推進交通運輸生態文明建設實施方案》), the Guiding Opinions on Construction of Green Highway (《實施綠色公路建設的指導意見》), Opinions on Comprehensively Advancing the Development of Green Transportation (《關於全面深入推進綠色交通發展的意見》), etc. Looking ahead, driven by the innovation in patterns such as reverse logistics, multi-link distribution and packaging reduction, supported by technologies of smart warehousing and intelligent terminal distribution as well as the new energy, new packaging materials, recycling and other decontamination of materials, a green logistics throughout the whole chain will be formed.

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Thirdly, a modern supply chain. In the Internet era, the combination of the logistics industry and the Internet has changed the original market environment and business processes of the logistics industry. The logistics industry is prepared for transformation, and the modern supply chain will become a new driving force for the development of the logistics industry. In 2018, the General Office of the Ministry of Finance and the General Office of the Ministry of Commerce jointly issued the Notice on the Construction of a Modern Supply Chain System in the Circulation Sector in 2018 (《關於開展2018年流通領域現代供應鏈體系建設的通知》). In accordance with the Notice, the convergence of all principals and facilities and equipment in all links of the supply chain, smooth data interaction, and collaborative sharing of resources will be boosted to achieve quality and efficiency improvement, and cost reduction of the supply chain.

On the road of innovation and transformation of logistics patterns, the Group has explicitly set up its strategic plan and established the strategic objective of “forging a world-class intelligent logistics platform corporation”, where defined a clear path in intelligent logistics, digitalization, platformization and integration.

(II) Our Strategies of Development

✓Applicable ☐Inapplicable

We always seek survival and development in an era of high uncertainty and change. 2019 is a crucial year for the Group to fully implement the 13th Five-year Plan. At this critical point, we need to grasp the situation and get the picture all the time.

Upholding to the “13th Five-year” Plan, the Group will concentrate on six aspects, namely, quality enhancement and optimization, transformation and promotion, integration and efficiency improvement, innovation and guidance, reform and transition, as well as management and empowerment so as to break new ground in the journey to become a world-class intelligent logistics platform corporation.

Development Strategy

1. Strategic Objectives: As the single integrated logistics service platform of China Merchants Group, Sinotrans will become a world-class intelligent logistics enterprise.
2. Implementation Approaches:

Transformation of three business lines:

Transformation from freight forwarding and relevant business to whole supply chain: to manage to build an end-to-end whole supply chain and standardized service products in accordance with the requirements of “scenarizing conceptual products, standardizing mature products, nationalizing standard products and normalizing national products”;

Transformation from logistics to value chain integration: to open up the upstream and downstream of the industrial chain, serve the customers so as to improve the value of integration services throughout the industrial chain complying with the rules of industry-oriented sales, customized solutions, integrated services, one stop operation and systematic management;

Transformation from e-commerce related business to platform and ecosphere operation: to follow the model of sharing economy and networking organization and center on intelligent logistics to build a ecosystem of supply chain logistics aiming at achieving an altruistic sharing, open and win-win climate.

Synergetic development:

Synergetic development of domestic and overseas business to foster new growth drivers in overseas business;

Synergetic development of offline and online business to develop new growth drivers in online business;

Synergetic development of organic growth and external M&As to foster new growth drivers in M&As.

(III) Operating Plans

☒ Applicable ☐ Not applicable

- Quality enhancement and optimization. To establish a quality and efficiency improvement project management office with a view to promoting the sustainable development capabilities, increasing revenue of and contribution from direct customers; to overall strengthen management of suppliers, and sharing of logistics resources, establish the sharing center, and manage receivables and cash flow and make targeted improvement through lean operation to reduce costs; to reinforce the synergetic development of domestic and overseas business to develop new growth drivers in overseas business; to reinforce the synergetic development of online and offline business to develop new growth drivers in online business; to reinforce the synergetic development of organic growth and external M&As.
- Transformation and promotion. Firstly, upgrading from freight forwarding and relevant business to whole supply chain to develop product research and development capabilities. Secondly, upgrading from the logistics segment to value chain integration to develop B2B2C solutions capabilities. Thirdly, upgrading from e-commerce related business to platform and ecosphere operation; to build a unified ecosystem of supply chain logistics online and offline starting from rolling out container O2O projects nationwide; to build a cross-border e-commerce specialized subsidiary and unified consumption interconnection and crossover ecosystem with a focus on e-commerce platform customers under new retail and big trading sellers; to select sub-industries as the breakthrough point to create new products under supply chain services and build industrial interconnection and crossover ecosystem. Fourthly, to accelerate interconnection of five channels, on the basis of further strengthening the operation capabilities of the five channels, speeding up the connect among them to form a multimodal transport system connecting land and water channel as well as overseas channels.
- Integration and efficiency. To advance systematic and in-deep resource integration through the aspects below. Firstly, to perfect regional integration and logistics integration; secondly, to improve the integration capabilities in segments coordination to power up strategy implementation.

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- **Innovation and Guidance.** To promote the digitization transformation and draw up plans and roadmaps for digital transformation in order to build up strengths in core data, core algorithm, core platform, core patent and core team; to push the application of intelligent logistics technology in all scenarios with emphases on the application and promotion of technologies in visual identity, voice identity, robot, and automation, etc., to complete the verification and application of intelligent customer service in South China, the intelligent supervision of cold chain containers and development of robots, the project design and implementation of some automation in the warehouses of Huawei and demonstration automatic warehouses of contract logistics, and to intensively develop technologies such as intelligence, block chain, cloud computing/cloud platform, big data and internet of things; to boost the application of automatic equipments, new technologies and systems in the whole chain model of intelligent logistics.

Strategic Reorganisation and Resources Integration

On 8 October 2018, the CSRC published on its website its unconditional approval of the Group's proposed merger of Sinoair through share exchange. For details, please refer to the announcement of the Company dated 8 October 2018.

On 18 January 2019, the Company was listed on Shanghai Stock Exchange with the stock abbreviation of "Sinotrans" (stock code: 601598). The completion of the unified operating platform of A+H capital markets brought about more space for the capital development of the Company.

(IV) Possible Risks

☒ Applicable ☐ Not applicable

(I) Possible Risks

- (1) **Macroeconomic risks.** It is expected that the demand of major market economies will maintain a growth in 2019. However, amid the intensified global trade frictions, tightening of monetary policies of major developed economies and rising geopolitical tensions, the downside risks to the global economy have increased. Combining the domestic and foreign situations, the environment faced by the economic development of China in 2019 will be more complicated and severe, and there will be more and greater risks and challenges which can be and difficult to be forecasted. Since the logistics industry where the Group operates is closely related to the macroeconomic situation and trade development, the Company's performance may be affected. At the same time, the Group's turnover and transportation and related expenses are partially settled in foreign currencies. The foreign exchange risk exposed to the Group mainly comes from fluctuations in foreign exchange rates such as the US dollar and Hong Kong dollar. The Group cannot guarantee that future exchange rate movements of Renminbi against the US dollars and other currencies will not adversely affect its performance and financial position (including its ability to pay dividends).
- (2) **Industry competition risk.** The Group's primary business is in a completely competitive market, with low entry barriers and facing crossover impacts from e-commerce companies and shipping companies. The Group has the risk of a decline in market share.
- (3) **Business operation risk.** The Group aims to provide customers with whole-process supply chain service, which involves many logistics operations and links, also many upstream and downstream partners. Improper operation and management may cause the Group to suffer risks resulted from untimely logistics services, low customer service quality, unregulated supplier management, damages and shortage of goods, which in turn may cause loss of incomes.

- (4) Investment risk. In order to meet the Group's transformation and business development, the Group will increase investment in logistics infrastructures such as warehouses and yards, intelligent logistics equipment as well as improvement of information systems, which may result in the unfinished operation of investment projects and unexpected losses, and affect the future cash inflow of the Group.
- (5) Credit risk. The Group's credit risk covers trade and other receivables, available-for-sale financial assets, restricted deposits and the total balance of time deposits and financial guarantees expired over three months from the original maturity date. The maximum amount of credit risk undertaken due to the failure of other parties in performing their financial instrument liabilities is the carrying amount. In terms of accounts receivable, with the expanding business of the Company, the competition will become more intense, and the risk of recovery may increase in line with the increase in the balance of accounts receivable; especially, some large customers have a long credit period, once the market changes unfavorably, the Company's financial security will be affected.

(II) Countermeasures

- (1) Through strengthening the tracking, research, judgment and analysis of the macroeconomic situation, industrial policy, monetary policy and fiscal policy, dynamically adjust the business and customer structure, and improve the safety margin of the business.
- (2) According to the Company's strategy, restructuring a market-oriented and globalized business model, and upgrading from freight forwarding and other relevant businesses to whole-process supply chain to develop systematic product research and development capabilities; upgrading from logistics to value chain integration to develop B2B2C solutions capability; upgrading from e-commerce related business to platform and ecosystem transformation to develop crossover connection capability, with a view to enhance the Company's core competitiveness.
- (3) Strengthening comprehensive risk management and improving long-term risk prevention mechanism; optimizing the organization structuring and function division of risk management based on the business development to promote the risk management and internal control integration; assigning risk management responsibility to individuals, and formulating emergency plan for risks in operations to avoid or reduce the impact on the Company.
- (4) Coordinating the management of key logistics resources, forming a forward-looking strategic investment layout, forming the feasibility analysis of a project, and laying emphasis on process management of investment projects and post-investment evaluation.
- (5) Reinforcing the construction of IT systems such as the credit control platform to realize visual management of the credit control process and enhance the dynamic management ability of accounts receivable; strengthening the comprehensive credit management, and enhancing the credit guarantee capability.

(V) Others

☐ Applicable ☒ Not applicable

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IV. EXPLANATION AND REASONS FOR FAILURE TO DISCLOSE IN ACCORDANCE WITH STANDARDS DUE TO INAPPLICABILITY OF STANDARDS OR SPECIAL REASONS SUCH AS NATIONAL OR TRADE SECRETS

☐ Applicable ☒ Not applicable

V. OTHER DISCLOSURES (DISCLOSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE STOCK EXCHANGE)**(I) Principal Operations**

Please refer to “Section IV Overview of the Corporate Business” in this report for details.

(II) Financial Performance

The results of the Group for the year ended 31 December 2018 are set out in the financial statements in Note II.

(III) Subsidiaries, Joint Ventures and Associates

For details of the subsidiaries, joint ventures and associates of the Company, please refer to “VII Analysis of Major Holding Companies and Investees of the Company” in “II. Major Business Conditions during the Reporting Period” in “Section V Management Discussion and Analysis of Business Performance” in this report.

(IV) Final Dividend and Book Closure Periods

The Board of Directors has reviewed and approved the proposed profit distribution for 2018 and intended to declare a final dividend of RMB0.13 per share (taxes included) based on the total share capital of 7,400,803,875 shares upon listing of A shares of the Company. This proposed profit distribution shall be submitted for review and consideration in the 2018 annual general meeting. After the proposal is approved, the Company expects to pay the cash dividend on or before 31 August 2019. After the general meeting, the Company will make further announcement on the payment of cash dividend, closure of books for holders of H shares and the expected date of payment.

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 (18 March 2019 to 24 March 2019) 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=RMB0.853736. Accordingly, the amount of final dividend for each H Share of the Company is HK\$0.15227.

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 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 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 depository 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.

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Dividend income tax for A shares

According to the Notice on Relevant Matters of Differentiated Individual Income Tax Policy for Listed Companies' Dividends (Cai Sui [2015] No 101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》([2015]101号), if any individual acquires listed shares from listed companies in public issuance and transfer market and holds such shares within 1 month (inclusive), the full amount of his/her dividend income shall be included in taxable income; if the individual holds such shares for a period from more than 1 month to 1 year (inclusive), 50% of his/her dividend income shall be included in taxable income; an individual income tax rate of 20% shall be uniformly applicable to the said income; for shares of listed companies obtained by individuals from public offerings and the market, if any individual holds such shares for more than 1 year, no Individual income tax will be imposed on the dividend income for the time being.

PLAN OF SINOTRANS ON SHAREHOLDER RETURN FOR THE NEXT THREE YEARS (2018-2020)

The formulation of this Plan shall be in compliance with applicable laws and regulations and the Articles of Association. It will focus on the reasonable investment return to investors as well as the sustainable development of the Company and aim to maintain the sustainability and stability of the profit distribution policies.

1. Profit distribution methods: the Company may make profit distribution in the forms of cash dividends, share dividends or a combination of the two forms; where permitted, the Company may make interim profit distribution;
2. Cash dividend payment conditions: except in cases of special circumstances, the Company may distribute dividends in cash after setting aside a sufficient amount of profits for the statutory reserve and the discretionary reserve, if the Company is profitable in that year and the aggregate undistributed profit value is positive.
3. Ratio of cash dividend payment: the Company shall maintain the sustainability and stability of profit distribution policies, and subject to the satisfaction of cash dividend payment conditions, the profits distributed in cash by the Company in any three consecutive years in aggregate shall not be less than 30% of the average distributable profits in such three years, and the profits distributed in cash by the Company for each year shall not be less than 10% of distributable realized profit in that year; the Board of Directors shall take into account the features of the industry where the Company operates, development stage, operation mode, profitability and arrangement of major capital expenditures and other factors, and put forward a policy of differentiated cash dividend distribution according to the following circumstances, pursuant to the procedures set forth in the Articles of Association:
 - (1) If the Company's development is in the phase of maturity and no material capital expenditure has been arranged, the minimum ratio of cash dividend in that profit distribution shall be 80%;
 - (2) If the Company's development is in the phase of maturity and material capital expenditure has been arranged, the minimum ratio of cash dividend in that profit distribution shall be 40%;
 - (3) If the Company's development is in the phase of growth and material capital expenditure has been arranged, the minimum ratio of cash dividend in that profit distribution shall be 20%.

When the Company conducts profit distribution, the Board shall determine the specific stage of the Company according to specific circumstances. If it is difficult to identify the Company's phase of development but material capital expenditure has been arranged, it can proceed according to the previous provision.

4. Conditions of the distribution of share dividends

When the operation of the Company is satisfactory and the Board of Directors believes that Company's share price is disproportionate to the share capital size of the Company and the distribution of share dividends is in the interests of all shareholders of the Company as a whole, the share dividend distribution plan can be proposed at general meeting for consideration and approval subject to the satisfaction of the above conditions of cash dividend payment.

(V) Employee, Major Customers and Suppliers

The Group fully understands that employees, customers and suppliers are the key to our sustained and stable development. We are committed to working closely with our employees and suppliers to provide our customers with quality products and services to achieve sustainable growth.

For details of the employees of the Group, please refer to "Section IX Directors, Supervisors, Senior Management and Employees" in this report.

In 2018, sales to top five customers and purchases from top five suppliers accounted for less than 30% of the Group's turnover and purchases, respectively. For details, please refer to " (4) Major Sales Customers and Major Suppliers" under "II. Major Business Conditions During The Reporting Period – (I) Analysis on Principal Operations – 2. Income and cost analysis" in this chapter.

For the year ended 31 December 2018, none of the Directors, Supervisors, their close associates and any shareholder (who to the knowledge of the Board owns more than 5% of the share capital of the Company) of the Company had any interests in the top five customers or the top five suppliers of the Group.

Relationship with Customers

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

Relationship with Suppliers

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

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(VI) Connected Transactions

For more details, please refer to “(1) Connected Transactions (Disclosure in accordance with the Listing rules of SEHK)” under “XIV Connected Transactions, Major Connected Transactions” in “Chapter 6 Important Matters” of this report.

(VII) Bank Loans

Details of the bank loans of the Company and the Group are set out in Note X.25 and Note X.33 to the financial statements.

(VIII) Fixed Assets

Details of movements in fixed assets of the Group as at 31 December 2018 are set out in Note X.15 to the financial statements.

(IX) Taxation

Details of taxation of the Group as at 31 December 2018 are set out in Note X.29 and Note X.59 to the financial statements.

(X) Special Reserves

The special reserve of the Company on 31 December 2018 was approximately RMB41.5362 million.

(XI) Share Capital Structure

For details, please refer to “(1) Share Capital Structure” in “III Shareholders and De Facto Controllers” under “Section VII Changes in Ordinary Shares and Shareholders” in this report.

(XII) Issuance of Shares and Debentures

During the reporting period, the Company did not issue shares and debentures.

(XIII) Equity-Linked Agreement

During the year ended 31 December 2018, as far as the directors of the Company were aware, the Company was not involved in any equity-linked agreement.

(XIV) Substantial Shareholders

For details, please refer to “(5) Major shareholders’ interests and short positions disclosed in accordance with the Securities and Futures Ordinance” in “III Shareholders and De Facto controllers” in “Section VII Changes in Ordinary Shares and Shareholders” in this report.

(XV) Purchase, Sale or Redemption of Listed Securities of the Company

So far as was known to the Directors of the Company, there was no purchase, sale or redemption of H shares by any member of the Group during the year ended 31 December 2018.

(XVI) Directors and Supervisors

For details, please refer to “Section IX Directors, Supervisors, Senior Management and Employees” in this report.

(XVII) Changes in Directors, Supervisors and Senior Management

For details, please refer to “IV Changes in Directors, Supervisors and Senior Management of the Company” in “Section IX Directors, Supervisors, Senior Management and Employees” in this report.

(XVIII) Biographies of Directors, Supervisors and Senior Management

Biographies of Directors, Supervisors and Senior Management of the Company are set out in “Chapter 9 Directors, Supervisors, Senior Management and Employees” of this Annual Report.

(XIX) Directors’ and Supervisors’ Service Contracts and Remuneration

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

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director or Supervisor.

Details of the remuneration of the Directors and the Supervisors of the Company are set out in “Chapter 9 Directors, Supervisors, Senior Management and Employees” of this Annual Report.

Remuneration of the Directors is determined based on the Director’s duties, experiences and the Group’s performance.

(XX) Directors’ and Supervisors’ Interests in Shares

As at 31 December 2018, none of the Directors, general manager, Supervisors or their associates had any interests in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are considered or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register kept by the Company referred to therein, or which were notifiable to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”).

(XXI) Directors’ and Supervisors’ Interests in Transactions, Arrangements or Contracts

For the year ended 31 December 2018, none of the Directors or Supervisors or any entities connected with such Directors and Supervisors had any material interests directly or indirectly in any new or existing transactions, arrangements or contracts of the Company to which the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries was a party.

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

(XXII) Interests of Directors and Supervisors in Competing Businesses

Mr. Song Dexing is a director and employee of Sinotrans & CSC which is the controlling shareholder of the Company. Certain subsidiaries of Sinotrans & CSC are engaged in the Group’s “core businesses” in certain “core strategic regions” of the Group in the PRC, while such subsidiaries have only nominal operations which are the same as or similar to the “core businesses” of the Group. Details of the competition between Sinotrans & CSC Group and the Group and the non-competition agreement entered into between Sinotrans & CSC Group and the Company on 14 January 2003 are referred to in the section entitled “Relationship with Sinotrans & CSC Group” in the prospectus of the Company dated 29 January 2003.

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(XXIII) Directors' and Supervisors' Rights to Acquire Shares or Bonds

At no time during the year ended 31 December 2018 was the Company, its subsidiaries, its ultimate holding company or its fellow subsidiaries a party to any arrangements or existing arrangements which would enable the Company's Directors or Supervisors to acquire benefits by means of the acquisition of shares in or bonds of the Company or of any other legal entities.

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

(XXIV) Material Contracts with Connected Parties

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

(i) Master Business Services Agreement and Property Lease Agreement

Since its listing, pursuant to the relevant requirements of the Listing Rules of SEHK, the Company has entered into written agreements with the controlling shareholder in respect of certain continuing connected transactions for a term of no more than three years, with an annual cap determined for each continuing connected transaction.

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

(ii) Entrusted Management Agreement

On 10 February 2014, the Company and Sinotrans & CSC entered into the Entrusted Management Agreement, pursuant to which the Company agreed to provide the Entrusted Management Services to Sinotrans & CSC in two phases as at 31 December 2016, in return for fixed management fees. On 23 January 2017, the Company and Sinotrans & CSC entered into a new Entrusted Management Agreement to continue the provision of the entrusted service to Sinotrans & CSC, in return for a fixed management fee for a term of two years from 1 January 2017 to 31 December 2018. On 25 March 2019, the board of directors of the Company deliberated and approved the proposal of signing the Entrusted Management Agreement (new) with Sinotrans & CSC Group. Please refer to the announcement of the Company released on 10 February 2014, 23 January 2017 and 25 March 2019 for the details of such agreement on the website of Shanghai Stock Exchange (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkex.com.hk).

(iii) Financial Services Agreement

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

The Company and the Finance Company had been performing the agreement which was entered into on 16 April 2015.

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

(iv) THE MASTER PURCHASE AGREEMENT

On 29 October 2018, the Company entered into the Master Purchase Agreement with Shenzhen China Merchants Property Management Co., Ltd for a term commencing from 1 July 2018 to 31 December 2020, pursuant to which the Group may purchase the Office Supplies and Equipment from China Merchants Property through an online shopping platform operated by China Merchants Property.

For details about the connected transactions above, please refer to the announcements published by the Company on the dates when relevant contracts were executed.

(XXV) Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting year.

(XXVI) Compliance with the Relevant Laws and Regulations that Have a Significant Impact on the Company

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

(XXVII) Material Litigation and Contingent Liabilities

Details of the Group's litigation and contingent liabilities as at 31 December 2018 are set out in Note X.37 and Note XIII to the financial statements.

(XXVIII) Pension Schemes

Details of the Group's pension schemes for the year ended 31 December 2018 are set out in Note X.28 and Note X.36 to the financial statements.

(XXIX) Tax Relief and Exemption

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

Chapter 5

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

(XXX) Pre-Emptive Rights

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

(XXXI) Sufficiency of Public Float

As at the date of this report, the Directors confirm that, based on publicly available information and to the knowledge of the Directors, the Company has sufficient public float as required under the Listing Rules of SEHK.

(XXXII) Compliance with the Corporate Governance Code and the Model Code

The Company has reviewed and adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules of SEHK during the period from 1 January 2018 to 31 December 2018 as our code on corporate governance. Details are set out in this Report on “Chapter 10: Corporate Governance (Corporate Governance Report)”.

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules of SEHK as the code of conduct regarding directors’ securities transactions. After making specific enquiries, it was confirmed that all directors and supervisors of the Company have complied with the Model Code and its code of conduct regarding directors’ securities transactions during the reporting period.

As at 31 December 2018, Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian were the independent non-executive directors of the Company. The Company has received the annual confirmation from each of the independent non-executive directors in respect of their independence and is satisfied that the above independent non-executive directors are independent.

(XXXIII) Significant Post Balance Sheet Events

On 31 May 2018, the proposal on merger of Sinoair by absorption through share swap was considered and approved at the Company’s 2018 extraordinary general meeting and the class general meeting. According to the proposal, for A shares issued for the merger by absorption through share swap and A shares converted from the domestic shares originally held, application for listing of such shares on the Shanghai Stock Exchange will be made. 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 passed by the China Securities Regulatory Commission. As of 10 January 2019, the Company has completed the issuance of 1,351,637,231 RMB ordinary shares (A shares), investors of Sinoair public ordinary share have exchanged the 353,600,322 A shares of Sinoair for 1,351,637,231 public A shares of the Company at a ratio of 1:3.8225. On 18 January 2019, A shares issued by the Company were officially listed on Shanghai Stock Exchange. As of the date of this report, 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 Company.

(XXXIV) Donations

During the reporting year, the Group made charitable and other donations amounted to about RMB11.2757 million.

(XXXV) Audit Committee

The principal functions of the Audit Committee include the appointment of external auditors, the review and supervision of the Group's financial reporting process and internal control system, and offering advice and recommendations to the Board. As of 31 December 2018, the Audit Committee comprised four independent non-executive Directors, namely Mr. Meng Yan, Mr. Wang Taiwen, Mr. Song Haiqing and Ms. Li Qian, with Mr. Meng Yan as the Chairman of the Audit Committee.

The Group's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

(XXXVI) Auditors

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 will not serve as the international and the PRC auditors of the Company for the year 2018. The appointment of ShineWing Certified Public Accountants LLP and SHINEWING (Hong Kong) CPA Limited as its PRC auditors and international auditors for 2018 was considered and approved at the Company's annual general meeting held on 31 May 2018. ShineWing Certified Public Accountants LLP and SHINEWING (Hong Kong) CPA Limited are the PRC auditors and international auditors of the Company for the year ended 31 December 2018.

(XXXVII) Environmental and Social Responsibilities

The Group believes that active performance of social responsibilities represents an essential quality for a good enterprise, which is very important in terms of both the community's future and the sustainable development of the Company.

Since the establishment of the ISO9001:2015/ISO14001:2015/OHSAS18001:2007 quality and EHS (Environment, Health and Safety) management systems of the Group in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment have been conducted. Controllable environmental factors in the operating activities and relevant services of the Group that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention is given to significant environmental factors and effective control is exercised to minimize adverse impact on the environment. Since 2015, the Company has been preparing and issuing an "Environmental, Social and Governance Report" annually, stating its performance in the previous year. For more information on the Group's performance of environmental and social responsibilities in 2018, please refer to the "Corporate Social Responsibility Report (ESG Report) 2018" to be published by the Company subsequently.

Chapter 6 Important Matters

I. PROPOSAL OF ORDINARY SHARES PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUND INTO SHARE

(I). Formulation, Implementation or Adjustment of the Cash Dividend Policy

☒ Applicable ☐ Not applicable

1. Formulation and adjustment of cash dividend policy:

During the reporting period, the Company made amendments to the Articles of Association in accordance with the relevant requirements of the CSRC. The Articles of Association contains express provisions for the profit distribution policy and approval procedures. The Articles of Association has come into effect on 18 January 2019 and was disclosed on the website of Shanghai Stock Exchange (www.sse.com.cn).

Meanwhile, in order for the Company to unequivocally express the return to the shareholders of the Company in 2018, 2019 and 2020, to further improve the dividend decision-making and supervisory mechanism of the Company and to provide guidance to the investor to establish a long-term, rational investment philosophy, the following has been adopted. Subject to the satisfaction of cash dividend payment conditions, the profits distributed in cash by the Company in any three consecutive years in aggregate shall not be less than 30% of the average distributable profits in such three years and the profits distributed in cash for each year shall not be less than 10% of the realized distributable profit in that year. The Company shall conduct profit distribution in accordance with the relevant provisions of the “Articles of Association of Sinotrans Limited” and the “Plan of Sinotrans Limited on Shareholder Return for the Next Three Years (2018- 2020)”. Please refer to “5. Other disclosures (disclosed in Accordance with the requirements of the listing Rules of the Stock Exchange)” in “Chapter V Management Discussion and Analysis of Business Performance (Report of the Board of Directors)” for details.

2. Implementation of cash dividend policy:

According to the resolution of the 89th Board meeting of the Company on 26 March 2018, the final dividend for the year of 2017 to be distributed to be RMB0.080 per share, which has been reviewed in the annual general meeting held on 31 May 2018. The dividend has been distributed on 27 July 2018 to the registered shareholders as at the close of business on 11 June 2018.

(ii). Ordinary Shares Profit Distribution Plan or Proposal, Conversion of Capital Reserve Fund into Share Plan or Proposal for the Previous Three Years, Including the Reporting Period

Unit: Yuan Currency: RMB

Dividend Year	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (Yuan) (tax included)	Number of shares transferred for every 10 shares (share)	Amount of cash dividend (tax included)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statement during the year of dividend distribution	Percentage in net profit attributable to ordinary shareholders of the Company in the consolidated financial statement (%)
2018	0	1.3	0	962,104,503.80	2,704,106,404.93	35.58
2017	0	1.2	0	668,192,000	2,304,190,975.71	29
2016	0	1.1	0	506,713,000	2,253,728,441.22	22.48

(iii). Cash Dividend by Share Repurchase Offer in Cash

☐ Applicable ☒ Not applicable

(iv). If the Parent Recorded Profits Distributable to the Ordinary Shareholders During the Reporting Period, but has not Proposed any Cash Dividend for the Ordinary Shares, it Shall Disclose the Reasons for Non-Distribution as Well as the Use and Future Plans of the Undistributed Profits

☐ Applicable ☒ Not applicable

Chapter 6

Important Matters

II. PERFORMANCE OF COMMITMENTS

(I) Commitments of the de Facto Controller, Shareholders, Related Parties, Acquiring Parties of the Company and the Company and Other Parties Involved During the Reporting Period or Subsisting to the Reporting Period

✓ Applicable ☐ Not applicable

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
1	Commitments related to asset restructuring	Profit forecast and compensation	China Merchants Group	China Merchants Logistics's net profit attributable to the parent company for 2017 and 2018 on a consolidated basis are not lower than RMB560 million and RMB580 million respectively; if the performance of China Merchants Logistics does not meet the above commitment, the covenantor will make up the difference between the actual net profit of the year and the net profit under the commitment by way of cash in RMB to the Company or China Merchants Logistics within three (3) months after the announcement of the relevant annual result of the Company.	Date of the commitment: 25 September 2017; Term of the commitment: 25 September 2017 - 30 June 2019	Yes	Yes
2	Commitments related to material asset restructuring	Others	China Merchants Group	There are no circumstances where the covenantor party and relevant insiders conduct any insider dealing with information of the merger by absorption.	Time of the commitment: 28 February 2018;	Yes	Yes
3			Sinotrans & CSC Group				
4			The Company				
5			All Directors, Supervisors and Senior Management of the Company	There are no circumstances where the covenantor party and relevant insiders are forbidden from participation in a significant asset restructuring of listed companies due to penalties or on-going investigation as a result of participation in insider dealing related to a significant asset restructuring.	Term of the commitment: 28 February 2018 - 18 January 2019		

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
6	Commitments related to material asset restructuring	Declaration on penalties and integrity over the last five years	The Company	There are no circumstances where the covenantor was subjected to any administrative penalties (except those expressly irrelevant to the securities market), criminal penalties, material civil litigation or arbitration in the last five years. There are no circumstances where the covenantor failed to repay its large debt, failed to fulfil its commitment, was subjected to administrative supervision by the CSRC or was subjected to disciplinary action by the Exchange	Time of the commitment: 28 February 2018;	Yes	Yes
7			All Directors, supervisors and senior management of the Company (except Mr. Fan Zhaoping)		Term of the commitment: 28 February 2018 - 18 January 2019		
8			Mr. Fan Zhaoping				
9	Commitments related to material asset restructuring	Others	The Company	The covenantor shall provide relevant information to the merger by absorption in a timely manner and shall issue relevant instruction. The covenantor confirms that the relevant information is true, accurate and complete and that there are no false and misleading statement or material omission in those documents.	Time of the commitment: 28 February 2018;	Yes	Yes
10			Sinotrans & CSC				
11			China Merchants Group				
12			All Directors, supervisors and senior management of the Company		Term of the commitment: 28 February 2018 - 18 January 2019		

Chapter 6

Important Matters

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
13	Commitments related to material asset restructuring	Others	The Company	The covenantor undertakes that the information contained in the disclosure and application files of the merger by absorption are true, accurate and complete and that there are no false and misleading statement or material omission in those documents.	Time of the commitment: 13 April 2018;	Yes	Yes
14			All Directors, supervisors and senior management of the Company		Term of the commitment: 13 April 2018 - 18 January 2019		
15	Commitments related to material asset restructuring	Shares lock-up	China Merchants Group	Within thirty-six months from the listing date of A shares of the Company, the covenantor shall not transfer or entrust other to manage the shares issued prior to the merger by absorption held directly or indirectly by itself (excluding H shares) and the Company shall not repurchase such shares. Within six months 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 issue price, or the closing price as at the end of the six-month period after listing is below the issue price, the lock-up period will be automatically extended for six months.	Time of the commitment: 28 February 2018;	Yes	Yes
16			Sinotrans & CSC Group		Term of the commitment: 18 January 2019 - 17 January 2022		
17	Commitments related to material asset restructuring	Others	All Directors, supervisors and senior management of the Company	The covenantor has no plan to reduce shareholdings of Sinoair from the merger by absorption resumption date to the implementation completion date.	Time of the commitment: 28 February 2018;	Yes	Yes
18			The Company	The covenantor agrees in principle with the merger by absorption and has no plan to reduce shareholdings in Sinoair from the merger by absorption resumption date to the implementation completion date.	Term of the commitment: 26 March 2018 - 10 January 2019		
19			Sinotrans & CSC Group	The covenantor agrees in principal with the merger by absorption and has no plan to reduce shareholdings of the Company or reduce shareholdings of Sinoair through the Company from the merger by absorption resumption date to the implementation completion date.			
20			China Merchants Group				

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there	
						Is there a term for fulfilment	timely and strict fulfilment
21	Commitments related to material asset restructuring	Others	China Merchants Group	The covenantor shall maintain mutual independence in terms of personnel, finance, asset, business and organization in accordance with the provisions of the relevant law, regulation and normative documents.	Time of the commitment: 28 February 2018; Effective permanently	No	Yes
22			Sinotrans & CSC Group				
23	Commitments related to material asset restructuring	Others	Sinotrans & CSC Group	The covenantor agrees to this merger by absorption and undertakes to waive its exit right of dissenting shareholders regarding this merger by absorption.	Time of the commitment: 28 February 2018; Term of the commitment: 28 February 2018 - 12 December 2018	Yes	Yes
24			China Merchants Group				
25	Commitments related to material asset restructuring	Reduction of connected transaction	Sinotrans & CSC Group	The covenantor undertakes to avoid and reduce connected transaction with the Company. For connected transactions that are unavoidable or where there are sufficient reasons, the covenantor shall sign a standard and formal connected transaction agreement, shall perform the transaction in accordance with a fair and reasonable market price and shall fulfil the connected transaction decision-making process and information disclosure obligation; the covenantor shall not prejudice the legitimate interests of the Company and other non-related shareholders through connected transaction. The covenantor undertakes to procure corporate under its control (except the Company) to comply with the aforementioned commitment.	Time of the commitment: 28 February 2018; Effective permanently	No	Yes
26			China Merchants Group				

Chapter 6

Important Matters

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
27	Commitments related to material asset restructuring	Others	The Company	The covenantor undertakes to inform creditor by ways of notice, announcement or any other processes and shall themselves, or shall procure third party to make repayments or provide corresponding guarantees in accordance with their requirement raised within the statutory period.	Time of the commitment: 28 February 2018; Term of the commitment: 28 February 2018 - 15 July 2018	Yes	Yes
28	Commitments related to material asset restructuring	Others	China Merchants Group	The covenantor undertakes to other dissenting Sinoair shareholders (except the shareholders of the Company and those shareholders who have undertaken with Sinoair to not exercise Cash Alternative) who have effectively declared to exercise Cash Alternative in accordance with the process stipulated under the merger by absorption Cash Alternative plan.	Time of the commitment: 13 April 2018;	Yes	Yes
29			Shenzhen China Merchants Shekou Assets Management Co., Ltd.		Term of the commitment: 8 October 2018 - 10 January 2019		

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
30	Commitments related to material asset restructuring	Others	The Company	The covenantor undertakes to accelerate the development of the principal business of the Company; to enhance the internal management of the Company and cost control; to continuously improve corporate governance so as to provide institutional safeguard for the development of the Company; to further improve the profit distribution system and strengthen the investor return mechanism.	Time of the commitment: 13 April 2018; Effective permanently	No	Yes
31			Sinotrans & CSC Group	The covenantor undertakes to not go beyond its power and interfere the operation management activities of the company and to not impair the interests of the company.	Time of the commitment: 13 April 2018; Effective permanently	No	Yes
32			China Merchants Group			No	Yes
33			All Directors, supervisors and senior management of the Company	The covenants undertake to perform their duties faithfully and diligently to protect lawful interests of the Company and all shareholders; not to transfer benefits to other entities or individuals without compensation or on unfair terms; to constrain the consumption if it is business-related; not to invest with or spend the company's assets outside the performance of their duties; that the Board of Directors shall formulate salary system which is in line with the implementation of the return remedial measures; that if a shareholding incentive policy shall be implemented, the conditions for exercising the option under the policy to be announced shall be in line with the implementation of the return remedial measures; that if the China Securities Regulatory Commission ("CSRC") promulgates new rules for regulating return remedial measures and their commitments, the covenants shall issue supplementary commitments.	Time of the commitment: 13 April 2018; Effective permanently	No	Yes

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Important Matters

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
34	Commitments related to material asset restructuring	Others	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 of the place of listing and under the premise that the shareholding will be in compliance with the listing requirement, measures including but not limited to repurchase of the A share by the Company, increase in shareholding of the A share by Sinotrans & CSC Group will be taken legally to stabilize the share price of the Company's A share. In the event of any of the following circumstances, the formulated or announced share price stabilization plan shall be terminated and any measures that have been commenced shall be deemed implemented: (1) the closing prices of the Company's A shares for 10 consecutive trading days are above the net assets per share; (2) the continuation of repurchase or increase in shareholding of the Company's A share will result in non-compliance of the shareholding with the listing requirement.	Time of the commitment: 13	Yes	Yes
35			Sinotrans & CSC Group		April 2018;		
36			All Directors, supervisors and senior management of the Company		Term of the commitment: 18 January 2019 - 17 January 2022		

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there	
						Is there a term for fulfilment	timely and strict fulfilment
37	Commitments related to material asset restructuring	Others	The Company	Except in the case of special circumstances, the Company may distribute dividend in cash, provided that the Company is profitable in that year and the aggregate undistributed profit is positive. The profits distributed in cash for each year shall not be less than 10% of the distributable realized profit in that year. In connection with the dividend payment, the Company's Board of Directors shall put forward a policy of differentiated cash dividend distribution according to the circumstances, pursuant to the procedures set forth in the Articles of Association. In 2018 to 2020, subject to the satisfaction of cash dividend payment conditions, the profits distributed in cash by the Company in any three consecutive years in aggregate shall not be less than 30% of the average distributable profits in such three years.	Time of the commitment: 13 April 2018; Effective permanently	No	Yes

Chapter 6

Important Matters

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
38	Commitments related to material asset restructuring	Non-competition	Sinotrans & CSC Group	The covenantor shall take effective measures to avoid competition. The covenantor has some subsidiaries that are engaged in integrated logistics business (the "Excluded Companies"). As of the date of this letter of commitment, the Excluded Companies have blemishes in terms of their asset ownership, subject qualification, profitability and other aspects, and, therefore, do not meet the requirement for injection to the Company. The covenantor has signed and fulfilled the escrow general agreement with the Company, pursuant to which all the Excluded Companies are entrusted to the Company for management, so as to ensure that there is no substantial competition between the covenantor and the Company and its subsidiaries. The covenantor undertakes to gradually realize the withdrawal of the Excluded Companies from integrated logistics business operation so as to thoroughly resolve the issue of substantial competition. Except for the companies entrusted to the Company, there are no competition between the covenantor and other companies under its control and the Company. The covenantor and other companies under its control do not, directly or indirectly, engage in any business or activity, in any form, that competes with or may compete with the principal business of the Company. During the period where the covenantor is the controlling shareholder of the Company, if the regulatory body or the Company believe that there is substantial competition between the covenantor and the Company, the covenantor shall offer the Company the right of first refusal.	Date of the commitment: 13 April 2018; Effective permanently	No	Yes

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
39			China Merchants Group	The covenantor shall take effective measures to avoid competition. There is no competition between the covenantor and other companies under its control (Sinotrans & CSC Group and its subordinate enterprises) and the Company. The covenantor and other companies under its control do not, directly or indirectly, engage in any business or activity, in any form, that competes with or may compete with the principal business of the Company. During the period where the covenantor is the de facto controller of the Company, if the regulatory body or the Company believe that there is substantial competition between the covenantor and the Company, the covenantor shall offer the Company the right of first refusal.			

Chapter 6

Important Matters

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
40	Commitments related to material asset restructuring	Resolving defective title of lands and other items	Sinotrans & CSC Group	The covenantor shall fully support and facilitate the Company and its subsidiaries to achieve completeness of the certificates of title for assets including lands and properties. After the completion of the merger by absorption, where the Company suffer actual loss from the ownership problem that exist in the land use rights and property assets held prior to the merger by absorption, or where there are indemnities, penalties, taxes or other fees that arose from the operation of defective land use rights and property assets by the Company and its subsidiaries after the merger by absorption, the covenantor undertakes to fully compensate the Company and its subsidiaries in a timely manner by way of cash within 30 days after the Company determined the actual loss or relevant fees legally.	Time of the commitment: 13 April 2018; Effective permanently	No	Yes
41			China Merchants Group	The covenantor shall fully support and facilitate the Company and its subsidiaries to achieve completeness of the certificates of title for assets including lands and properties. After the completion of the merger by absorption, where the Company and its subsidiaries suffer actual loss from the ownership problem that exist in the land use rights and property assets held prior to the merger by absorption, the Company and its subsidiaries shall be fully compensated in a timely manner by way of cash within 180 days after the Company and its subsidiaries determined the relevant fees legally.			

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
42	Commitments related to material asset restructuring	Others	Sinotrans & CSC Group	After the completion of the merger by absorption, if the Company suffers loss or assumes any responsibility from the payment issue of social insurance or housing provident fund prior to the merger by absorption, the covenantor undertakes to assume the corresponding indemnity after determining that loss or responsibility legally.	Time of the commitment: 13 April 2018; Effective permanently	No	Yes
43			China Merchants Group				
44	Commitments related to material asset restructuring	Others	China Merchants Group	If the trading prices of the Company's A shares on the Shanghai Stock Exchange for any one trading days within 5 consecutive trading days are below the issue price, the Company shall increase its shareholding through the Shanghai Stock Exchange trading system during that 7 trading days (including the original commitment and the extend commitment) in compliance with law and regulation, with the total fund of shareholding increase not exceeds RMB800 million, until the earliest of the following two events: (1) the aforementioned fund is exhausted; (2) the trading prices of the Company's A shares are above the issue price and that the covenantor does not dispose of the shares from the increase in shareholding within 6 months of the completion of the increase in shareholding.	Time of the commitment: 28 May 2018 and 24 January 2019; Term of the commitment: 18 January 2019 - 28 January 2019	Yes	Yes

Chapter 6

Important Matters

No.	Commitment background	Commitment Type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
45	Commitments related to material asset restructuring	Others	China Merchants Group	The covenantor shall procure Zhengzhou China Merchants Logistics Co., Ltd. to recover the receivables and bill receivables from Datang Project in a legal manner and shall return the corresponding cash or other assets to the Company within 30 working days of receiving them; if it has been proven that the bulk logistics transportation business commenced by China Merchants Logistics and its subsidiaries in 2017 prior to the 100% equity transaction under the acquisition of China Merchants Logistics by the Company has suffered from abnormal losses due to contractual fraud, the amount shall be paid to the Company in full within 90 working days of both an effective judgement by the competent judicial body and verification of the specific amount lost by the audit institution.	Time of the commitment: 21 September 2018; Term of the commitment: 21 September 2018 - 20 September 2019	Yes	Yes
46 47	Other commitments	Others	Sinotrans & CSC Group China Merchants Group	The covenantor shall comply with the relevant regulations under "The Several Provisions on the Reduction of Shares Held in a Listed Company by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company" issued by the CSRC and the "Stock Listing Rules" and the "Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies" issued by the Shanghai Stock Exchange.	Time of the commitment: 14 January 2019; Effective permanently	No	Yes

Note: Please refer to the circular dated 26 September 2017 published on the Hong Kong Stock Exchange (www.hkex.com.hk) for the full text of the first commitment listed above; please refer to section "Material commitments made by each parties involved in this transaction" under the "Report on the merger by absorption through share swap of Sinotrans Air Transportation Development Co., Ltd. by Sinotrans Limited and connected transaction (revised)" dated 3 November 2018 published on the Shanghai Stock Exchange website announcement.

(II) If the Company Has Made a Profit Estimate as to its Assets or Projects, and the Profit Estimate Period is within the Reporting Period, the Company's Explanation on whether its Assets or Projects Meet its Previous Profit Forecast and the Reasons

☐ Meet ☐ Not Meet ☒ Not applicable

(III) Fulfilment of the Performance Commitment and its Impact on the Goodwill Impairment test

☒ Applicable ☐ Not applicable

For the year ended 31 December 2018, the revenue of China Merchants Logistics was RMB13,777 million, and the net profit attributable to owners of China Merchants Logistics was RMB1,468 million. China Merchants Logistics has realized the profit undertaking China Merchants gave in favour of the Company in 2018. For details about the profit undertaking, please refer to "No.1 Commitment" of this section "II. PERFORMANCE OF COMMITMENTS" and the circular dated 26 September 2017.

As at the beginning of the reporting period, the losses of goodwill amounted to RMB117 million, while as at the end of the reporting period, the goodwill amounted to RMB251 million, with an increase of impairment losses of goodwill by RMB135 million during the reporting period. Please refer to Note X.19 to the Financial Statements for details.

III. THE OCCUPANCY OF FUNDS AND THE PROGRESS OF CLEARING ARREARS DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

IV. COMPANY'S NOTES ON "NON-STANDARD OPINION AUDIT REPORT" OF ACCOUNTING FIRMS

☐ Applicable ☒ Not applicable

V. EXPLANATIONS OF THE COMPANY ON THE REASONS FOR AND EFFECTS OF CHANGES IN THE ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY OR REMEDIES FOR MAJOR ACCOUNTING ERRORS

(I) Explanations of the Company on the Reasons for and Effects of Changes in the Accounting Policies and Accounting Estimates

☐ Applicable ☒ Not applicable

(II) Analysis and Explanation of the Causes and Effects of the Company's Correction of Major Accounting Errors

☐ Applicable ☒ Not applicable

(III) Communication with Former Accounting Firms

☐ Applicable ☒ Not applicable

(IV) Other notes

☐ Applicable ☒ Not applicable

Chapter 6

Important Matters

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: Yuan Currency: RMB

Current appointment

Name of the onshore accounting firm	ShineWing Certified Public Accountants LLP
Remuneration for the onshore accounting firm	6,400,000.00
Term of audit by the onshore accounting firm	1
Name of the offshore accounting firm	SHINEWING (HK) CPA Limited
Remuneration for the offshore accounting firm	1,500,000.00
Term of audit by the offshore accounting firm	1

	Name	Remuneration
Accounting firm for internal control audit	ShineWing Certified Public Accountants LLP	1,200,000.00

Appointment and Dismissal of Accounting Firm

☒ Applicable ☐ Not applicable

The "Proposal on the Appointment of the External Auditor for the year 2018" was considered and approved during the 89th Board meeting of the Company held on 26 March 2018, according to which, it is agreed that Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited shall be appointed as the onshore and offshore auditor of the Company for the year 2018. The proposal has been considered and approved in the AGM held on 31 May 2018.

Change of the Accounting Firm During the Audit Period

☐ Applicable ☒ Not applicable

VII. THE SITUATION FACING THE RISK OF SUSPENSION OF LISTING

(I) Reasons for Suspension of Listing

☐ Applicable ☒ Not applicable

(II) Measures Taken by the Company

☐ Applicable ☒ Not applicable

VIII. SITUATION AND REASONS FOR TERMINATION OF LISTING

☐ Applicable ☒ Not applicable

IX. MATTERS RELATED TO BANKRUPTCY REORGANIZATION

☐ Applicable ☒ Not applicable

X. MAJOR LITIGATION AND ARBITRATION MATTERS

- ☐ The company was involved in major litigation or arbitration proceedings
☒ The company was not involved in major litigation or arbitration proceedings

(I) Litigation and Arbitration in Which the Interim Announcement is Disclosed and has Subsequent Progress

- ☐ Applicable ☒ Not applicable

(II) Litigation and Arbitration in Which the Interim Announcement is not Disclosed or has Subsequent Progress

- ☐ Applicable ☒ Not applicable

(III) Other Instructions

- ☐ Applicable ☒ Not applicable

XI. PENALTIES AND RECTIFICATION OF LISTED COMPANY AND THEIR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT PERSONNEL, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLERS AND PURCHASERS

- ☐ Applicable ☒ Not applicable

XII. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS DURING THE REPORTING PERIOD

- ☐ Applicable ☒ Not applicable

XIII. THE SITUATION AND IMPACT OF THE COMPANY'S EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES

(I) Relevant Incentives have been Disclosed in the Interim Announcement and There is no Progress or Change in Subsequent Implementation.

- ☐ Applicable ☒ Not applicable

(II) Incentives for Undisclosed Announcements or Subsequent Progress

Equity incentives

- ☐ Applicable ☒ Not applicable

Employee stock ownership plan

- ☐ Applicable ☒ Not applicable

Other incentives

- ☐ Applicable ☒ Not applicable

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Important Matters

XIV. CONNECTED TRANSACTIONS, MAJOR CONNECTED TRANSACTIONS

(I) Connected Transactions (Disclosure in Accordance with the Listing Rules of the Hong Kong Stock Exchange)

1. Continuing Connected Transactions

Significant related party transactions entered by the Group for the year ended 31 December 2018 are disclosed in Note XI.5 to the financial statements.

Some of the said related party transactions also constitute connected transactions under the Listing Rules of Hong Kong Stock Exchange required to be disclosed in accordance with Chapter 14A of the Listing Rules. Among other things, the continuing connected transactions are as follows:

Revenue/(Expenses)	Note	2018 RMB'000
Transactions with China Merchants Group	1	
Provision of transportation and logistics services		799,528,678.85
Receiving of transportation and logistics services		1,887,473,672.74
Rental expenses		131,652,299.41
Purchase of goods		19,105,900.00
Receiving services from Finance Company	2	
Receiving deposit services – maximum daily balance		3,537,165,838.84
Transactions with Connected Non-Wholly-Owned Subsidiaries	3	
Provision of transportation and logistics services		118,498,789.95
Receiving of transportation and logistics services		23,239,450.31

Note 1: Transactions with China Merchants Group are considered as connected transactions as China Merchants Group is the controlling shareholder of the Company, and its subsidiaries are connected parties of the Company. The Company and the China Merchants Group entered into the master services agreement and the property lease contract on 10 November 2017 respectively for the provision and acceptance of transportation and logistics services and the property lease services. On 29 October 2018, the Company entered into the master purchase agreement with China Merchants Property Management Co., Ltd., pursuant to which the Group purchased its supplies and devices from the online shopping platform operated by China Merchants Property.

Note 2: The Company and the finance company entered into the financial services agreement on 10 November 2017 with effective term from 1 January 2018 to 31 December 2020, pursuant to which, the end-of-day deposit balance of the Group in the finance company during the year of 2018 shall not exceed RMB4 billion, and end-of-day deposit balance in the finance company during the years of 2019 and 2020 shall not exceed RMB5 billion.

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

The Company has complied with the disclosure requirements of chapter 14A of the Listing Rules in respect of those transactions. In order to comply with the relevant requirements of the Listing Rules, except for the transitions in respect of purchase of goods, these connected transactions other than the condition the total value of purchased goods doesn't reach the level of General meeting's approval, together with the respective annual caps of connected transactions for each of 2018, 2019 and 2020 (to the extent any of the percentage ratios (other than the profits ratio) of the annual caps in respect of such connected transactions on an annual basis exceeds 5%) have been approved by the independent shareholders of the Company passed in the Extraordinary General Meeting held on 28 December 2017.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions were:

- (a) entered into by members of the Group in the ordinary and usual course of business;
- (b)
 - (i) on normal commercial terms; or
 - (ii) on terms no less favorable to the Company than those available to (or from) independent third parties; or
 - (iii) if there are no appropriate comparables for the independent non-executive Directors to confirm items b(i) or b(ii) above, then on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (c) entered into in accordance with the relevant agreements governing them.

The auditor of the Company was engaged to conduct a limited assurance engagement on the Group's continuing connected transactions in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor has issued an unmodified letter containing their findings and conclusions in respect of the continuing connected transactions by the Group above in accordance with the Listing Rule 14A.56 of the Stock Exchange, where:

- (a) nothing has come to the auditors' attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.
- (b) for transactions involving the provision of goods or services by the Group, nothing has come to the auditors' attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- (c) nothing has come to the auditors' attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditors' attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

2. Other Connected Transactions

- (1) On 5 March 2018, Sinotrans (HK) Logistics, a wholly owned subsidiary of the Company, entered into the Subscription Agreement with CMS Capital Fund Management Co., Ltd and China Merchants Venture Capital GP (International) Limited ("CMVC") CMVC, both as general partners of the Fund (collectively the "Fund General Partners"), and Sinotrans (HK) Logistics agreed to subscribe for its approximately 25% interest in the Fund and contribute its share of partnership expenses as a limited partner at a consideration of US\$25,125,000 (equivalent to approximately HK\$195,975,000).

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Important Matters

- (2) On 13 April 2018, the Company entered into the PRC Financial Advisory Agreement with China Merchants Securities and the HK Financial Advisory Agreement with China Merchants (HK) respectively pursuant to which China Merchants Securities and China Merchants (HK) agreed to provide certain financial advisory services to the Company in relation to the Merger of Sinoair. The advisory fees were RMB20,000,000 and RMB3,000,000, respectively.
- (3) On 24 August 2018, China Merchants Logistics, a wholly-owned subsidiary of the Company, entered into the Assets Transfer Agreement with CSC Bulk Shipping pursuant to which China Merchants Logistics agreed to sell and CSC Bulk Shipping agreed to buy all non-current assets of the Qichun Branch Office of China Merchants Logistics as at 30 June 2018 for a total consideration of RMB52,747,090.
- (4) On 18 December 2018, Sinotrans (HK), a direct wholly-owned subsidiary of the Company, entered into the Shareholders Agreement with five other subsidiaries of China Merchants in respect of the formation of the Joint Venture Company. Pursuant to the Shareholders Agreement, the registered capital of Joint Venture Company is RMB3.5 billion, comprising RMB350 million which is to be contributed by Sinotrans (HK), representing 10% of the registered capital of the Joint Venture Company.
- (5) On 20 December 2018, CM Logistics, a direct wholly-owned subsidiary of the Company, entered into the Supplemental Shareholders Agreement with CM Yingkai, in respect of the additional capital contribution to the Joint Venture Company in accordance with their current shareholding percentage. CM Logistics and CM Yingkai agree to make the first additional capital contribution in the amount of RMB43.47 million and RMB60.03 million, respectively, to the Joint Venture Company within six months after the date of the Supplemental Shareholders Agreement. CM Logistics may, at its discretion taking into account the business development of the JV Subsidiary, elect to make further additional capital contribution of up to US\$23.1 million into the Joint Venture Company in 2019. To the extent CM Logistics makes any such further additional capital contribution, CM Yingkai agrees to make proportionate capital contribution into the Joint Venture Company of up to US\$31.9 million so that their shareholding percentage in the Joint Venture Company will remain the same.

The connected parties of above transactions are all subsidiaries of China Merchants Group for details about these connected transactions, please refer to the announcements published on the same dates on which relevant contracts were executed at the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

(II) Related Party Transactions in Ordinary Course of Business (Disclosed in Accordance with the Listing Rules of the Shanghai Stock Exchange)

1. Matters which were disclosed in interim announcements but without developments or changes in subsequent implementation

☐ Applicable ☒ Not applicable

2. Matters which were disclosed in interim announcements but underwent developments or changes in subsequent implementation

☒ Applicable ☐ Not applicable

- (1) On 10 November 2017, the company entered into a Comprehensive Logistics Service Agreement with China Merchants Group, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the transportation and logistics service provided by the group to its connected parties shall be no more than RMB2500 million, RMB3250 million and RMB4225 million in 2018, 2019 and 2020 respectively; the transportation and logistics services received by the group from its connected parties shall be no more than RMB3500 million, RMB4550 million and RMB5915 million in 2018, 2019 and 2020 respectively. In 2018, the transportation and logistics services provided by the Group to China Merchants Group was valued RMB800 million, the transportation and logistics services received from China Merchants Group was RMB1.887 billion.
- (2) On 10 November 2017, the company entered into a Property Lease Contract with China Merchants Group, the term of which was from 1 January 2018 to 31 December 2020. According to the contract, the property leased by the Group to China Merchants Group shall be valued at no more than RMB300 million, RMB330 million and RMB363 million in 2018, 2019 and 2020 respectively. In 2018, the expenses of the Group's leasing business to the China Merchants Group is RMB132 million.
- (3) On 10 November 2017, the Company and the finance company entered into the financial services agreement with effective term from 1 January 2018 to 31 December 2020, pursuant to which, the end-of-day deposit balance of the Group in the finance company during the year of 2018 shall not exceed RMB4 billion, and end-of-day deposit balance in the finance company during the years of 2019 and 2020 shall not exceed RMB5 billion. As at December 31 2018, the Group's deposit balance at the finance company was RMB3.537 billion.

The aforesaid continuing connected transactions (1)-(3) have been resolved by 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 on the website of Hong Kong Stock Exchange (www.hkex.com.hk).

- (4) On 19 November 2018, the Company convened the 5th meeting of the 2nd session of Board, on which the Proposal on the Continuing Connected Transaction with China Merchants Bank was passed. According to the proposal, no limit will be imposed on the loan issued by China Merchants Bank. The ceiling of deposit shall be RMB3500 million and RMB4000 million in 2019 and 2020 respectively. The proposal has been considered and approved in the 1st 2019 extraordinary shareholders meeting of the Company held on 7 March 2019. As at December 31 2018, the Group's deposit balance at China Merchants Bank was RMB307 million.

Please refer to the shareholders meeting information and announcement dated 21 January 2019 and 7 March 2019 published on Shanghai Stock Exchange website (www.sse.com.cn) by the Company for details.

3. Matters not disclosed in interim announcements

☐ Applicable ☒ Not applicable

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(III) Related Party Transactions Relating to Assets or Equity Interest Acquired or Disposal

1. **Matters which were disclosed in interim announcements but without developments or changes in subsequent implementation**
☐Applicable ☒Not applicable
2. **Matters which were disclosed in interim announcements but underwent developments or changes in subsequent implementation**
☐Applicable ☒Not applicable
3. **Matters not disclosed in interim announcements**
☐Applicable ☒Not applicable
4. **Disclosure about the realization of contracted performance within the Reporting Period**
☐Applicable ☒Not applicable

(IV) Significant Related Party Transactions in Respect of Foreign Investments

1. **Matters which were disclosed in interim announcements but without developments or changes in subsequent implementation**
☐Applicable ☒Not applicable
2. **Matters which were disclosed in extraordinary announcements but underwent developments or changes in subsequent implementation**
☐Applicable ☒Not applicable
3. **Matters not disclosed in interim announcements**
☐Applicable ☒Not applicable

(V) Amounts Due to or from Related Parties

1. **Matters which were disclosed in interim announcements but without developments or changes in subsequent implementation**
☐Applicable ☒Not applicable
2. **Matters which were disclosed in interim announcements but underwent developments or changes in subsequent implementation**
☐Applicable ☒Not applicable

3. Matters not disclosed in extraordinary announcements

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Nature of the connection	Capital provided to connected parties			Capital provided from connected parties to listed company		
	Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Controlling shareholder and de facto controller						
Other corporates under the control of the same controlling shareholder and de facto controller	1,881,061,586.45	2,082,710,637.51	3,963,772,223.96	8,070,689,205.72	-2,883,223,511.59	5,237,465,694.13
Associates and Joint Ventures	326,062,936.98	417,737,277.89	743,800,214.87	43,026,870.19	110,748,183.52	153,775,053.71
Other connected parties	-	10,934,882.28	10,934,882.28	-	-	-
Total	2,207,124,523.43	2,511,382,797.68	4,718,507,321.11	8,113,716,075.91	-2,772,475,328.07	5,391,240,747.84
Reasons for the connected debts and liabilities	Proceeds in dealings with Associates					
The impact of amounts due to or from related parties on the Company	Amounts due to or from related parties are conducted based on the time agreed under the contract or agreement in accordance with the financial settlement process and no material impact was effected on the operation result and financial position of the Company.					

(VI) Others

☐ Applicable ☒ Not applicable

XV. MATERIAL CONTRACTS AND PERFORMANCE THEREOF**(I) Trust, Contracting and Leasing****1. Trust**

☐ Applicable ☒ Not applicable

2. Contracting

☐ Applicable ☒ Not applicable

3. Leasing

☐ Applicable ☒ Not applicable

Chapter 6

Important Matters

(II) Guarantee

✓Applicable

□Not applicable

Unit: Yuan Currency: RMB

Guarantors	Relation between the guarantors and the listed company	The guaranteed party	External guarantee of the Company (excluding those provided to subsidiaries)										Connected Relationships
			Guaranteed amount	Date of the guarantee (the date of the agreement)	Guarantee Beginning date	Guarantee Maturity date	Type of guarantee	Status of guarantee	Is the guarantee overdue	Guarantee amount	Is counter guarantee available	Guarantee provided to the related parties	
Sinotrans Air Transportation Development Co., Ltd.	Subsidiaries	Sinotrans Luzhou Port Logistics Co., Ltd.	19,380,000.00	2017-01-10	2017-01-10	2022-01-10	General guarantee	No	No	-	No	Yes	Associates and Joint Ventures
Sinotrans Guangdong Company Limited	Subsidiaries	Dongguan Humen Port International Container Terminal Co., Ltd	17,419,500.00	2015-08-27	2015-08-27	2023-01-09	Joint guarantee liabilities	No	No	-	No	Yes	Associates and Joint Ventures
Sinotrans Bulk Logistics Company Limited	Subsidiaries	Sinotrans Sarens Logistics Company Limited	14,937,055.48	2016-07-01	2016-07-01	2021-06-30	Joint guarantee liabilities	No	No	-	No	Yes	Associates and 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)													51,736,555.48
Guarantees provided by the Company and its subsidiaries to subsidiaries													
Total guaranteed amount to subsidiaries during the Reporting Period													3,543,436,000.00
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)													6,879,173,985.77
Total guarantees (including guarantees to subsidiaries) provided by the Company													
Total guaranteed amount (A+B)													6,930,910,541.25
Total guaranteed amount as a percentage of the net asset value of the Company (%)													24.88
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)													5,494,314,393.22
Total guaranteed amount in excess of 50% of net asset value (E)													-
Total guaranteed amount of the above three items (C+D+E)													5,494,314,393.22
Statement on the contingent joint liability in connection with unexpired guarantees													
Details of guarantee													

Nil

As of 31 December 2018, the announced aggregate amount of third-party guarantee provided by the Company was RMB6,930,910,541.25, including:

- 1: On 18 December 2018, the Company and its subsidiary Jiangmen High-tech Port Development Co., Ltd. signed a loan of RMB560 million with Bank of China Limited Jiangmen Branch in order to satisfy business need, where the proceeds will be used for the high-tech infrastructure in Jiangmen and the credit guarantee was provided by the Company.
- 2: On 5 June 2018, the Company and its subsidiary Wide Shine Development Limited signed a loan of HK\$780 million (equivalent to approximately RMB683,436,000.00) with HSBC in order to satisfy business need, where the credit guarantee was provided by the Company.
- 3: On 24 June 2018, the Company and its subsidiary China Merchants Shipping And Enterprises Company Limited obtained a loan from Bank of China Hong Kong in order to satisfy business need. Taking exchange rate fluctuation into factors, the guarantee amount is 1.15 times of RMB2 billion, amounted to RMB2.3 billion, where the credit guarantee was provided by the Company.

(III) Entrustment of Asset Management**1. Entrusted wealth management****(1) Overall entrusted wealth management**

☐ Applicable ☒ Not applicable

Other circumstances

☐ Applicable ☒ Not applicable

(2) Single item entrusted wealth management

☐ Applicable ☒ Not applicable

Other circumstances

☐ Applicable ☒ Not applicable

(3) Provision for impairment losses of entrusted wealth management

☐ Applicable ☒ Not applicable

2. Entrusted Loan**(1) General Situation of Entrusted Loan**

☐ Applicable ☒ Not applicable

Other circumstances

☐ Applicable ☒ Not applicable

(2) Single Entrusted Loan

☐ Applicable ☒ Not applicable

Other circumstances

☐ Applicable ☒ Not applicable

(3) Impairment provision for the entrusted loan

☐ Applicable ☒ Not applicable

3. Other circumstances

☐ Applicable ☒ Not applicable

(IV) Other Material Contracts

☐ Applicable ☒ Not applicable

XVI.STATEMENT OF OTHER MATERIAL MATTERS

☐ Applicable ☒ Not applicable

Chapter 6

Important Matters

XVII. WORKING SITUATION FOR FULFILLING SOCIAL RESPONSIBILITIES

(I) Working Situation in Anti-poverty of Listed Companies

☐Applicable ☒Not applicable

(II) Working Situation for Fulfilling Social Responsibilities

☒Applicable ☐Not applicable

For details, please refer to the 2018 ESG Report disclosed on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Exchanges (www.hkex.com.hk).

(III) Environmental Information

1. Environmental Protection Situation of Key Companies and its Major Subsidiaries for Drain Contamination Published by the Environmental Protection Department

☐Applicable ☒Not applicable

2. Environmental Protection Situation of Companies Except the Key Enterprises for Drain Contamination

☒Applicable ☐Not applicable

For details, please refer to the 2018 ESG Report disclosed on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Exchanges (www.hkex.com.hk).

3. The Reason of Not Disclosing Environmental Information for Companies Except the Key Enterprises for Drain Contamination

☐Applicable ☒Not applicable

4. Subsequent Progress or Changes on the Environmental Information Disclosed during the Reporting Period

☐Applicable ☒Not applicable

(IV) Other Statements

☐Applicable ☒Not applicable

XVIII. CONVERTIBLE COMPANY BONDS

(I) Issuance of Convertible Bonds

☐Applicable ☒Not applicable

(II) Convertible Bond Holders and Guarantors during the Reporting Period

☐Applicable ☒Not applicable

(III) Changes in Convertible Bonds during the Reporting Period

☐ Applicable ☒ Not applicable

Accumulative Share Conversion of Convertible Bonds during the Reporting Period

☐ Applicable ☒ Not applicable

(IV) Each Adjustment in the Share Conversion Price

☐ Applicable ☒ Not applicable

(V) Company's Liabilities, Changes in Credit Status and the Debt Repayment Arrangement in Coming Years

☐ Applicable ☒ Not applicable

(VI) Other Situations of Convertible Bonds

☐ Applicable ☒ Not applicable

Chapter 7 Movement of Common Shares and Shareholders

I. CHANGES IN SHAREHOLDING OF ORDINARY SHARES

(I) Changes in Ordinary Shares and Shareholders

1. Statement of Changes in Ordinary Shares

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

2. Changes in Ordinary Shares

☒ Applicable ☐ Not applicable

During the period from 1 January 2018 to 31 December 2018, there is no change in ordinary shares of the Company. On 10 January 2019, the Company completed the transfer and registration procedure for the conversion and merger of Sinoair's 1,351,637,231 A Shares on the Shanghai Stock Exchange at the Shanghai branch of China Securities Depository and Clearing Company Limited; and the existing domestic shares of the Company has been transferred into A Shares. The A Shares above has been listed on the Shanghai Stock Exchange on 18 January 2019. As of 18 January 2019, the changes of shares before and after this merger by absorption are as follows:

Name of Shareholders	Before the Transaction		After the Transaction	
	Number of Shares held (shares)	Percentage of Shareholding	Number of Shares held (shares)	Percentage of Shareholding
1. A Shares/Domestic Shares				
Sinotrans & CSC	2,461,596,200	40.69%	2,461,596,200	33.26%
China Merchants Group	1,442,683,444	23.85%	1,442,683,444	19.49%
Original Minority Shareholders of Sinoair	–	–	1,351,637,231	18.26%
Total	3,904,279,644	64.54%	5,255,916,875	71.02%
2. H Shares				
Sinotrans (HK)	106,683,000	1.76%	106,683,000	1.44%
Sinotrans Shipping Inc.	500,000	0.01%	500,000	0.01%
Public Shareholders of H Shares	2,037,704,000	33.69%	2,037,704,000	27.53%
Total	2,144,887,000	35.46%	2,144,887,000	28.98%
Total	6,049,166,644	100.00%	7,400,803,875	100.00%

3. Effect on financial indicators such as EPS, NAV per share for the recent year and the recent period of the changes in ordinary shares (if any)

☐ Applicable ☒ Not applicable

4. Other contents as the Company considers necessary or as required by security regulatory authorities

☐ Applicable ☒ Not applicable

(II) Changes in Restricted Shares

☐ Applicable ☒ Not applicable

II. SECURITY ISSUANCE AND LISTING**(I) Security Issuance During the Reporting Period**

☐ Applicable ☒ Not applicable

(II) Changes in Number of Shares and Shareholding of the Company's Ordinary Shares and the Changes in Structure of its Balance Sheet

☐ Applicable ☒ Not applicable

(III) Existing Internal Staff Shares

☐ Applicable ☒ Not applicable

III. SHAREHOLDERS AND DE FACTO CONTROLLERS**(I) Capital Structure**

As of 31 December 2018, the capital structure of the Company is as follows:

Nature of shares	Number of shares	The Percentage in issued capital
Domestic shares	3,904,279,644	64.54%
H-shares	2,144,887,000	35.46%
Total equities	6,049,166,644	100%

At the end of the Reporting Period, the Company has 126 shareholders in total, including 2 domestic shareholders and 124 H shareholders. At the end of last month (February 2019) before the announcement date of annual report, the Company has 71,468 shareholders in total, including 71,345 A shareholders and 123 H shareholders.

(II) Number of Shareholders

Number of Ordinary Shareholders at the end of the Reporting Period (shareholders)	126
At the end of last month before the announcement date of annual report	71,468

Chapter 7

Movement of Common Shares and Shareholders

(III) The Shareholding of the Top 10 Shareholders and top 10 Tradable Shareholders (or Shareholders without Restrictions on Sale) at the End of the Reporting Period

Unit: Shares

Name of Shareholders (Full Name)	Increase and decrease during the Reporting Period	Shareholding of the top 10 shareholders					Shareholders Nature
		Number of shares held at the end of the Reporting Period	Percentage (%)	Number of restricted shares held	Pledge or locked up status		
					Shares Status	Number	
Sinotrans & CSC Holdings Co., Ltd.	0	2,461,596,200	40.69	2,461,596,200	Nil	0	State-owned corporation
China Merchants Group Limited	0	1,442,683,444	23.85	1,442,683,444	Nil	0	State-owned corporation
HKSCC NOMINEES LIMITED	-233,000	2,107,393,570	34.84	0	Unknown	Unknown	Overseas corporation
DEUTSCHE POST BETEILIGUNGEN HOLDING	35,616,000	35,616,000	0.59	0	Unknown	Unknown	Overseas corporation
HO VICTOR KA LEUNG & HO KA YAN KAREN	254,000	254,000	0.00	0	Unknown	Unknown	Overseas natural person
WONG KING FAT	0	120,000	0.00	0	Unknown	Unknown	Overseas natural person
CHUI WAI YING	0	100,000	0.00	0	Unknown	Unknown	Overseas natural person
CHOW KING CHUNG JOSEPH	0	100,000	0.00	0	Unknown	Unknown	Overseas natural person
YUEN YUI WING	0	80,000	0.00	0	Unknown	Unknown	Overseas natural person
WONG SHOU GING	0	80,000	0.00	0	Unknown	Unknown	Overseas natural person

Shareholding of the top 10 shareholders without restrictions

Name of Shareholders	Number of tradable shares without restrictions	Category and number of shares	
		Category	Number
HKSCC NOMINEES LIMITED	2,107,393,570	Foreign shares listed overseas	2,107,393,570
DEUTSCHE POST BETEILIGUNGEN HOLDING	35,616,000	Foreign shares listed overseas	35,616,000
HO VICTOR KA LEUNG & HO KA YAN KAREN	254,000	Foreign shares listed overseas	254,000
WONG KING FAT	120,000	Foreign shares listed overseas	120,000
CHUI WAI YING	100,000	Foreign shares listed overseas	100,000
CHOW KING CHUNG JOSEPH	100,000	Foreign shares listed overseas	100,000
YUEN YUI WING	80,000	Foreign shares listed overseas	80,000
WONG SHOU GING	80,000	Foreign shares listed overseas	80,000
MAK MING HOI	50,000	Foreign shares listed overseas	50,000
LEE YING YUEN	50,000	Foreign shares listed overseas	50,000
NG KIT YU	50,000	Foreign shares listed overseas	50,000
CHEUNG KI FUNG CALVIN	50,000	Foreign shares listed overseas	50,000
Statement on connected relationship or acting in concert relationship of shareholders above	Sinotrans & CSC Holdings Co., Ltd. is the wholly-owned subsidiary of China Merchants Group Limited.		
Statement on preferred shareholders and their shareholdings upon the recovery of voting rights	N/A		

Shareholdings of top 10 shareholders with restrictions on sale and the restriction conditions
☒ Applicable
 ☐ Not applicable

Unit: Shares

No.	Name of Shareholders with restrictions on sale	Number of restricted shares held	Available for listing and trading status of restricted shares		Restriction Conditions
			Available for listing and trading Time	Number of additional shares available for listing and trading	
1	Sinotrans & CSC Holdings Co., Ltd.	2,461,596,200	2022.1.19	0	Note 1
2	China Merchants Group Limited	1,442,683,444	2022.1.19	0	Note 1
Illustration on connected relationship or acting in concert relationship of shareholders above Sinotrans & CSC Holdings Co., Ltd. is the wholly-owned subsidiary of China Merchants Group Limited.					

Note 1: upon the merger of Sinoair, China Merchants Group and Sinotrans & CSC Group undertook that, within 36 months from the listing date of A shares of the Company, the covenantor shall not transfer or entrust other to manage the shares issued prior to the merger by absorption held directly or indirectly by itself (excluding H shares) and the Company shall not repurchase such shares. Within 6 months 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 issue price, or the closing price as at the end of the six-month period after listing is below the issue price, the lock-up period will be automatically extended for six months. At present, the A Shares of the Company have been listed on the Shanghai Stock Exchange on 18 January 2019.

(IV) Strategic Investors or General Corporations have Become Top 10 Shareholders Due to the Placement of New Shares
☐ Applicable
 ☒ Not applicable
(V) Shareholding and Short Positions of the Company's Shares Held by Substantial Shareholders Disclosed as Required by Securities and Futures Ordinance

Name	Corporate interests	Interests	Percentage of the Company's total issued share capital	Percentage of the Company's
China Merchants (Note 1)	3,904,279,644 (L)	Domestic Shares	64.54%	–
	107,183,000 (L)	H shares	1.77%	4.997%
BlackRock, Inc. (Note 2)	172,894,654 (L)	H shares	2.86%	8.06%
	127,000 (S)	H shares	0.00%	0.01%
Pandanus Associates Inc. (Note 3)	159,311,000 (L)	H shares	2.63%	7.43%
JPMorgan Chase & Co. (Note 4)	151,144,026 (L)	H shares	2.50%	7.05%
	3,119,031 (S)	H shares	0.05%	0.15%
	139,239,763 (P)	H shares	2.30%	6.49%
LSV ASSET MANAGEMENT (Note 5)				
	129,183,000 (L)	H shares	2.14%	6.02%
Citigroup Inc. (Note 6)	107,374,397 (L)	H shares	1.78%	5.00%
	303,000 (S)	H shares	0.01%	0.01%
	106,071,039 (P)	H shares	1.75%	4.94%

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

Chapter 7

Movement of Common Shares and Shareholders

Note

1. Sinotrans & CSC directly held the 2,461,596,200 Domestic shares, and China Merchants directly held the 1,442,683,444 domestic shares; Sinotrans & CSC directly indirectly held the 107,183,000 H shares through its wholly owned subsidiaries, among which, Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H shares, and Sinotrans Shipping Inc. held 500,000 H shares as at 31 December 2018. As Sinotrans & CSC is the wholly-owned subsidiary of China Merchants, China Merchants is deemed to be interested in 66.31% of issued shares of the Company.
2. According to the Disclosure of Interests submitted by BlackRock Inc. on the website of the Hong Kong Stock Exchange, 172,894,654 H shares (long position) and 127,000 H shares (short position) are interests of corporations controlled by major shareholders, of which 1,408,000 H shares (long position) and 127,000 H shares (short position) are reported as unlisted derivatives settled in cash. The aforesaid shares are held by companies directly or indirectly controlled by BlackRock, Inc.
3. According to the Disclosure of Interest submitted by Pandanus Associates Inc. on the website of the Hong Kong Stock Exchange, 159,311,000 H shares (long position) are interests of corporations controlled by major shareholders, of which, 38,566,000 H (long position) are reported as unlisted derivatives settled in cash. The aforesaid shares are held by companies directly or indirectly controlled by Pandanus Associates Inc.
4. According to the Disclosure of Interest submitted by JPMorgan Chase & Co. on the website of the Hong Kong Stock Exchange, JPMorgan Chase & Co. held 153,000 H shares (long position) in the capacity as investment manager, 1,505,726 H shares (long position) in the capacity of holder of security interest, 139,239,763 H shares (long position) in the capacity as approved lending agent. 10,245,537 H shares (long position) and 3,119,031 H shares (short position) are interests of corporations controlled by major shareholders. Of which, 619,000 H shares (long position) and 3,119,031 H shares (short position) are reported as unlisted derivatives settled in cash. The aforesaid shares are held by companies directly or indirectly controlled by JPMorgan Chase & Co.
5. According to the Disclosure of Interests submitted by LSV ASSET MANAGEMENT on the website of the Hong Kong Stock Exchange, LSV ASSET MANAGEMENT held 81,725,000 H shares (long position) in the capacity as investment manager. 47,458,000 H shares (long position) are interests of corporations controlled by major shareholders. The aforesaid shares are held by companies directly or indirectly controlled by LSV ASSET MANAGEMENT.
6. According the Disclosure of Interest submitted by Citigroup Inc. on the website of the Hong Kong Stock Exchange, Citigroup Inc. held 106,071,039 H shares (long position) in the capacity as approved lending agent, 1,303,358 H shares (long position) and 303,000 H shares (short position) are interests of corporations controlled by major shareholders. The aforesaid shares are held by companies directly or indirectly controlled by Citigroup Inc.

Save as disclosed above, based on the interest or short position in the register maintained by the Company as required under Section 336 of the SFO, as at 31 December 2018, so far as was known to the directors of the Company, there were no other person (other than a director, president or supervisor) who had any interest or short position in the shares and underlying shares of the Company as required under Part XV.2 and Part XV.3 of the SFO.

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

1 Corporation

☒ Applicable ☐ Not applicable

Name	Sinotrans & CSC Holdings Co., Ltd.
Person in charge or legal representative	Zhao Huxiang
Incorporation Date	9 June 1984
Primary Operating Business	Non-vessel operating business (The maturity date is 16 March 2020); international ship agency; organization, investment and management of integrated logistics; ship manufacture and maintenance; ocean engineering; investment, establishment and operation of the relevant infrastructures; import and export business; technical services. (Enterprises shall select operating items and operate autonomously according to law; items that shall be approved according to law can be operated upon approval of relevant departments; enterprises shall not engage in operations prohibited by industrial policies and restricted items in this city.)
Shareholding of other controlling and shareholding companies listed domestically and overseas during the Reporting Period	It holds 12,907 thousand shares in CJ Phoenix (000520), representing 1.28% of its total equities; it holds 1.357 billion shares in NJTC (Nanjing Tanker Corporation, 601975), representing 27.02% of its total equities.
Other circumstances	The information above is presented as of 31 December 2018. As at the date of this report, the legal representative of Sinotrans & CSC Group has changed into Song Dexing.

Chapter 7

Movement of Common Shares and Shareholders

2 Natural person

☐ Applicable ☒ Not applicable

3 A special explanation on no controlling shareholders of the company

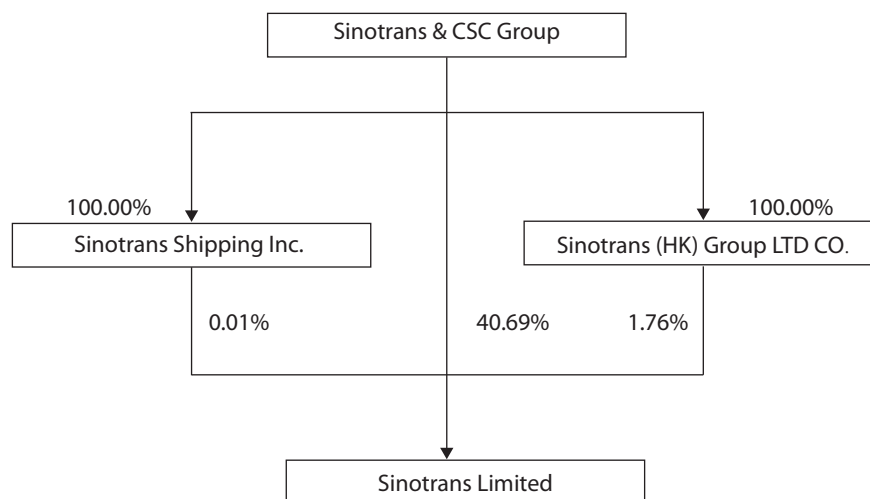
☐ Applicable ☒ Not applicable

4 Index and date of changes in controlling shareholders during the Reporting Period

☐ Applicable ☒ Not applicable

5 Diagram on property rights and controlling relationship between the Company and controlling shareholders

☒ Applicable ☐ Not applicable



Note: The status of controlling shareholders is presented as of 31 December 2018. As of the date of this Report, Sinotrans & CSC Group directly holds 2,461,596,200 A shares of the Company, representing 33.26% of the Company's total equities; indirectly holds 107,183,000 H shares through two wholly-owned subsidiaries, representing 1.45% of the Company's total equities. Sinotrans & CSC Group hold a total of 2,568,779,200 shares (including A shares and H shares) in the Company, accounting for 34.71% of the Company's total share capital.

(II) De facto Controllers**1 Corporation**

☒ Applicable ☐ Not applicable

Name	China Merchants Group Limited
Person in charge or legal representative	Li Jianhong
Incorporation Date	14 October 1986
Primary operating business	Sea and land transportation and agency of goods, leasing and agency of sea and land transportation tools and equipment, investment in and management of port and warehouse businesses; sea rescue, salvage, towing; manufacturing; building, repair, inspection and sale of vessels and offshore oil drilling equipment; repair and inspection of oil rigs and containers; contracting and construction of and back office services for sea and land construction projects and offshore oil exploitation projects; procurement, supply and sale of sea and land transportation equipment and relevant supplies; import and export transportation businesses; investment in and management of businesses in the financial, insurance, trust, securities and futures industries; investment in and management of businesses in the tourism, hotel, catering and relevant services industries; real estate development and property management and consultancy business; investment in and management of petrochemical business; investment in and operation of transportation infrastructure; operation of offshore assets; development, operation and management of Shekou Industrial Zone in Shenzhen and Zhangzhou Development Zone in Fujian. (Enterprises shall select operating items and operate autonomously according to law; items that shall be approved according to law can be operated upon approval of relevant departments; enterprises shall not engage in operations prohibited by industrial policies and restricted items in this city.)

Chapter 7

Movement of Common Shares and Shareholders

Shareholding of other controlling and shareholding companies listed domestically and overseas during the Reporting Period	It holds 87.81% equities in China Merchants Port Holdings Company Limited; 74.35% equities in China Merchants Land Limited; 68.72% equities in China Merchants Expressway Network & Technology Holdings Company Limited; 68.70% equities in Sinotrans Shipping Ltd., 54.28% equities in China Merchants Energy Shipping Co., Ltd., 63.47% equities in China Merchants Shekou Industrial Zone Holdings Co., Ltd., 44.09% equities in China Merchants Securities Co., Ltd., 39.54% equities in China Merchants Port Holdings Company Limited; 29.94% equities in Anhui Expressway Company Limited; 27.86% equities in China Merchants Bank Co., Ltd.; 27.59% equities in China Merchants China Direct Investments Limited.; 26.77% equities in Shanghai International Port (Group) Co., Ltd.; 24.58% equities in China International Marine Containers Group Co., Ltd.; 24.05% equities in Sichuan Expressway Company Limited; 21.05% equities in Dalian Port (Pda) Company Limited; 17.75% equities in Fujian Expressway Development Co., Ltd.; 16.52% equities in Heilongjiang Transport Development Co., Ltd.; 16.02% equities in Shandong Hi-speed Company Limited; 15.43% equities in Henan Zhongyuan Express Co., Ltd.; 15.21% equities in Hubei Chutian Expressway Co., Ltd.; 14.04% equities in Jilin Expressway Company Limited; 13.86% equities in Guangxi Wuzhou Transportation Company Limited; 11.69% equities in Jiangsu Expressway Company Limited; 7.04% equities in Xiandai Investment Co., Ltd.; 4.02% equities in Shenzhen Expressway Company Limited; 3.09% equities in Ningbo Zhoushan Port Company Limited; 2.54% equities in Qingdao Port International Co., Ltd.; 1.20% equities in Oriental Times Media Corporation; 0.37% equities in Sunward Intelligent Equipment Co., Ltd.; 0.16% equities in Cmmb Vision Holdings Limited.
Other circumstances	N/A

2 Natural person

☐Applicable ☒Not applicable

3 A special explanation on no de facto controllers of the company

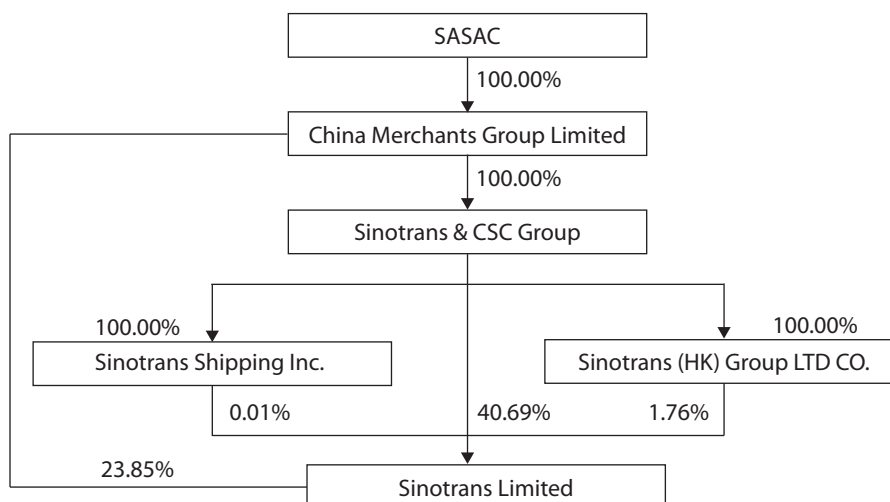
☐Applicable ☒Not applicable

4 Index and date of changes in de facto controllers during the Reporting Period

☐Applicable ☒Not applicable

5 Diagram on property rights and controlling relationship between the Company and de facto controllers

☒ Applicable ☐ Not applicable



Note: The status of de facto controllers is presented as of 31 December 2018. From January 18 to January 28, 2019, China Merchants Group increased its holdings of 157,913,995 A shares of the company through the secondary market, accounting for 2.13% of the company's total share capital, and the holding amount was RMB 799,999,712.63 (including relevant taxes and fees). As at the date of this report, China Merchants Group directly holds 1,600,597,439 A shares in the company, accounting for 21.63% of the total share capital of the company; China Merchants Group and concert parties hold a total of 4,169,376,639 shares (including A shares and H shares) in the company, accounting for 56.34% of the total share capital of the company.

6 De facto controllers controlling the company by way of trust or other asset management means

☐ Applicable ☒ Not applicable

(III) Summary of other facts about controlling shareholder and de facto controller

☐ Applicable ☒ Not applicable

V. OTHER CORPORATE SHAREHOLDERS WITH OVER 10% OF SHAREHOLDING IN THE COMPANY

☐ Applicable ☒ Not applicable

VI. DETAILS ON RESTRICTION ON SHAREHOLDING REDUCTION

☒ Applicable ☐ Not applicable

As at the date of this report, the de facto controllers, China Merchants Group and the controlling shareholder, Sinotrans & CSC, held 4,062,193,639 A shares in the Company, of which 3,904,279,644 A shares have a restricted period of 36 months from the listing of A shares of Sinotrans, the 157,913,995 A shares overweighted by China Merchants Group from 18 January to 28 January 2019 have a restricted period of 6 months from the date it increased shareholding of A shares.

Chapter 8 **Overview of Preferred Shares**

☐ Applicable

☒ Not applicable

Chapter 9 Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

1. Changes in Shareholding and Remuneration of Present Directors, Supervisors and Senior Managers and the Ones Resigned During Reporting Period

✓ Applicable □ Not applicable

Unit: shares

Name	Position	Gender	Age	Date of term commencement	Date of term expiration	Number of shares held at the beginning of the year	Number of shares held at the end of the year	change in shares amount during the year	Reasons for Change	Total pre-tax remuneration received from the Company during the reporting period (10,000 yuan)	Whether to get remuneration from connected parties of the Company
Wang Hong	Chairman	Male	56	1 June 2018	26 February 2019	0	0	0	0	0	Y
	Executive Director			1 June 2018	26 February 2019						
Song Dexing	Vice Chairman	Male	55	1 June 2018		0	0	0	0	0	Y
	Executive Director			15 December 2016							
Li Guanpeng	Chairman	Male	52	26 February 2019		0	0	0	0	231.0	N
	Executive Director			31 March 2017							
	President			8 February 2014							
Song Rong	Executive Director	Male	46	1 June 2018		0	0	0	0	209.2	N
	Vice President			28 December 2015							
Wang Lin	Executive Director	Male	59	31 March 2017		0	0	0	0	176.6	N
Wu Xueming	Executive Director	Male	55	1 June 2018		0	0	0	0	176.7	N
	Vice President			4 August 2010							
Jerry Hse	Non-executive Director	Male	68	1 June 2018		0	0	0	0	0	N
Wang Taiwen	Independent non-executive Director	Male	72	28 December 2017		0	0	0	0	16.62	N
Meng Yan	Independent non-executive Director	Male	63	1 June 2018		0	0	0	0	9.26	N
Song Haiqing	Independent non-executive director	Male	40	1 June 2018		0	0	0	0	9.26	N
Li Qian	Independent non-executive Director	Female	50	1 June 2018		0	0	0	0	9.26	N
Zhou Fangsheng	Independent Supervisor	Male	69	28 December 2017		0	0	0	0	10.74	N
Fan Zhaoping	Independent Supervisor	Male	64	1 June 2018		0	0	0	0	5.88	N
Ren Dongxiao	Supervisor	Female	53	14 January 2017		0	0	0	0	76.6	N
Mao Zheng	Supervisor	Female	52	14 March 2019		0	0	0	0	/	N
Chen Xianmin	Vice President	Male	54	16 May 2018		0	0	0	0	171.9	N
Tian Lei	Vice President	Male	53	16 May 2018		0	0	0	0	150.9	N
Chen Hairong	Vice President	Male	55	16 May 2018		0	0	0	0	150.9	N
Wang Jiuyun	CFO	Male	52	30 December 2016		0	0	0	0	143.9	N
Li Shichu	Secretary of the Board	Male	48	30 December 2016		0	0	0	0	143.8	N
Gao Xiang	CIO	Male	46	14 September 2016		0	0	0	0	165.7	N
Zhao Huxiang (Ceased)	Director, Chairman	Male	63	11 June 2015	1 June 2018	0	0	0	0	0	Y
Yu Jianmin (Ceased)	Director	Male	53	31 March 2017	1 June 2018	0	0	0	0	57.6	N
Guo Minjie (Ceased)	Independent non-executive Director	Male	72	31 August 2015	1 June 2018	0	0	0	0	6.32	N
Lu Zhengfei (Ceased)	Independent non-executive Director	Male	55	18 October 2016	1 June 2018	0	0	0	0	6.32	N
Liu Junhai (Ceased)	Independent non-executive Director	Male	49	28 December 2015	1 June 2018	0	0	0	0	6.32	N
Wu Dongming (Ceased)	Supervisor	Male	55	31 March 2014	1 June 2018	0	0	0	0	0	N
Total	/	/	/	/	/	0	0	0	0	1934.78	/

Chapter 9

Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Wang Hong	Born in 1962, is the Chairman of the Company, the Chairman of the Executive Committee and also the member of the Remuneration Committee and the Nomination Committee of the Board and Executive Vice President of China Merchants Group Limited. He graduated from Dalian Maritime University in the PRC with a major in Marine Engineering, and then obtained a master degree in Business Administration from Graduate School of University of Science and Technology Beijing and a PhD in Management from Graduate School of China Academy of Social Science. Mr. Wang successively served as General Manager of Shipping Department, General Manager of Finance and Accounting Department and Vice President of China Communications Import & Export Corp., Managing Director of Hoi Tung Marine Machinery Suppliers Ltd., General Manager of Performance Evaluation Department, Human Resources Department, Strategic and Research Department and Strategic Planning Department and Chief Economist of China Merchants Group Limited, as well as the Chairman of the Supervisory Committee of China Merchants Energy Shipping Company Limited, the Chairman of China Merchants Holdings (Pacific) Limited, the Director of China Merchants Property Development Company Limited, the Director of China Merchants Port Holdings Company Limited, etc.. In December 2015, Mr. Wang was appointed as the Chairman of China International Marine Containers (Group) Co., Ltd., shares of which are listed on both the Shenzhen Stock Exchange (stock code: 000039) and the Stock Exchange of Hong Kong Limited (stock code: 2039). From June 2018 to February 2019, Mr. Wang was the Chairman of the Board and the Executive Director of the Company.
Song Dexing	Born in 1963, is the Vice Chairman of the Company, the member of the Executive Committee of the Board. Mr. Song is a Senior Engineer graduating from port engineering major of Wuhan University of Technology (formerly known as Wuhan Institute of Water Transportation Engineering) and obtaining the Ph.D. degree in Management from Huazhong University of Science and Technology. Mr. Song successively held the posts of Secretary of the Youth League Committee and Engineer of Water Transport Planning and Design Institute of Ministry of Transport of the PRC, Deputy Head of the lecturer delegation in Sichuan sent by Ministry of Transport, Deputy Division Director and Division Director of Container Division and Domestic Division of Water Transportation Department of Ministry of Transport, Deputy Mayor of Luoyang City (temporary post), Associate Director of the Research Institute of Water Transportation of Ministry of Transport, Deputy Director and Director of the Yangtze Gorges Navigation Administration Bureau, Deputy Director and Director of Water Transportation Department of Ministry of Transport and Director of Water Transportation Bureau of Ministry of Transport, as well as held a concurrent post of Director of Taiwan Affairs Office of Ministry of Transport. In September 2014, Mr. Song was appointed as the Deputy Chairman and Member of the Standing Committee of Party Committee of SINOTRANS & CSC Holdings Co., Ltd., and thereafter successively held the posts of Deputy Party Secretary and Secretary of Discipline Inspection Commission of SINOTRANS & CSC Holdings Co., Ltd.. In June 2016, Mr. Song was appointed as the General Manager of SINOTRANS & CSC Holdings Co., Ltd. and the Head of Integrated Logistics Department of China Merchants Group Limited. From June 2017 to September 2018, Mr. Song served as the Head of Logistics and Shipping Department of China Merchants Group Limited. In November 2017, Mr. Song was appointed as the Secretary of the Communist Party Committee of Sinotrans & CSC Holdings Co., Ltd.. In November 2017, Mr. Song was appointed as the chairman of Nanjing Port (Group) Co., Ltd.. In September 2018, Mr. Song was appointed as the director of the Transportation and Logistics Division/Beijing Headquarters of China Merchants Group Limited and the executive director of Sinotrans & CSC Holdings Co., Ltd. Since August 2018, Mr. Song has been serving as the Vice Chairman of China Merchants Energy Shipping. Mr. Song was appointed as a Director of the Company in December 2016. Mr. Song was appointed as the Vice Chairman of the company in June 2018.

Name	Major work experience
Li Guanpeng	Born in 1966, is the President and the executive Director of the Company, and also the member of the Executive Committee and the Nomination Committee of the Board. Mr. Li graduated from Sun Yat-sen University in 1989 and obtained his bachelor degree in English language and literature. Mr. Li joined Sinotrans Group Company in 1989 and worked in Sinotrans Guangdong Company Limited Huangpu Branch. Mr. Li served as the General Manager of Zhuhai Shipping Agency Co., Limited and Guangdong Shipping Agency Co., Limited successively from 1994 to 1998. In September 1999, Mr. Li took the position of the Deputy General Manager of Sinotrans Guangdong. From January 2009 to January 2010, Mr. Li was temporarily transferred to the Ministry of Transport and served as an Assistant to the Director. In March 2010, Mr. Li was appointed as the General Manager of Sinotrans Guangdong. From August 2013 to January 2014, Mr. Li acted as Vice President of the Company. In February 2014, Mr. Li was appointed as the President of the Company. Mr. Li was appointed as a Director of the Company in March 2014. Mr. Li was appointed as the President and the Secretary of the Communist Party Committee of the company in May 2018. On 26 February 2019, Mr. Li was appointed as the Chairman of the Company.
Song Rong	Born in 1972, is the executive Director and the Vice President of the Company and also the member of the Executive Committee of the Board. He graduated from University of International Business and Economics with a bachelor degree in economics, and then obtained an MBA degree from Olin Business School of Washington University. Mr. Song joined China National Foreign Trade Transportation (Group) Corporation in 1995 and worked in liner shipping department 1. In 2000, Mr. Song was appointed as the Manager of Sinotrans Canada Company. In August 2006, Mr. Song served as Deputy General Manager of Sinotrans Container Lines Co., Ltd.. In January 2008, Mr. Song served as General Manager of operation department of the Company. In June 2012, Mr. Song was appointed as the General Manager of Sinotrans Shandong Co., Ltd.. Mr. Song was appointed as the Vice President of the Company in December 2015. From September 2017 to August 2018, he served as the General Manager of China Merchants Logistics Group Co., Ltd.. He was appointed as the Chairman and Secretary of the Communist Party Committee of China merchants Logistics Group Co., Ltd. in August 2018. Mr. Song was appointed as the Vice President and Vice Secretary of the Communist Party Committee of the Company in May 2018. Mr. Song was appointed as a Director of the Company in June 2018.
Wang Lin	Born in 1959, is the executive Director of the Company. Mr. Wang started his career in the China National Foreign Trade Transportation (Group) Corporation in 1984 by serving in the Sinotrans Group Zhejiang Company Limited. In 1996, Mr. Wang was promoted to the General Manager of Sinotrans Group Zhejiang Company Limited. In 1998, he became the General Manager of Sinotrans Zhejiang Company Limited which merged with Sinotrans Ningbo Company in the same year. In 1999, Mr. Wang became the Chairman of the board and General Manager of Sinotrans Jiangsu Company. Mr. Wang served as the Vice President of the Company and the General Manager of Sinotrans Eastern Company Limited from November 2002 to June 2018 and in April 2003, he also acted as Chairman of Sinotrans Eastern Company Limited. In March 2014, Mr. Wang was appointed as a Director of the Company. Mr. Wang was appointed as a Senior Advisor of the Company in May 2018.

Chapter 9

Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Wu Xueming	Born in 1963, is the Vice President and the executive Director of the Company. He graduated from Dalian Fisheries University in 1987, and obtained an EMBA degree from Cheung Kong Graduate School of Business in 2005. Mr. Wu joined China National Foreign Trade Transportation (Group) Corporation in 1987 and worked in vessel management department, chartering department, human resource department and liner shipping department II. Mr. Wu became the general manager of JC SHIPPING Co. Ltd. in 1997. From April 2002 to April 2007, he served as deputy general manager of Sinotrans Marine Co. Ltd. From December 2002 to February 2010, he served as general manager of China Marine Shipping Agency Co. Ltd. From April 2007 to July 2010, Mr. Wu was the assistant to the President of the Company. From February 2010 to January 2018, he served as Chairman of China Marine Shipping Agency Company Co., Ltd and Executive Director of China Shipping Agency Company in January 2018. In August 2010, Mr. Wu was appointed as the Vice President of the Company. Mr. Wu was appointed as a Director of the Company in June 2015.
Jerry Hsu	Born in 1950, is the Advisor to Global Management Board of DHL Express. Mr. Hsu is responsible to provide management advice to the Global Management Board on strategic issues of DHL Express worldwide network. Mr. Hsu's previous role was CEO of DHL Express Asia Pacific and a member of the DHL Express Global Management Board. He was responsible for China, Hong Kong, Taiwan, Japan, Korea, South East Asia, India and South Asia, Oceania and other markets and regions, a position he held until December 2015. Before that, Mr. Hsu was the Area Director responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea, a position he held until September 2002. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in DaimlerChrysler Corporation. Mr. Hsu holds BA/MA degree in International Economics and Politics. Mr. Hsu also holds directorships in various companies within the DPWN Group. Mr. Hsu was appointed as the Non-executive Director of the Company in June 2003. • Mr. Jerry Hsu is representative nominated by our Strategic Investors pursuant to the strategic placing agreements entered into at the time of the Company's listing in February 2003 between the Company and DHL (the "Strategic Investors"). • DHL Worldwide Express BV ("DHL") is a member of the Deutsche Post World Net Group ("DPWN Group") whose business operations are global mail, express delivery, logistics and financial services serving both in Europe and around the world. The DPWN Group's express delivery business operations in China are held through DHL, which formed a 50/50 joint venture with Sinoair in 1986. This joint venture has helped to establish a business relationship between our Group and the DPWN Group. • For the purposes of the Listing Rules of Hong Kong Stock Exchange, the Strategic Investor's nominee director above has interests (by way of minority equity interests or stock options or directorships) in competing businesses (i.e. those of the Strategic Investors, each being a major international company in the transportation and logistics industry), our Company has been and continues to carry on its business independently of and at arms-length from, those businesses and through its joint ventures and cooperation arrangements with those Strategic Investors.

Name	Major work experience
Wang Taiwen	Born in 1946, is the independent non-executive Director of the Company and the Chairman of Nomination Committee and the member of the Audit Committee and the Remuneration Committee of the Board. Mr. Wang is the independent non-executive director of China Automation Group Limited (a company listed in Hong Kong with stock code 00569) and the Independent Director of Guangdong Huatie Tongda High-speed Railway Equipment Corporation (a company listed in Shenzhen with stock code 000976). Mr. Wang started his career in Ziyang Internal Combustion Locomotive Co. Ltd. of China Ministry of Railway and worked successively as an engineer, Branch Factory Manager, General Manager and the Secretary of Communist Party Committee. Then he acted as President, Chairman and Secretary of Communist Party Committee of China Railway Locomotive and Rolling Stock Industry Corporation, and later as Chairman and Secretary of Communist Party Committee of China Southern Locomotive and Rolling Stock Industry (Group) Corporation. He also acted as an independent non-executive director in China Railway Group Limited. From October 2006 to December 2012, Mr. Wang served successively as an external director of China National Foreign Trade Transportation (Group) Corporation and an external director of SINOTRANS & CSC. Mr. Wang graduated from Dalian Railway Institute in 1962. Mr. Wang was appointed as the independent non-executive director of the Company in December 2017.
Meng Yan	Born in 1955, is the independent non-executive Director of the Company and the Chairman of the Audit Committee and the member of the Remuneration Committee and the Nomination Committee of the Board. Mr. Meng graduated from the Institute of Financial Science under Ministry of Finance with a PhD in economics (accounting). Mr. Meng is the professor and PhD supervisor of the School of Accountancy in the Central University of Finance and Economics, and also holds the qualification of PRC Certified Public Accountant and the posts of the managing director of the China Accounting Society, managing director of the China Financial Accounting Society and the director of the China Auditing Society. From 2003 to 2015, Mr. Meng served as the dean of the School of Accountancy in the Central University of Finance and Economics. In 1993 Mr. Meng was awarded the National Prominent Teacher and then obtained the special government allowance of the State Council in 1997. In 2000, Mr. Meng was awarded the Outstanding Worker in Beijing. Currently, Mr. Meng serves as the independent director of Beijing Capital Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600008), the independent director of Beijing Bashi Media Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600386), the independent non-executive director of Jolimark Holdings Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited (stock code:2028), and the independent non-executive director of China Longyuan Power Group Corporation Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited (stock code: 916). Mr. Meng was appointed as the independent non-executive director of the Company in June 2018.

Chapter 9

Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Song Haiqing	Born in 1978, is the independent non-executive Director of the Company and the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Mr. Song graduated from the Faculty of Information and Computational Science at Xi'an Jiaotong University, and subsequently obtained a PhD from the Faculty of Industrial Engineering and Logistics Management in the Hong Kong University of Science and Technology. Mr. Song currently serves as professor and PhD supervisor in the Faculty of Business Management at Lingnan College, Sun Yat-sen University, and Head of the Logistics and Supply Chain Research Center at Sun Yat-sen University. Mr. Song previously worked as a lecturer and Associate Professor of Lingnan College, Sun Yat-sen University, and visited Sloan School of Management in Massachusetts Institute of Technology, Business School of National University of Singapore, Operational Information Science Department of Josai International University as a visiting scholar and guest professor. Mr. Song's research fields include logistics and supply chain management, operations management, green supply chain, stochastic dynamic programming and management scientific decision-making. Mr. Song was appointed as the independent non-executive director of the Company in June 2018.
Li Qian	Born in 1968, is the independent non-executive Director of the Company and the Chairman of the Remuneration Committee and the member of the Audit Committee and the Nomination Committee of the Board. Ms. Li graduated from the Law School of Fudan University, majoring in International Economics Law, and obtained a master degree of law in comparative law from the Law School of the Indiana University-Bloomington. Currently, Ms. Li is a partner of Beijing HYIANDS Law Firm Shanghai Branch. From October 1993 to October 2002, Ms. Li worked as a lawyer in Shu Jin Law Firm, and from October 2002 to November 2015, she served as the managing partner of the Shanghai Branch of the Shu Jin Law Firm. Ms. Li specializes in securities, mergers & acquisitions, overseas listing, investment & financing and foreign investment, and she is one of the Chinese lawyers recommended by The Asia Pacific Legal 500—the Guide to Asian Commercial Law Firms in the practice area of mergers & acquisitions. Ms. Li was appointed as the independent non-executive director of the Company in June 2018.
Zhou Fangsheng	Born in 1949, is the Independent Supervisor of the Company. Mr. Zhou obtained rich enterprise practice during his long-term service in enterprises. From 1991 to 1997, Mr. Zhou served as Deputy Division Director and Division Director in the State-owned Assets Administration Bureau, and Deputy Director in the Stated-owned Assets Administration Research Institute. From 1997 to 2001, Mr. Zhou worked as Deputy Director in difficulty relief working office for stated-owned enterprises of the State Economic and Trade Commission. From 2001 to 2003, Mr. Zhou served as Director in Stated-owned Assets Administration Research Section of Research Institute for Fiscal Science of Ministry of Finance. From 2003 to 2009, Mr. Zhou worked as Vice Counsel in the Enterprise Reform Bureau of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zhou is now retired. Since January 2013, Mr. Zhou is also an Independent Non-executive Director of Hengan International Group Company Limited (a company listed in Hong Kong with stock code 01044). Mr. Zhou graduated from Hunan University majoring in engineering management in 1985 and completed post graduate course from the Renmin University of China in Enterprise Management of Industrial Economics Department in 1996. Mr. Zhou was appointed as the Independent Supervisor of the Company in December 2011.

Name	Major work experience
Fan Zhaoping	Born in 1954, is the supervisor of the Company. Mr. Fan graduated from the Institute of Financial Science under the Ministry of Finance with a master degree in Economics. Mr. Fan currently serves as the independent director of CIMC Vehicle (Group) Co., Ltd. (a non-listed company). Mr. Fan served as the assistant manager and manager of the finance department of Shenzhen Chiwan Petroleum Supply Base Company Limited, manager of the finance department and financial investment department in and assistant general manager of China Nanshan Development (Group) Incorporation. From 1998 to 2014, Mr. Fan served as vice president of China Nanshan Development (Group) Incorporation and has now retired from such position. Mr. Fan also served as CFO and director of Shenzhen Chiwan Wharf Holdings Limited, supervisor and chairman of Shenzhen Chiwan Petroleum Supply Base Company Limited, chairman of Shenzhen BLOGIS Holdings Limited, vice-chairman of China Association of Warehouses and Storage, chairman of Shenzhen Chiwan Oriental Logistics Company Limited, chairman of Hefei Baowan International Company Limited and the chairman of executive committee of the board and vice-chairman of Shenzhen Chiwan Sembawang Engineering Co. Ltd. and Mr. Fan was appointed as the supervisor of the Company in June 2018.
Ren Dongxiao	Born in 1965, is the Staff Representative Supervisor of the Company. Ms. Ren joined China National Foreign Trade Transportation (Group) Corporation in 1997, serving as the Deputy General Manager of Sinotrans International Trading Company. Ms. Ren was appointed as the Key Account Manager of Marketing Department of the Company in July 2008. Since September 2010, Ms. Ren has worked as the Vice-chairman of Labor Union of the Company. Since October 2010, Ms. Ren has acted as Assistant General Manager of President's Office, Assistant General Manager, Deputy General Manager of Party & Mass Affairs Department of the Company. Ms. Ren studied Japanese language and graduated from Dalian University of Foreign Languages in 1988. Ms. Ren was appointed as the Supervisor of the Company in January 2014.
Mao Zheng	Ms. Mao, born in 1966, holds a certificate of Level 1 Human Resources Professional. Ms. Mao graduated from the school of Economic Information Management of Renmin University of China with a bachelor degree of Engineering, major in economic information management. Then Ms. Mao obtained a master degree of Engineering in Graduate School of Dalian Maritime University, major in transportation planning and management. From September 1994 to February 2005, Ms. Mao held a position as a consulting manager in Beijing Branch of Deloitte Consulting (Pudong) Co., Ltd. (德勤諮詢(浦東)有限公司). Then she joined Sinotrans Limited, and served as Assistant General Manager in Human Resource Department of the Company from February 2005 to June 2009. Ms. Mao was successively appointed as the Assistant General Manager, Deputy General Manager in Engineering Equipment Transportation Branch of Sinotrans Limited from June 2009 to June 2011. From June 2011 to August 2015, she was appointed as Deputy General Manager in Energy Logistics Department of the Company, and then served as Deputy General Manager in Contract Logistics Department of the Company from August 2015 to March 2018. In March 2018, Ms. Mao was appointed as Deputy General Manager in Human Resource Department of the Company. In September 2018, Ms. Mao was appointed as Deputy Director in Organizational Department of Party Committee of the Company. Ms. Mao was appointed as the Supervisor of the Company in March 2019.

Chapter 9

Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Chen Xianmin	Born in 1964, is the Vice President of the Company. Mr. Chen graduated from Changsha University of Technology with major in mechanical engineering in 1986. Mr. Chen served as Assistant Manager of transport department and Deputy Manager of Management Department of Shenzhen Shekou Anda Industry Co., Ltd.. From May 2001 to December 2010, he served as Deputy Manager of Marketing Department of China Merchants Logistics, General Manager of Guangzhou Branch, General Manager of Business Development Department, Director of Customer Service. From 2012 to 2014, Mr. Chen was the Assistant to the General Manager of China Merchants Logistics. From 2014 to 2015, he was appointed Deputy General Manager of China Merchants Logistics. From 2015 to August 2018, Mr. Chen was appointed as the Deputy General Manager of China Merchants Logistics Holding Co., Ltd.. In August 2018, Mr. Chen was appointed General Manager of China Merchants Logistics. In May 2018, Mr. Chen was appointed as the Vice President of the Company.
Tian Lei	Born in 1965, is the Vice President of the Company. Mr. Tian graduated from Tsinghua University with a bachelor's degree in mechanical design and manufacturing in 1988, and graduated from the School of Economics and Management of Tsinghua University in 1994 with a master's degree in engineering. From 1995 to December 1997, he served as Minister of Investment of Economic Development Office and Assistant to the Director of Business Room in China Merchants Shekou Industrial Zone Holdings Co., Ltd.. From January 1998 to August 2001, served as Assistant General Manager of Shenzhen China Merchants Petrochemical Co., Ltd.. From September 2001 to December 2010, he served as Director of Business Management Department, General Manager of Development Research Department, General Manager of Corporate Planning Department of China Merchants Logistics Holding Co., Ltd., and Chairman and General Manager of Shenzhen-Hong Kong District Corporation. From December 2010 to March 2014, he served as the Assistant General Manager of China Merchants Logistics Holding Co., Ltd. and from June 2011, served as the General Legal Counsel. From April 2014 to August 2018, Mr. Tian was appointed Deputy General Manager of China Merchants Logistics Holding Co., Ltd. and General Counsel. In May 2018, Mr. Tian was appointed as the Vice President of the Company.

Name	Major work experience
Chen Hairong	Born in 1963, is the Vice President of the Company. Mr. Chen graduated from the Royal Roads University in Canada with a Master of Business Administration. From 1982 to 1992, He served as a Second Office of the vessel owned by Shanghai Ocean Shipping Co., Ltd., and Chief of Allocation Section under Division of Personnel. From 1993 to 1998, he served as Director of Human Resources Department of China Merchants Group and Manager of Personnel Department of Hong Kong Ming Wah Shipping Co., Ltd.. From November 1998 to June 2002, he served as General Manager of the Human Resources Department of China Merchants Transportation Holdings Co., Ltd, deputy General Manager of Shekou Southern China L.P.G Shipping Co., Ltd, and General Manager of China Merchants Marine & Transportation (Shekou) Co., Ltd.. From June 2002 to December 2010, he served as Deputy Manager of Operation Department of China Merchants Logistics Holding Co., Ltd., Deputy Manager of Anda Passenger Company, Deputy General Manager of Shanghai Branch and General Manager of Human Resources Department of China Merchants Logistics Holding Co., Ltd.. From December 2010 to December 2013, he served as the Director of Shanghai Office of China Merchants Group. From January 2013 to January 2015, he served as the Assistant General Manager of China Merchants Logistics Holding Co., Ltd.. In January 2015, Mr. Chen was appointed as Deputy General Manager and member of the Party Committee of China Merchants Logistics Holding Co., Ltd.. In May 2018, Mr. Chen was appointed as the Vice President of the Company.
Wang Jiuyun	Born in 1966, is the Chief Financial Officer of the Company. Mr. Wang began his career in the China National Foreign Trade Transportation (Group) Corporation in 1986. From 1988 to 1992, Mr. Wang served in TNT Skypak--Sinotrans Int'l Express Company as the National Accounting & Finance Manager. In 1992, Mr. Wang served as Manager of the Accounting & Finance Department of New Asia Ltd. and later became the F&A Manager of International United Shipping Agency Ltd. in 1994. In 2000, Mr. Wang was appointed as Manager of Overseas Section of Financing and Accounting Department of China National Foreign Trade Transportation (Group) Corporation. In January 2002, Mr. Wang was appointed as Chief Financial Officer of North China Region of Sinotrans Air Transportation Development Co., Ltd.. In May 2004, Mr. Wang was appointed as the General Manager of the Financing and Accounting Department of Sinotrans Air Transportation Development Co., Ltd.. In August 2006, Mr. Wang was appointed as the Deputy General Manager of Sinotrans Air Transportation Development Co., Ltd.. During the period from November 2010 to April 2013, Mr. Wang held a concurrent post as the Chief Financial Officer of Sinotrans Air Transportation Development Co., Ltd.. From April 2013 to December 2017, Mr. Wang was appointed as the General Manager of the Accounting & Financial Department of the Company. In December 2016, Mr. Wang was appointed as the Chief Financial Officer of the Company.

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Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Li Shichu	Born in 1970, is the Board Secretary/Joint Company Secretary of the Company. Mr. Li obtained his bachelor degree in economics from University of International Business and Economics, and graduated with an EMBA degree from Cheung Kong Graduate School of Business. Mr. Li joined China National Foreign Trade Transportation (Group) Corporation in 1993. From 1993 to 2000, Mr. Li was under the employment of China Marine Shipping Agency Co., Ltd and President Office of China National Foreign Trade Transportation (Group) Corporation. From 2000 to 2002, Mr. Li acted as the Deputy Director of President Office of China National Foreign Trade Transportation (Group) Corporation. From April 2002 to December 2002, Mr. Li acted as the Head of Integrated Group of Listing Office of China National Foreign Trade Transportation (Group) Corporation. From 2002 to 2008, Mr. Li acted as the General Manager of Securities & Legal Affairs Department of the Company. From 2008 to 2012, Mr. Li acted as the General Manager of Sinotrans Anhui Company. From 2012 to 2017, Mr. Li was the General Manager of the Developing & Planning Department of the Company. In December 2016, Mr. Li was appointed as the Board Secretary/Joint Company Secretary of the Company.
Gao Xiang	Born in 1972, is the Chief Information Officer of the Company. From the year of 1995 to the year of 2016, Mr. Gao was employed by TravelSky Technology Limited with experience as Engineer, Executive Manager of marketing division, General Manager of aviation business division and General Manager and Secretary of the party committee of research and development center. Mr. Gao graduated from Nankai University in 1995. In September 2016, Mr. Gao was appointed as the Chief Information Officer of the Company.

Other information

☐Applicable ☒Not applicable

(II) Share-Based Payments to Directors, Senior Management Personnel During the Reporting Period

☐Applicable ☒Not applicable

II. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WHO ARE CURRENTLY SERVING OR HAVE SERVED DURING THE REPORTING PERIOD

(I) Position in the Shareholder's Entity

☒ Applicable ☐ Not applicable

Name of officer	Name of Shareholder's entity	Position in the shareholder's entity	Start date of appointment	End date of appointment
Wang Hong	China Merchants Group	Deputy General Manager	March 2015	
Song Dexing	Sinotrans & CSC Holdings Co., Ltd.	General Manager	June 2016	
	Sinotrans & CSC Holdings Co., Ltd.	Executive Directors	September 2018	
	China Merchants Group	Transportation and Logistics Division/Head of Beijing Headquarter of China Merchants Group	September 2018	
Position in the shareholder's entity	N/A			

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Directors, Supervisors, Senior Management and Employees

(II) Position in Other Entities

✓Applicable

□Not applicable

Name of officer	Name of the other entities	Position in the other entities	Start date of appointment	End date of appointment
Wang Hong	China International Marine Containers (Group) Co., Ltd.	Chairman	December 2015	
Song Dexing	Nanjing Port (Group) Co., Ltd.	Chairman	November 2017	
	China Merchants Energy Shipping Company Limited	Vice Chairman	August 2018	
	China Merchants Port Holdings Company Limited	Director	December 2018	
Li Guanpeng	Sinotrans Air Transportation Development Co., Ltd.	Director	April 2016	
	Sinotrans Air Transportation Development Co., Ltd.	Chairman	September 2016	
Song Rong	China Merchants Logistics Group Co., Ltd.	Chairman	August 2018	
	China Merchants Loscam Holding Co., Ltd.	Chairman	December 2018	
	Sinotrans PFS Company Limited	Director	June 2018	
	Shanghai Lianhe Cold Chain Logistics Co., Ltd.	Director	May 2018	
	SinoTrans Chemical International Logistics Co., Ltd.	Chairman	14 November 2018	
	China Merchants Americold Co., Ltd., China Merchants Americold Logistics Co., Ltd.	Chairman	January 2018	
	China Merchants Americold (Hong Kong) Holdings Co., Ltd.	Chairman	January 2018	
	China Merchants Americold Logistics (Hong Kong) Co., Ltd.	Chairman	January 2018	
	Smart Ally Holdings Limited	Chairman	January 2018	
	Charm Progress Investment Limited	Chairman	January 2018	
Wang Lin	Sinotrans Eastern Company Limited	Chairman	April 2003	
WU Xueming	China Marine Shipping Agency Co., Ltd.	Executive Directors	January 2018	
	Nissin-SinoTrans International Logistics Co., Ltd.	Chairman	March 2015	
	China United Tally Co., Ltd.	Vice Chairman	May 2016	
Wang Taiwen	Guangdong Huatie Tongda High-speed Railway Equipment Corporation	Independent Director	March 2016	
	China Automation Group Ltd.	Independent Non-executive Directors	2009	
Meng Yan	Central University of Finance and Economics	Professor, PhD Supervisor	September 1997	
	Jolimark Holdings Limited	Independent Non-executive Directors	March 2005	
	China Longyuan Power Group Corporation Limited	Independent Non-executive Directors	July 2009	
	Beijing Bashi Media Co., Ltd.	Independent Director	April 2016	
	Beijing Capital Co., Ltd.	Independent Director	December 2017	
Song Haiqing	Sun Yat-Sen University	Professor	January 2011	
	Guangzhou Foxconn Software Technology Co., Ltd.	Chairman	June 2016	
Li Qian	Beijing Zhong Yin Law Firm (Shanghai)	Partner	November 2015	
	Beijing HYIANDS Law Firm Shanghai Branch			
Chen Xianmin	China Merchants Logistics Holding Co., Ltd.	President	August 2018	
Chen Hairong	China Merchants Logistics Holding Co., Ltd.	Vice President	January 2015	
Position in other entities	N/A			

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

☒ Applicable ☐ Not applicable

Decision-making process of remuneration of directors, supervisors and senior management

The remuneration of directors and supervisors are reviewed and determined by the general meeting of shareholders. The remuneration of senior management is determined by the Board of Directors of the company.

Basis for determining the remuneration of directors, supervisors and senior management

Remuneration of independent shareholders are reviewed and resolved by the general meeting of shareholders and are paid in the form of annual allowances; the remuneration of senior management is determined by the Board of Directors based on the market guideline as well as the value, responsibilities and other factors of the senior management position.

Actual payment of remuneration of directors, supervisors and senior management

During the reporting period, the remuneration amount payable to directors, supervisors and senior management who receive payment from the company are consistent with the disclosed amount

Total actual payment of remuneration to directors, supervisors and senior management as at the end of the reporting period

During the reporting period, the remuneration amount payable to directors, supervisors and senior management who receive payment from the company is RMB19.3478 million.

Note: The pre-tax remuneration to directors, supervisors and senior management consist of salaries, bonuses, allowances, subsidies, employee benefits and the portion payable by the company in the social insurance, housing provident funds and annuities that are paid in accordance with local policies with respect to labour and insurance, as well as payments in other forms made by the company.

Chapter 9

Directors, Supervisors, Senior Management and Employees

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

☒ Applicable ☐ Not applicable

Name	Position	Change	Reason for change
Wang Hong	Chairman, Executive Director	Election	General election
Song Dexing	Vice Chairman	Election	General election
Song Rong	Executive Directors	Election	General election
Meng Yan	Independent Director	Election	General election
Song Haiqing	Independent Director	Election	General election
Li Qian	Independent Director	Election	General election
Fan Zhaoping	Independent supervisor	Election	Changes in supervisor
Mao Zheng	Supervisor	Election	By-election
Chen Xianmin	Deputy General Manager	Appointment	Changes in senior management
Tian Lei	Deputy General Manager	Appointment	Changes in senior management
Chen Hairong	Deputy General Manager	Appointment	Changes in senior management
Zhao Huxiang (resigned)	Chairman	Resigned	General election
Yu Jianmin (resigned)	Director and Deputy General Manager	Resigned	General election
Guo Minjie (resigned)	Independent Director	Resigned	General election
Lu Zhengfei (resigned)	Independent Director	Resigned	General election
Liu Junhai (resigned)	Independent Director	Resigned	General election
Wu Dongming (resigned)	Supervisors	Resigned	Change in supervisor
Wang Lin (resigned)	Deputy General Manager	Resigned	Changes in senior management

Note:

- On 26 February 2019, Mr. Wang Hong resigned from the board of directors of the company due to job adjustment. And Mr. Wang Hong no longer serves as the Chairman of the Board and legal representative of the Company. On the same day, Mr. Li Guanpeng was appointed Chairman and legal representative of the Company, effective from 26 February 2019. For details, please see the announcements issued by the Company on the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk).
- On 14 March 2019, the Company held its first staff congress of 2019 on the spot, and agreed to elect Ms. Mao Zheng as its staff representative supervisor. For details, please see the announcements issued by the Company on the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk).

V. DETAILS OF FINES IMPOSED BY SECURITIES REGULATORY BODIES IN THE PAST 3 YEARS

☐ Applicable ☒ Not applicable

VI. EMPLOYEE OF THE PARENT COMPANY AND MAIN SUBSIDIARIES

(I) Employees

Number of employees with the parent company	582
Number of employees with main subsidiaries	35,859
Total number of employees	36,441
Retired employees for whom the parent company and main subsidiaries need to bear costs	3,520

Professions

Type of professions	Number of professions
Sales	1,988
Technical	442
Financial	1,924
Administrative	1,608
Other functions	676
Management	4,502
Business	25,301
Total	36,441

Level of education

Type of level of education	Number (employees)
Master's degree or above	1,313
Bachelor	13,032
Associate	11,377
Senior high school	7,963
Junior high school or below	2,756
Total	36,441

(II) Emolument Policy

☒ Applicable ☐ Not applicable

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. The principles of "payment to post, payment to performance and payment to people" are adhered to, and the remuneration standards and adjustment plans are determined based on marketing information and within the company's cost and budget management.

Chapter 9

Directors, Supervisors, Senior Management and Employees

(III) Training Plan

☒ Applicable ☐ Not applicable

In 2018, the offline training of the Group accumulated to 1,523,002 hours, while 3,887 online courses were completed (14,274 learning hours in total). The training program of the Group includes training of corporate strategy and corporate culture, basis working skills, business knowledge, elevation of management technics and leadership, new employee orientation, self-study skill, etc.. With the development of the Group, to ensure the constant elevation of the staff quality, we 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.

(IV) Labor Outsourcing

☒ Applicable ☐ Not applicable

Total Hours Outsourcing	19,736
Total remuneration paid by labor outsourcing (unit: 10,000 yuan)	31,984.46

VII. OTHERS

☐ Applicable ☒ Not applicable

Chapter 10 Corporate Governance (Corporate Governance Report)

I. CORPORATE GOVERNANCE AND RELEVANT INFORMATION

☒ Applicable ☐ Not applicable

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 Shanghai Stock Exchange 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. At present, the Company has formed a governance mechanism with clear authorities and responsibilities and checks and balances as well as an effective internal control system in compliance with the requirements of listed companies, and is strictly operated in accordance with the legislation. The condition of the Company's corporate governance is as follows:

1. The General Meetings

The Company organizes shareholders' general meetings and strictly implements the poll procedure in compliance with the rules and regulations including the Articles of Association, to safeguard the legitimate rights and interests of shareholders. General meetings are extremely important to the Company. In any notice of general meeting to shareholders, the Company clearly sets forth the right of the shareholders to attend meetings and their rights, the agenda and voting procedures of the general meeting. All shareholders of the Company are encouraged to attend general meetings. The Company will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relationships. During the reporting period, the Company convened one annual general meeting, one extraordinary general meeting, one H Shares Class meetings and one Domestic Shares Class meeting.

2. The Company and its Controlling Shareholder

The Company has comprehensive and independent business and self-operation capability. The controlling shareholder of the Company has highly regulated itself and exercised its rights as investors at the general meeting, and has not interfered, directly or indirectly, with the decision-making and business operation of the Company beyond the general meeting. The Board, the Supervisory Committee and other internal departments could operate independently.

3. The Board and the Supervisory Committee

During the reporting period, the Company convened 10 Board meetings, among which, the meeting of the Nomination Committee of the Board, the Board meeting and the general meeting were convened successively and a new Board was elected at these meetings in compliance with the relevant laws and regulations. All directors of the Company conscientiously understood and considered and approved every proposal with due diligence and in good faith, ensuring the scientificity and effectiveness of the decisions made by the Board. Minutes of the meetings were complete, accurate and properly kept. The Board has four special committees, namely the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. In 2018, the Company convened 3 meetings of the Audit Committee, 1 of the Nomination Committee, 1 of the Remuneration Committee. During the year, each committee gave full play to their management, decision-making and supervision functions on the overall business strategy, financial decision-making, nomination of candidates for directors, performance-linked remuneration system and other aspects pursuant to their responsibilities.

During the reporting period, the Company convened 3 meetings of the Supervisory Committee and appointment of supervisor has been completed.

Chapter 10

Corporate Governance (Corporate Governance Report)

4. The Senior Management of the Company

In accordance with the rules under the Articles of Association, the Board appoints the president of the Company, and the vice presidents, the chief financial officer, the chief information technology officer and other senior managers of the Company are nominated by the president and appointed by the Board. Senior management of the Company regularly hold the president's meetings to discuss and decide significant matters of the Company with due diligence and strictly implement the resolutions made on the Board meetings and the general meetings. They operate in a standard and honest manner and no failure to perform duties with honesty, violation of sincerity and damages to the interests of the Company and its shareholders occurred during the year.

5. Investors and Stakeholders

According to the listing rules at the place where the Company is listed, the Company actively broadens the communication channels with investors to ensure smooth communication and all investors being treated fairly. Their rights to be informed and voting rights are well protected. The Company adequately respects and protects the legal interests of its stakeholders, keeps the balance of interests of shareholders, employees, the society and other parties with a view to boost its healthy, steady and sustainable growth.

6. Information Disclosure and Transparency

The Company complies with the listing rules at the place where the Company is listed to fulfill the responsibilities of disclosure in a truthful, precise, complete and timely manner, and keeps enhancing its information disclosure management.

7. Regulations Establishment

During the reporting period, pursuant to requirements of the CSRC and the listing rules at the place where the Company is listed, the Company revised and formulated the Articles of Association, the Rules of Procedure for General Meeting, the Rules of Procedure of the Board, the Rules of Procedure of the Supervisory Committee, the Working System of Independent Directors, the Management System of Connected Transaction, the Management System of External Guarantee, the Rules of Procedure of the Executive Committee of the Board, the Rules of Procedure of the Audit Committee of the Board, the Rules of Procedure of the Remuneration Committee of the Board and other systems, further improved its corporate governance. The above systems have come into effect on the same day as the A shares of the Company were listed on the Shanghai Stock Exchange (namely 18 January 2019).

Currently, the realities of the Company's corporate governance comply with the provisions stipulated in the Code of Corporate Governance for Listed Companies in China promulgated by CSRC. Going forward, the Company will, through the coordination and balance of the general meeting, the Board, the Supervisory Committee and Senior Management, continue to perfect corporate governance and improve the level of governance to advance its harmonious and steady development and create opportunities for bringing better awards to investors.

Is there any obvious difference between corporation governance and requirements of the CSRC? If there is obvious difference, explanations should be made.

☐ Applicable

☒ Not applicable

II. OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

Sound corporate governance represents a long-standing objective of the Company. Since its listing in the SEHK in February 2003, the Company has made huge efforts in enhancing its standard of corporate governance with reference to the Company Law, the Listing Rules of listing places, the Articles of Association and other relevant laws and regulations, as amended from time to time, and taking into consideration its own attributes and requirements, with a view to safeguarding investors' interests and enhancing its value.

The Company has reviewed and adopted the principles and provisions of the CG Code, and has devised the Company's code on corporate governance. The Company trusts that promoting sound corporate governance is very important to maintain the operation and performance of the Group.

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

However, the Company deviated from Provisions A.1.1 and E.1.2 of CG Code in 2018.

Provision A.1.1 of CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication. Considering the efficiency of approving resolutions and the content of the proposals, the Board held three regular meetings during the reporting period. The most of other resolutions were approved through extraordinary meetings, and the Company generally gave the notice at least 7 days before the extraordinary meetings to ensure that all directors are given the opportunity to attend. In the meanwhile, the related materials were submitted to all directors at least 3 days before the meeting to leave some time for all directors to review in general.

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

Saved for the above deviation, the Company confirmed that it has complied with all the other code provisions throughout the reporting period for the year of 2018.

Chapter 10

Corporate Governance (Corporate Governance Report)

III. BRIEF INTRODUCTION OF SHAREHOLDERS' GENERAL MEETING

During the reporting period, the Company convened one annual general meeting, one extraordinary general meeting, one H Shares Class meeting and one Domestic Shares Class meeting, the poll results announcement of which was published by the Company on 31 May 2018.

Session of Meeting	Date	Media in which resolutions were disclosed	Date of Disclosure
Annual General Meeting	31 May 2018	Website of the Hong Kong Stock Exchange (www.hkex.com.hk)	31 May 2018
Domestic Shares Class Meeting	31 May 2018	Website of the Hong Kong Stock Exchange (www.hkex.com.hk)	31 May 2018
Extraordinary General Meeting	31 May 2018	Website of the Hong Kong Stock Exchange (www.hkex.com.hk)	31 May 2018
H Shares Class Meeting	31 May 2018	Website of the Hong Kong Stock Exchange (www.hkex.com.hk)	31 May 2018

Information of General Meetings

☒ Applicable ☐ Not applicable

An extraordinary general meetings of the Company was held on 31 May 2018, in which resolutions, 1) approve the terms of and transactions contemplated under the Merger Agreement entered into between the Company and Sinoair, including (a) the proposed merger of Sinoair by the Company by way of share exchange which involves the issue of not more than 1,371,191,329 A Shares of the Company with nominal value of RMB1.00 each to be listed on the Shanghai Stock Exchange in the PRC in exchange for the shares of Sinoair held by shareholders of Sinoair (including, if applicable, the cash alternative provider contemplated under the Merger Agreement); and (b) the conversion of all domestic shares of the Company then in issue into A Shares and to be listed on the Shanghai Stock Exchange on the date of listing of the A Shares. 2) approve the proposed amendments to the Articles of Association of the Company (including the appendices thereto, namely the Procedural Rules for General Meetings of the Company, the Procedural Rules for Meetings of the Board of Directors of the Company and the Procedural Rules for Meetings of the Board of Supervisors of the Company) with effect from the A Shares Listing Date. 3) approve the following policies with effect from the A Shares Listing Date: (a) Working Manual for the Independent Directors of Sinotrans Limited; (b) Policy for the Management of Connected Transactions of Sinotrans Limited; (c) Policy for the Management of External Guarantees To Be Provided by Sinotrans Limited; (d) Plan of Sinotrans Limited on Shareholder Return for the Next Three Years (2018-2020); (e) Measures to Remedy the Dilution Effect To the Immediate Return of Shareholders That May Be Caused by the Proposed Merger of Sinotrans Air Transportation Development Co., Ltd. by Absorption Through Share Swap. 4) appoint Mr. Wang Hong and Mr. Song Rong as an executive director of the Company; appoint Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian as an independent non-executive director of the Company; 5) re-appoint Mr. Wu Xueming as an executive director of the Company and Mr. Jerry Hsu as a non-executive director of the Company; 6) appoint Mr. Fan Zhaoping as a supervisor of the Company.

An annual general meeting of the Company was held on 31 May 2018, in which resolutions, including reviewing and approving 2017 report of the Board of the Company, 2017 report of the Supervisory Committee of the Company, 2017 audited financial statements of the Company and the auditors' report, 2017 profit distribution proposal and final dividend of the Company, appoint SHINEWING Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as the PRC auditor and international auditor of the Company for the year 2018 respectively, and to authorise the board of directors of the Company to fix their remuneration, general mandate to issue shares and so on.

H Shares Class Meeting of the Company was held on 31 May 2018, in which resolutions in relation to reviewing and approving a general mandate to repurchase H Shares in the capital of the Company was proposed, approve the terms of and transactions contemplated under the Merger Agreement entered into between the Company and Sinoair, including (a) the proposed merger of Sinoair by the Company by way of share exchange which involves the issue of not more than 1,371,191,329 A Shares of the Company with nominal value of RMB1.00 each to be listed on the Shanghai Stock Exchange in the PRC in exchange for the shares of Sinoair held by shareholders of Sinoair (including, if applicable, the cash alternative provider contemplated under the Merger Agreement); and (b) the conversion of all domestic shares of the Company then in issue into A Shares and to be listed on the Shanghai Stock Exchange on the A Shares Listing Date.

Domestic Shares Class meeting of the Company was held on 31 May 2018 sequentially, in which resolution in relation to reviewing and approving a general mandate to repurchase H Shares in the capital of the Company was proposed.

The chairman of general meeting (Chairman of the Board or the authorized Director), the Company Secretary and external auditor (as poll scrutineer) attended the general meetings of the Company. All the resolutions in the general meetings in 2018 were duly passed by the way of poll.

IV. SHAREHOLDERS' INTERESTS

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

- (i) Article 61 of the Articles of Association of the Company provides that, where the Company convenes an annual general meeting, shareholders holding 5 percent or more of the total number of the Company's voting shares shall be entitled to submit new motions in writing to the Company. The Company shall put on the agenda of the meeting all items in the motions, that fall within the scope of the shareholders' general meeting.

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- (ii) Article 80 of the Articles of Association of the Company provides that, two or more shareholders holding in aggregate 10 percent or more of the shares with voting rights at a meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting to the Board one or more counterpart written request(s) to convene such a meeting. The written request must state the matters to be considered at that meeting. The Board shall convene the extraordinary general meeting or class meeting as soon as possible after receiving such written request(s). The shareholdings referred to above shall be calculated as at the date of delivery of the written request(s) submitted by the shareholders. If the Board fails to issue a notice to convene such a meeting within 30 days after receiving the written request(s) from the shareholders, the shareholders requesting the meeting may convene the meeting by themselves within 4 months from the date on which the Board received the written request(s). The procedure for convening such meeting shall, so far as is possible, be the same as the procedure of the Board to convene an extraordinary general meeting or class meeting. The Company shall be responsible for the reasonable fees incurred by the shareholders in convening an extraordinary general meeting or class meeting due to the failure of the Board to convene the meeting. The Company shall deduct such fees from the amount owed by the Company to the Directors who have neglected their duties.

The resolution in relation to amendment to the Articles of Association was considered and approved at the annual general meeting of 2018 convened on 31 May 2018. The amended Articles of Association clearly stipulate the procedures of proposals for directors at the annual general meeting, the procedures for convening an extraordinary general meeting or class meeting, it has come into effect on the same date as the A share of the Company were listed on the Shanghai Stock Exchange (on 18 January 2019), including:

- (i) Article 73 of the Articles of Association of the Company provides that, Shareholders individually or jointly holding more than ten percent of voting shares of the Company shall have the right to request the Board of Director for convening an extraordinary general meeting, and shall do so in writing. The Board of Directors shall, in accordance with laws, administrative regulations and these Articles of Association, bring forward a feedback opinion in writing, within ten days of receiving the request, on agreeing or disagreeing with convening the extraordinary general meeting.
- (ii) Article 78 of the Articles of Association of the Company provides that, Shareholders individually or jointly holding more than three percent of voting shares of the Company may bring forward provisional proposals and submit the same in writing to the convenor ten days prior to the shareholders' general meeting. The convenor shall issue a supplementary notice of shareholders' general meeting within two days of receiving the proposals to publish particulars of the provisional proposals.
- (iii) Article 124 of the Articles of Association of the Company provides that, Shareholders may request to convene a class meeting in accordance with the following procedures: (a) Two or more shareholders holding in aggregate at 10 per cent (inclusive) or more of the shares with voting rights at a meeting may request the Board of Directors to convene a class meeting by signing and submitting to the Board of Directors one or more counterpart written request(s) to convene such a meeting. The written request must state the matters to be considered at that meeting. The Board of Directors shall convene the class meeting as soon as possible after receiving such written request(s). The shareholdings referred to above shall be calculated as at the date of delivery of the written request(s) submitted by the shareholders. (b) If the Board of Directors fails to issue a notice to convene a meeting within 30 days after receiving the written request from the shareholders, the shareholders requesting the meeting may convene the meeting themselves within 4 months from the date on which the Board of Directors received the written request. The procedure for convening such meeting shall, so far as is possible, be the same as the procedure of the Board of Directors to convene a general meeting. The Company shall be responsible for the reasonable fees incurred by the shareholders in convening a meeting due to the failure of the Board of Directors to convene the meeting. The Company shall deduct such fees from the amount owed by the Company to the Directors who have neglected their duties.

In the meanwhile, pursuant to Article 97 of the PRC Company Law, the Company should provide materials, including the Articles of Association of the Company, the share register, corporate bond certificates, minutes of general meetings, resolutions of Board meetings, resolutions of Supervisory Committee meetings as well as financial and accounting reports, to the shareholders for review, if required. The Company has also established a contact channel to receive recommendations or enquiries in respect of the Company's operations. Any shareholder who wishes to make any recommendations or enquires to the Board or put forward his/her/its proposals at general meetings, please contact Investment Relationship Department of the Company, which contact information is shown on the website of the Company at <http://www.sinotrans.com/col/col3980/index.html>.

V. BOARD OF DIRECTORS

The Board is accountable to the general meetings under its commitment to pursue the best interests of the Company. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of shareholders and spare no efforts in the performance of their duties as a Director.

In 2018, the Board carried out the following corporate governance functions including: a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; b) to review and monitor the training and continuous professional development of Directors and senior management; c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, etc.

For works done by the Board and senior management, please refer to "Chapter 5 Discussion and Analysis of Results of Operations (Chairman's Statement)" to this annual report.

(1) Composition of the Board of Directors

In 2018, the Board of the Company comprised eleven Directors, including Mr. Wang Hong, being the Chairman, Mr. Song Dexing, being the Vice Chairman, Executive Directors Mr. Li Guanpeng, Mr. Song Rong, Mr. Wang Lin and Mr. Wu Xueming, Non-executive Director Mr. Jerry Hsu and Independent non-executive Directors (Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian).

The Board members have the appropriate experience, competence and skills relevant to the business and the management of the Company. Amongst the Board members, there are experts in the transportation and logistics industries, as well as experts and senior academics in accounting, finance and law. The Board members' knowledge and experience complement each other, while their points of view maintain independent and diversity, which ensures that the decision making process of the Board is scientific.

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As reference to the announcement released by the Company on 31 May 2018, Mr. Guo Minjie, Mr. Lu Zhengfei and Mr. Liu Junhai have ceased to be an independent non-executive director of the Company with effect from 31 May 2018 as a result of the expiration of their term. At the same day, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian were newly appointed as the independent non-executive directors of the Company. The Company has complied with the requirement about the constitution of the Board under the Listing Rules of the listing place that the number of independent non-executive Directors must reach at least one-third of the number of the board members.

The titles and biographical information of the Directors, together with their titles and terms of office in other public companies or organizations are set out in this Annual Report, under the section headed "Directors, Supervisors & Senior Management". The Company has uploaded the most updated list of the Board members with their role and position on the websites of the Stock Exchange and the Company, and identified the role of the independent non-executive Directors in any corporate communications that disclose the names of the Director.

(2) Board Meeting

During the reporting period, the Company organized and convened Board meeting in compliance with the Company Law, Listing Rules of the listing place the Articles of Association, and the provisions of the Rules of Procedure of the Board. The Company convened ten Board meetings in 2018, including three regular meetings, seven extraordinary meetings.

For the regular meetings, the Directors generally receive written notice of the meeting fourteen days in advance. As regards the extraordinary meetings of the Board, depending on the circumstances, the Company would as soon as possible provide the Board with reasonable and practicable notice and papers of the meeting, and the Directors generally receive written notice of the meeting seven days in advance. Materials of the Board meetings are generally provided to the Directors not less than three days in advance. The Directors may, where he or she considers necessary, at any time obtain information of the Group and independent professional advice, and recommend appropriate items to be added to the Board meeting agenda. In addition, the Company has prepared and properly kept detailed minutes for the matters discussed in Board meetings. All Directors have the right to inspect the records of the Board meetings and other relevant information.

In accordance with rules and regulations including the Listing Rules of the listing place, if a Director is connected with or is materially interested in any contract, transaction, arrangement or any other types of proposal to be considered by the Board, that Director will abstain from voting on the relevant resolutions. Even though none of the Directors have a material interest in the transactions, but for the Directors concurrently holding positions in such connected party under the transaction, he or she will abstain from voting at the Board meeting of the Company in respect of the proposed resolution to approve the proposal and the transactions in accordance with the relevant PRC laws and regulations. The Company has arranged appropriate insurance for the Director's possible involvement in legal action.

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

VI. THE PERFORMANCE OF DIRECTORS' DUTIES

(I) The Attendance of Directors in Board of Directors and Shareholders' Meetings

Name	Independent Director or not	Attendance at Board meetings						Attendance at general meetings	
		Number of Board meetings to be attended this year	No. of meetings attended in person	No. of meetings attended by way of telecommunication	Number of meetings attended by proxy	Number of Absence	Attendance rate	Two consecutive Board meetings not attended or not	No. of general meetings attended
Wang Hong	No	6	4	2	0	0	100%	No	0
Song Dexing	No	10	5	2	3	0	100%	Yes	0
Li Guanpeng	No	10	5	2	3	0	100%	Yes	4
Wang Lin	No	10	4	2	4	0	100%	Yes	0
Song Rong	No	6	5	1	0	0	100%	No	0
Wu Xueming	No	10	8	2	0	0	100%	No	0
Jerry Hsu	No	10	0	2	8	0	100%	Yes	0
Wang Taiwen	Yes	10	7	2	1	0	100%	No	0
Meng Yan	Yes	6	4	1	1	0	100%	No	0
Song Haiqing	Yes	6	4	1	1	0	100%	No	0
Li Qian	Yes	6	5	1	0	0	100%	No	0
Zhao Huxiang (resigned)	No	4	3	1	0	0	100%	No	0
Yu Jianmin (resigned)	No	4	3	1	0	0	100%	No	0
Guo Minjie (resigned)	Yes	4	3	1	0	0	100%	No	0
Lu Zhengfei (resigned)	Yes	4	0	1	3	0	100%	Yes	0
Liu Junha (resigned)	Yes	4	2	1	1	0	100%	No	0

Explanation on non-attendance in person by Directors at two consecutive Board meetings

☒ Applicable ☐ Not applicable

Mr. Song Dexing, a director who did not attend the 5th sessions of the 2nd Board meeting in person due to other business commitments has appointed and authorized Mr. Wang Hong as his proxy to attend and vote on his behalf. He also did not attend the 6th sessions of the 2nd Board meeting, and has abstained from voting at the relevant Board resolution because of connected relations.

Mr. Li Guanpeng, a director who did not attend the 5th and the 6th sessions of the 2nd Board meeting in person due to other business commitments has appointed and authorized Mr. Wang Taiwen and Mr. Song Rong as his proxy to attend and vote on his behalf respectively.

Mr. Wang Lin, a director who did not attend the 4th and the 5th sessions of the 2nd Board meeting in person due to other business commitments has appointed and authorized Mr. Li Guanpeng and Mr. Meng Yan as his proxy to attend and vote on his behalf respectively.

Mr. Jerry Hsu, a director who did not attend the 88th, the 89th and the 90th sessions of the Board meeting in person due to other business commitments has appointed and authorized Mr. Guo Minjie as his proxy to attend and vote on his behalf; Mr. Wang Taiwen for the 1st and the 2nd sessions of the 2nd Board meeting; Mr. Meng Yan and Mr. Wang Taiwen for the 4th and the 5th sessions of the 2nd Board meeting.

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Mr. Lu Zhengfei, a director who did not attend the 88th, the 89th and the 90th sessions of the Board meeting in person due to other business commitments has appointed and authorized Mr. Guo Minjie as his proxy to attend and vote on his behalf.

Number of Board meetings held during the year	10
Including: Number of on-site meetings	7
Number of meetings held by way of telecommunication	3
Number of meetings held in a mixed model	0

Note: In 2018, the company has not yet listed in Shanghai Stock Exchange. According to the relevant provisions of Hong Kong Stock Exchange, except for the chairman of the board of directors to attend the shareholders' meeting, other directors have no compulsory requirements.

(II) Objection to Related Matters of the Company by Independent Directors

☐ Applicable ☒ Not applicable

(III) Others

☒ Applicable ☐ Not applicable

1. Training of Directors

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

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

After specific enquiry by the Company and according to the records kept by the Company, the participation of all current Directors in continuous professional development throughout the reporting period for 2018 is set out below:

Current Directors	Reading Performance Manual	Reviewing Monthly Report on Finance, Operations and Information Disclosure of The Company	Reviewing Updates on Regulations of Securities Regulatory Authorities	Interpretation of compliance requirements by Company Secretary at Board meetings	Training seminars organized by the Stock Exchange and other professional organizations
Mr. Wang Hong	✓	✓	✓	✓	✓
Mr. Song Dexing	✓	✓	✓	✓	✓
Mr. Li Guanpeng	✓	✓	✓	✓	✓
Mr. Song Rong	✓	✓	✓	✓	✓
Mr. Wang Lin	✓	✓	✓	✓	✓
Mr. Wu Xueming	✓	✓	✓	✓	✓
Mr. Jerry Hsu	✓	✓	✓	✓	✓
Mr. Wang Taiwen	✓	✓	✓	✓	✓
Mr. Meng Yan	✓	✓	✓	✓	✓
Mr. Song Haiqing	✓	✓	✓	✓	✓
Ms. Li Qian	✓	✓	✓	✓	✓

2. Delegation of Power of the Board

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

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

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

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3. Non-Executive Directors (Including Independent Non-Executive Directors)

In accordance with CG Code and Article 137 of the Articles of Association of the Company, the Directors are elected at general meetings of the Company. All Directors including the non-executive Directors are appointed for a term of office of three years since their date of appointment or reappointment and are eligible for re-election upon the expiry of such term. Please refer to the section headed “Directors, Supervisors & Senior Management” of this annual report for further details.

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

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

VII. CHAIRMAN AND PRESIDENT

As at 31 December 2018, Mr. Wang Hong was the Chairman and Mr. Song Dexing was the Vice Chairman of the Board of the Company, and Mr. Li Guanpeng was the President of the Company. There is a clear division of power and authority between the Chairman, Vice Chairman and President. The Chairman and the Vice Chairman are responsible for the management of the Board’s operation, and ensures that the Company formulates sound corporate governance practices and procedures, while the President is responsible for the business management of the Company. Details of their respective duties and responsibilities are set out in the Articles of Association of the Company.

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

The board of directors of the Company was notified on 26 February 2019 that Mr. Wang Hong, the chairman and executive director of the Company tendered his resignation as a director of the Company due to work re-allocation with effect from the day when the resignation letter was delivered to the Board. Accordingly, Mr. Wang ceased to be the chairman of the Executive Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. On the same day, Mr. Li Guanpeng, an executive director of the Company, was appointed as the Chairman of the Company and the chairman of the Executive Committee with effect from 26 February 2019.

VIII. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PUT FORWARD BY SPECIAL COMMITTEES UNDER THE BOARD IN THE PERFORMANCE OF THEIR DUTIES DURING THE REPORTING PERIOD, ANY OBJECTION SHALL BE DISCLOSED

☒ Applicable ☐ Not applicable

As at 31 December 2018, The Board has four committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The main duties and rules of procedure of the Audit Committee, the Remuneration Committee and the Nomination Committee are published on the websites of the Stock Exchange and the Company, detailing their roles and the authorities delegated from the Board. The committees of the Board report their decisions and suggestions to the Board in the Board meetings.

(I) Executive Committee

The Company has set up the Executive Committee of the Board. As at 31 December 2018, the Executive Committee comprises Mr. Wang Hong, being the Chairman, Mr. Song Dexing, being the Vice Chairman, Mr. Li Guanpeng and Mr. Song Rong, being Executive Directors, with Mr. Wang Hong as the Chairman of the Executive Committee.

With the authorization by the Board, the Executive Committee is able to exercise part of the power and authority of the Board during the adjournment of Board meetings. The Executive Committee should report its exercise of power to the Board in the Board's meetings regularly. The principal terms of reference of the Executive Committee include:

- a) subject to laws, the Listing Rules of the listing place and the Articles of Association of the Company, to decide on transactions relating to the core businesses of the Company, including but not limited to acquisition, merger, assets disposal and other external investments, with the amount involved in each transaction being no more than 5% of the Company's latest audited total assets, and authorize any executive Director to execute the documents relating to such transaction on behalf of the Board;
- b) to decide on the establishment, merger and dissolution of the subsidiaries and other branch organizations of the Company;
- c) subject to laws, the Listing Rules of the listing place and the Articles of Association of the Company, to issue general documents relating to the businesses of the Company which shall be signed by the Board or Directors of the Company, including but not limited to letters of appointment or dismissal of relevant intermediaries, documents or letters to be submitted to the relevant government departments and regulatory authorities, and authorize any executive Director to execute such documents;
- d) within the limit of no more than 30% asset to interest-bearing liability ratio, to carry out external debt financing;

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

During the reporting period, the Executive Committee of the Board of Directors of the Company held fourteen meetings during the intersessional period in accordance with the company system, mainly through the development of credit business, providing guarantees, applying for loans and foreign investment.

(II) Audit Committee

The Company has set up the Audit Committee of the Board, which is composed of all the Independent Non-executive Directors of the Company. As at 31 December 2018, the Audit Committee comprises Mr. Meng yan, Mr. Wang Taiwen, Mr. Song Haiqing and Ms. Li Qian, being independent non-executive Directors, with Mr. Guo Minjie as the Chairman of the Audit Committee. The members of Audit Committee are professionals in the field of accounting, finance, law, corporate management and business. Most of them possess appropriate professional qualifications and experience in finance. The Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

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

The Audit Committee held three meetings in 2018, on 22 March, 16 August and 29 December respectively, and mainly reviewed the Company's operating and financial performance, annual and interim financial reports, and debriefed the report of the internal and external audit of the Company and the report of the audit work of the annual report. The Audit Committee also discussed the candidates of external auditors for the year. The Group's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

The attendance rate of the members of Audit Committee during the term of their office in 2018 is set out below:

	Attendance Rate in Audit Committee
Current Members	
Mr. Wang Taiwen	100%
Mr. Meng Yan	100%
Mr. Song Haiqing	100%
Ms. Li Qian	100%
Members Ceased to Act	
Mr. Guo Minjie	100%
Mr. Lu Zhengfei	100%
Mr. Liu Junhai	100%

Note: Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian were appointed as a member of Audit Committee of the Board on 1 June 2018.

(III) Remuneration Committee

The Company has set up the Remuneration Committee of the Board, which is composed of all the independent non-executive Directors and one executive Director of the Company. As at 31 December 2018, the Remuneration Committee comprises Ms. Li Qian, Mr. Wang Taiwen, Mr. Meng Yan and Mr. Song Haiqing, being independent non-executive Directors, and Chairman of the Board Mr. Wang Hong. Ms. Li Qian is the Chairman of the Remuneration Committee.

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

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The Remuneration Committee held a meeting on 22 March 2018, and mainly reviewed the report of the implementation of performance appraisal, the payment of remuneration of senior management of the Company in 2017, and the optimization scheme of salary system of the Company. The Remuneration Committee confirmed the norm, method, items and assessment standards of the performance assessment, and agreed to submit the Report of Remuneration Committee to the Board for approval.

The attendance rate of the members of Remuneration Committee during the term of their office in 2018 is set out below:

	Attendance Rate in Remuneration Committee
Current Members	
Mr. Wang Taiwen	100%
Mr. Meng Yan	100%
Mr. Song Haiqing	100%
Ms. Li Qian	100%
Mr. Wang Hong	100%
Members Ceased to Act	
Mr. Guo Minjie	100%
Mr. Lu Zhengfei	100%
Mr. Liu Junhai	100%

Note: Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian were appointed as a member of Remuneration Committee of the Board on 1 June 2018.

(IV) Nomination Committee

The Company has set up the Nomination Committee of the Board, which is composed of the Chairman, all the Independent Non-executive Directors and one Executive Director of the Company. As at 31 December 2018, the Nomination Committee comprises the Chairman Mr. Wang Hong, and Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian, being independent nonexecutive Directors, and executive Director Mr. Li Guanpeng. Mr. Wang Taiwen is the Chairman of the Nomination Committee.

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

The Nomination Committee held a meeting on 9 May 2018 and approved the proposal for appointment of directors of the company

To meet the latest regulatory requirements and as the criteria of supervision and assessment of the diversity of the composition of the Board, the Company revised the Rules of Procedure of the Nomination Committee of the Board during the reporting period, clearly setting out the policies for the diversity of the composition of the Board and the nomination of directors. In assessing the diversity of the Board composition, the Nomination Committee would take into account various aspects, including but not limited to gender, age, cultural background, educational background, professional experience, skills, knowledge and/or length of service. Policies on the nomination of directors, the Nomination Committee shall: 1. conduct researches on the personnel demands of the Company and form written materials, other departments shall cooperate with the Nomination Committee; 2. seek candidates in or outside the Company; 3. collect basic information of candidates and form written materials; 4. ask for opinions of the candidates towards the nomination; 5. convene meeting of the Nomination Committee to review the qualification of candidates; 6. advise on the selection of candidates and provide relevant materials; 7. carry out follow-up work based on the Board's resolutions and feedback.

In practice, the company has been adhering to the principle of diversification of the board of directors. In forming the perspective on diversity, the Company will also consider its own business model and specific needs from time to time. All Board members' appointments will be based on merits and each candidate is considered against objective criteria.

The attendance rate of the members of Nomination Committee during the term of their office in 2018 is set out below:

	Attendance Rate in Nomination Committee
Current Members	
Mr. Wang Hong	100%
Mr. Wang Taiwen	100%
Mr. Meng Yan	100%
Mr. Song Haiqing	100%
Ms. Li Qian	100%
Mr. Li Guanpeng	100%
Members Ceased to Act	
Mr. Zhao Huxiang	100%
Mr. Guo Minjie	100%
Mr. Lu Zhengfei	100%
Mr. Liu Junhai	100%

Note: Mr. Wang Hong, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian were appointed as a member of Nomination Committee of the Board on 1 June 2018.

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Corporate Governance (Corporate Governance Report)

IX. SUPERVISORY COMMITTEE

The Company has set up the Supervisory Committee, which comprises two independent supervisors and one staff-representative supervisor on 31 December 2018, namely Mr. Zhou Fangsheng, Mr. Fan Zhaoping and Ms. Ren Dongxiao

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

The Supervisory Committee held three meetings in 2018, respectively on 22 March, 10 May and 21 August, mainly to review and approve the proposals including 2017 Report of the Supervisory Committee, the 2017 annual audited financial statements, the proposal of 2017 profit distribution, appointment of Company supervisors, and 2018 Interim Report etc.

X. EXPLANATION ON EXISTENCE OF RISKS DISCOVERED BY THE SUPERVISORY COMMITTEE

☐ Applicable ☒ Not applicable

XI. INABILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS TO ENSURE THEIR CAPACITY OF INDEPENDENT OPERATION IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

☐ Applicable ☒ Not applicable

In case of peer competition, solutions, progress and follow-up plans of the Company

☒ Applicable ☐ Not applicable

Sinotrans & CSC Holdings Company Limited, our controlling shareholder, and its beneficial owner, China Merchants Group Limited, have made statements and commitments to avoid peer competition in April 2018. For details, please refer to "II. Performance of Commitments" under "Chapter 6 Matters of Importance" in this report.

On 25 March 2019, the 9th Meeting of the Second Session of the board of directors of the company deliberated and approved the proposal of signing the General Trusteeship Agreement (new) with Sinotrans & CSC Group.

XII. ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

Senior managers of the company set key performance, strategy and other indicators for assessment, the results of assessment are linked to performance bonuses. The board of directors of the company determines the incentive criteria for senior managers in the current year according to the relevant performance and salary management measures and the assessment results.

XIII. WHETHER OR NOT TO DISCLOSE THE SELF-ASSESSMENT REPORT OF INTERNAL CONTROL

☒ Applicable ☐ Not applicable

The full text of the Report on 2018 Assessment of Internal Control is set out in the website of Shanghai Stock Exchange (www.sse.com.cn).

Explanation on Significant Deficiencies in Internal Control During the Reporting Period

☐ Applicable ☒ Not applicable

XIV. INFORMATION ON AUDIT REPORT OF INTERNAL CONTROL

☒ Applicable ☐ Not applicable

For details, please refer to the 2018 Audit Report of Internal Control disclosed in the website of Shanghai Stock Exchange (www.sse.com.cn) by the Company.

Whether or not to disclose the audit report of internal control: Yes

XV. OTHERS

☒ Applicable ☐ Not applicable

(I) Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as the code of conduct for securities transactions by the Directors and Supervisors of the Company.

The Directors and Supervisors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the code throughout the reporting period for 2018.

(II) Auditor's Remuneration

At the annual general meeting of the Company held on 31 May 2018, a resolution was passed to reappoint SHINEWING Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as the PRC and the international auditors of the Company for the year 2018 respectively, and to authorize the Board to fix their remuneration.

For the year ended 31 December 2018, audit and audit-related and other service fees amounted to RMB31.46 million and RMB2.36 million respectively. As to non-audit services, the services provided by the auditor mainly include review of interim financial information, auditor's letter on continuing connected transactions under the Listing Rules of Hong Kong Stock Exchange and performance of agreed-upon procedures regarding preliminary announcements of annual results and so on.

(III) Company Secretary

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

Mr. Li Shichu and Ms. Hui Wai Man, Shirley are the Joint Company Secretary of the Company. During 2018, Mr. Li Shichu and Ms. Hui Wai Man, Shirley have completed the relevant professional training for more than 15 hours.

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Corporate Governance (Corporate Governance Report)

(IV) Amendments to the Articles of Association

During the reporting period, there was one amendment to the Articles of Association of the Company

After the annual general meeting was convened on 31 May 2018, the amendment to the Articles of Association of the Company was approved. As to the details of the amendment, please refer to the circular published on 18 April 2018. Major amendments are Appendix to the articles of association, i.e. the rules of procedure of the shareholders' meeting, the Board of Directors and the Supervisory Committee of the Company, shall come into effect on the date of listing of A shares on 18 January 2019.

(V) Investor Relations

The Company places strong emphasis on communications with investors; as it believes that ongoing and open communications with investors will enhance their understanding of and confidence in the Company as well as improving its corporate governance standards. The Company has set up a dedicated Investor Relations Team to deal with investor relations. Through different channels, such as annual/ interim results analyst briefing, one-to-one meeting, group meeting, conference call, road show, reverse road show, and investor relations sector of the website of the Company and so on, the Company maintains close communications with investors and creates opportunities for investors to understand the Company by site visit. The investors may have a better and more timely understanding of the Company's management philosophy, market environment, operational performance and development strategies. As a result, the transparency of the Company will be improved and investors will have more in-depth understanding of the Company.

The Company's website at www.sinotrans.com provides timely information on investor relations, corporate governance and other latest news of the Company and is updated from time to time.

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

Address: 10/F, Building 10/Sinotrans Tower B, No.5 Anding Road, Chaoyang District, Beijing, PRC
Postal Code: 100029
Telephone: 0086-10-5229 5721
Email: ir@sinotrans.com

(VI) Financial Report, Risk Management and Internal Control

The management established a comprehensive risk management and internal control system in order to oversee the Company's overall financial and operational conditions and compliance controls and provide reasonable assurance against material misstatement or loss due to failure in risk management and internal control. Through the Audit Committee, the Board oversees the system on a going basis, ensuring that a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems has been conducted at least annually. During the year of 2018, the Audit Committee has reviewed and ensured the effectiveness of the Company's and its subsidiaries' risk management and internal control system. The management of the Company have confirmed the effectiveness and adequacy of the overall risk management and internal control system and internal audit function.

The Company has a well-designed organizational structure which clearly specifies the duties for each department. The Board has authorized the management to establish a series of policies, rules and processes in relation to financial management, operation and legal compliance, which are being monitored on a daily basis for ongoing improvements. The Board ensures the adequacy of resources in accounting, internal audit and financial reporting, and staff having rich qualifications and experience. The Board also ensures that there is enough training programs budget for staff to get related training courses.

- The Company allocates adequate resources to accounting and financial reporting functions, the relevant staff has rich qualifications and experience. The Company has established a comprehensive accounting management system to facilitate the management with financial information and indicators for accurate and full assessment of the Company's financial position and operating performance, as well as any financial information for disclosure. Management provides financial information and the operations status to the Directors every month, to make the Directors aware of the latest situation of the Company. Directors acknowledge their responsibility for preparing the accounts. In particular, the Board and the Audit Committee monitor the preparation of the accounts for each financial period, ensuring accounts of the Company truly and fairly reflect the business situation, financial performance and cash flow position of the Company during the period. At the same time, external auditors also make a declaration to their reporting responsibilities and obligations in the auditor's report of the financial report.
- The Company carries out internal audit and external audit and certification on the suitability, adequacy and effectiveness of its integrated management system based on the ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 standards. The audit procedures monitor major items such as finance, operation and compliance based on respective procedural documents of the integrated management system, relevant law and regulation, and relevant contracts, covering all aspects of the comprehensive management system. The Company has formulated a control procedure for the identification and evaluation of environmental factors and hazards, to conduct suitability assessment and tracking of relevant laws and regulations on safety and environment. To ensure that necessary attention is given to significant environmental factors and hazards, and that they are effectively controlled, the Company has also regularly identified and updated a list of environmental factors and hazards according to the relevant procedure documents.
- The headquarters is in charge of the establishment and daily operation of the risk management and internal control system of the Company, while the subsidiaries implement. The headquarter would inspect and monitor the operating condition of the internal control system of the subsidiaries, and form a comprehensive management report.

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Corporate Governance (Corporate Governance Report)

- The Company carries out the risk management work under guidelines of overall risk management made by State-owned Assets Supervision and Administration Commission of the State Council of PRC. The head quarter of the Company and its secondary subsidiaries have established their risk management institutions. The Company has recognized and set up its risk events database, which will be updated and revised every year. Each department of the headquarter of the Company would choose certain material risk events in its field every year and assess and grade the possibility of occurrence and influence of risk events to determine the scope of material risk of the year together with the management of the Company, the functional department and the operating personnel and management of the subsidiary where the risk event occur. Each functional department prepares counteractions to deal with material risks in its field and report the execution situation regularly. Every year, the results of the counteractions to deal with material risks should be summarized and evaluated. The main subsidiaries of the Company should also carry out their risk management work pursuant to the above procedure.
- The Company carries out the internal control management work under regulations of internal control made by the Ministry of Finance of the PRC and other four ministries and commissions. All departments of the Company and operational entities of secondary units of the Company have accomplished their systematic construction tasks and established institutions and departments responsible for integrated internal control system. In order to safeguard the efficiency of the existing internal control system, the Company has carried out self-assessment work of the internal control system against all of its subsidiaries and key third level units, in which no material management defect regarding the establishment and implementation of the current internal control system has been detected. Self-assessment, improvement actions and optimization of the internal control system would be annual routine tasks of the Company.
- The Company has an internal department with function of auditing. The Internal Audit Department of the Company is established to monitor and assess the Company's operating activities and the suitability, compliance and effectiveness of its risk management and internal control system pursuant to the instruction of the management of Company, in a professional manner that is independent, objective and systematic. The scope of an internal audit covers the Company's financial conditions, operations, compliance and risk management. In terms of audit items, audit should be focused on the operating entities and high risk areas. In terms of the substance of audit, the primary task is the audit of internal controls with in-depth investigations of business processes and management sections. Based on internal control and operational management process with risk-oriented audit, special emphasis should be given to core business chain of operation together with key financial management and audit sections. Audit results will be reported to the Audit Committee and the management of the Company.
- With respect to the monitoring and disclosure of inside information, the Company has formulated the Formalities Concerning Registration of Insiders of Inside Information of Sinotrans Limited and Guidelines on Disclosure of Inside Information of Sinotrans Limited ("Guidelines") in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules of the listing place, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information. The Guidelines applies to the Company, its subsidiaries and their respective directors, supervisors, senior management and specific employees when they identify, control or disclose inside information.

Chapter 11 Report of the Supervisory Committee

Dear Shareholders,

During the year ended 31 December 2018, the Supervisory Committee (the “Committee”) performed its duties, undertook various tasks in a proactive and diligent manner in the principle of due care and good faith and supervised the legal compliance of the operations of the Company in a legal and effective manner, so as to ensure that the Company abide the Company Law, the Listing Rules of the listing place, the Articles of Association and other relevant laws and regulations, thereby safeguarding the lawful interests of the Company and the shareholders.

In 2018, the major duties of the Committee are to convene Supervisory Committee meeting; to attend Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings etc.; to effectively supervise that the policies and decisions made by the Board are in compliance with the laws and regulations of the PRC, the Listing Rules of the listing place and the Articles of Association of the Company and are in the interest of the shareholders. In addition, the Committee has carefully reviewed the financial statements prepared in accordance with Chinese Financial Reporting Standards for Business Enterprises that the financial statements reflect a true and fair view of the financial position and results of operations of the Company.

The Committee is of the opinion that the Company had a normal and disciplined operation and the Directors and the senior management had observed the laws and regulations as well as the Articles of Association of the Company in performing their duties, and that the Report of the Directors for the year ended 31 December 2018 reflected the true position of the Company. Charged by their accountability to shareholders, the Board and the senior management of the Company have discharged their respective duties in a diligent manner in diligence and with dedication, and have accomplished the mission entrusted by delivering satisfactory operating results and handsome returns to the shareholders through the implementation of a strategy of steady development.

The Committee is satisfied with the performance and results achieved by the Company for 2018 and is fully confident about the Company’s future prospects and development.

In order to safeguard the lawful interests of the Company and the shareholders, the Committee will, as in the past, continue to perform its duties and put a stronger emphasis on supervision to realize a stable, healthy and sustainable development of the Company.

The Supervisory Committee

Beijing, the PRC

25 March 2019

Chapter 12 Bonds of the Company

☒ Applicable ☐ Not applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 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 (Phase I)	16 SinoTrans 01	136248	2 March 2016	2 March 2021	2 billion	3.2	Interest paid annually on the basis of simple interest instead of compound interest, principal to be paid in lump-sum upon maturity	Shanghai Stock Exchange
Sinotrans Limited 2016 Corporate Bond (Phase II)	16 SinoTrans 03	136654	24 August 2016	24 August 2021	1.5 billion	2.94	Interest paid annually on the basis of simple interest instead of compound interest, principal to be paid in lump-sum upon maturity	Shanghai Stock Exchange

Payment of Interests of Company Bonds

☒ Applicable ☐ Not applicable

On 2 March 2018, the company paid interest on the 16 Sinotrans 01 corporate bonds, and the interest payment amount was RMB64 million. On 24 August 2018, the company paid interest on the 16 Sinotrans 03 corporate bonds, and the interest payment amount was RMB44.1 million. All was disclosed on the website of the Shanghai Stock Exchange.

Other Circumstances of Company Bonds

☒ Applicable ☐ Not applicable

16 Sinotrans 03 is a fixed interest rate product that has a term of 5 years, with options for the issuer to adjust the coupon rate and for investors to resell at the end of the 3rd year.

Options for issuer to adjust coupon rate: the coupon rate of the said bond remains unchanged within the first 3 years of the term. If the issuer exercise the option to adjust coupon rate, the unsold bonds shall adjust the coupon rate of the first 3 years of the term in the last 2 years of the term and the unsold bonds shall remain unchanged; if the issuer does not exercise the option to adjust coupon rate, the unsold bonds shall remain at the same coupon rate in the last 2 years of the term.

Option for investors to resell: after the issuer issues announcement on whether the coupon rate of the bonds will be adjusted and the range of adjustment, the holders of the bonds shall have the right to resell part or all of the bonds they hold to the issuer at the book value on the interest payment date of the 3rd year of the term of the bond. The issuer shall complete the payment for reselling in accordance with the relevant transaction rules of the bond registrant of the Shanghai Stock Exchange.

The timings of options to adjust coupon rate and option for investors to resell are not in the reporting period. Therefore, the options were not exercised.

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

Bond trustee	Name	BOCI Securities Limited
	Address	No. 110, Xidan North Avenue, Xicheng District, Beijing
	Contact person	He Liu
	Telephone	010-66229339
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Address	14FL. Huasheng Building, No.398 Hankou Rd, Shanghai

Other circumstances:

☐ Applicable ☒ Not applicable

III. USE OF PROCEEDS FROM SALES OF CORPORATE BONDS

☒ Applicable ☐ Not applicable

After the company has received the raised funds, it shall transfer the funds from a special account to its own fund account for further use. The raised funds are used in accordance with the agreed usage and there are no anomalies. The balance of the raised funds is 0 at present.

IV. RATING OF CORPORATE BONDS

☒ Applicable ☐ Not applicable

Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. has given an AAA rating to the issuer of the corporate bond, and the debt rating is AAA, the rating date is 25 June 2018. The rating outlook is "Stable" and the rating results have been disclosed on the website of Shanghai Stock Exchange.

V. BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER CIRCUMSTANCES DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

After the issuance of the corporate bond, the company will further strengthen asset debt management, liquidity management and management of use of raised funds according to the debt structure, ensure that the funds are used according to plan and that sufficient provision of funds are used to pay annual interests and matured principals in a timely manner, thereby safeguarding investors' interests.

To sufficiently and effectively protect bond holders' interests, the company have formulated a series of working plans to ensure the timely and sufficient payment of the corporate bond, including formulating the Rules for the Bond Holders' Meeting, making full use of the bond trustees' functions, setting up specialised repayment task force, strictly fulfilling the company's obligation and commitment on information disclosure, etc., thereby striving to take measures that can ensure the safe payment of interests and redemption.

Chapter 12

Bonds of the Company

VI. CONVENING OF CORPORATE BOND HOLDERS' MEETINGS

☒ Applicable ☐ Not applicable

On 30 March 2018, the company convened a corporate bond holders' meeting, the place of the meeting being No 3. Conference Room, 7/F, Xidanhui, No. 110, Xidan North Avenue, Xicheng District, Beijing. Reason for the meeting: Merger of Sinoair by absorption through share swap. The purpose of the meeting was to determine whether the corporate bond holders agree to the aforesaid proposal the number of votes in favour of the proposal exceeded 50% of the votes by holders with outstanding corporate bonds who have voting rights, and the proposal was thus passed.

VII. PERFORMANCE OF THE CORPORATE BOND TRUSTEE

☒ Applicable ☐ Not applicable

During the term of the corporate bond, the bond trustee, BOC International (China) Co., Ltd (hereinafter referred to as BOCI Securities), strictly complied with the stipulations in the Bond Trust Management Agreement, and kept track on the company's credit rating, the use of the raised funds and the payment of principal and interests with respect to the corporate bond, among others, and urged the company to fulfil the obligations listed in the prospectus of corporate bond. The trustee has proactively performed its duties as a bond trustee to protect the lawful interests of the bond holders.

In June 2018, BOCI Securities made an announcement on the website of Shanghai Stock Exchange on the entrust management for the corporate bonds of Sinotrans Limited in 2017.

VIII. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST 2 YEARS AS AT THE END OF THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Main indicators	2018	2017	Increase/decrease compared to last year (%)
Earnings before interest, taxes, depreciation and amortization	6,087,531,804.10	5,513,541,831.42	10.41
Current Ratio	1.55	1.22	27.05
Quick ratio	1.40	1.11	26.05
Debt asset ratio (%)	54.71	58.55	Decreased by 3.84 percentage points
Debt/EBITDA ratio	0.39	0.40	-2.31
Interest coverage ratio	7.24	7.95	-8.86
Cash interest coverage ratio	3.13	5.71	-45.25
EBITDA interest coverage ratio	9.45	10.48	-9.75
Loan repayment ratio (%)	100	100	0
Interest payment ratio (%)	100	100	0

Note: The reason for the change in the cash interest coverage ratio is mainly due to the significant increase in cash flow from operating activities this year compared to last year.

IX. PAYMENT OF INTERESTS OF OTHER BONDS AND DEBT FINANCING INSTRUMENT

☐ Applicable ☒ Not applicable

X. BANK LINE OF CREDIT DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

As at 31 December 2018, the company has a line of credit of RMB32.14 billion (RMB equivalent), of which RMB RMB16.6 billion has been used. The bank loans have all been repaid with interest on time.

Chapter 12

Bonds of the Company

XI. FULFILMENT OF AGREEMENT OR COMMITMENT LISTED IN THE BOND PROSPECTUS

☒ Applicable ☐ Not applicable

The Company has a good track record on fulfilling agreement or commitment listed in the bond prospectus and there has been no adverse impact on the investors' interests.

XII. SIGNIFICANT EVENT OCCURRED TO THE COMPANY AND THE IMPACT ON THE COMPANY'S OPERATION AND DEBT-PAYING ABILITY

☒ Applicable ☐ Not applicable

1. The Company absorbs and merges Sinoair by way of share swap.
2. Changes in Directors: Approved by the Company's extraordinary general meeting held on 31 May 2018, the Company had 5 new directors since 1 June 2018, including Wang Hong, Song Rong, Meng Yan, Song Haiqing and Li Qian. The five directors of Zhao Huxiang, Yu Jianmin, Guo Minjie, Lu Zhengfei and Liu Junhai resigned on June 1, 2018. Chairman Wang Hong also officially performed his duties on June 1, 2018. The latest board of directors consists of 11 people: Wang Hong, Song Dexing, Li Guanpeng, Song Rong, Wang Lin, Wu Xueming, Xu Kewei, Wang Taiwen, Meng Yan, Song Haiqing and Li Qian in the reporting period.
3. Audit institution change: The company originally appointed Deloitte as the Company's audit institution. Since Deloitte has provided audit services for the Company for 7 years, according to the relevant regulations of the State-owned Assets Supervision and Administration Commission and the Ministry of Finance, the board of directors of the company proposed to replace the accounting firm. The Company hired Shine Wing (Special General Partnership) as the company's new audit institution.

Chapter 13 Financial Report

I. INDEPENDENT AUDITOR'S REPORT

XYZH/2019BJA50207

To all shareholders of Sinotrans Limited:

1. Opinion

We have audited the financial statements of Sinotrans Limited (the "Company"), which comprise the consolidated and Company's statements of financial position as at 31 December 2018, the consolidated and Company's statements of profit or loss and other comprehensive income, the consolidated and Company's statements of cash flow, and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to these financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2018, the consolidated and Company's financial performance and cash flows for the year then ended in accordance with Accounting standards for Business Enterprises.

2. Basis for Opinion

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

3. Key Audit Matters

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

Provision for litigation claims

Key audit matters

As disclosed in notes X,37 and X,58 to the financial statements, the Company had provisions of approximately RMB407,925,600.00 and recognised an expected loss from outstanding litigation of approximately RMB171,787,800 for the year ended 31 December 2018. Accounting policy on provision for litigation claims is disclosed in notes V,19 and VI.

We identified the provision for litigation claims as a key audit matter because the determination of its adequacy requires significant management estimate and judgement.

Execution from audit:

Our procedures in relation to the provision for litigation claims included:

- Testing key controls over the determination of provision for litigation claims;
- Obtaining the litigation list from the Company to understand the progress of litigation cases lasting from last year, and new additions during this year, and to confirm the judgment results came out from court were not significantly different from the management's expectations;
- Assessing the adequacy of the provision for litigation claims by evaluating management's assessment regarding the nature and status of material litigations as well as other factors considered by management in developing such assessment; and
- Inquiring with external legal advisers retained by the Group for latest developments of material litigation claims.

Chapter 13 Financial Report

I. INDEPENDENT AUDITOR'S REPORT (CONTINUED)

4. Other Information

The management of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. Responsibilities of Management of the Company and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

6. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Company.

I. INDEPENDENT AUDITOR'S REPORT (CONTINUED)

6. Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- (4) Conclude on the appropriateness of the Company's management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Shinewing Certified Public Accountants LLP

CICPA:

(Audit Partner)

CICPA:

Beijing, China

25 March 2019

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

Unit: RMB

Items	Notes	Ending balance	Beginning balance
Current assets			
Cash and bank balances	X,1	15,528,432,818.79	12,152,319,056.47
Held-for-trading financial assets	X,2	400,140,176.57	2,381,911,520.22
Derivative financial assets		—	—
Bills receivable and accounts receivable	X,3	10,973,491,865.77	11,298,271,751.45
Including: bills receivable	X,3	555,923,514.54	745,941,219.26
accounts receivable	X,3	10,417,568,351.23	10,552,330,532.19
Prepayments	X,4	2,090,854,225.68	1,864,026,154.28
Other receivables	X,5	1,421,577,191.34	1,508,840,844.29
Including: interest receivable	X,5	11,361,382.76	27,510,878.82
dividend receivable	X,5	63,826,982.07	37,866,902.92
Inventory	X,6	266,600,487.08	314,625,062.23
including: raw material	X,6	31,381,721.88	48,223,522.63
Goods in stock(finished products)	X,6	198,607,733.96	257,420,741.27
Contract assets		—	—
Assets classified as held-for-sale	X,7	53,745,651.81	—
Non-current liabilities due within one year	X,8	74,928,213.64	2,424,731.04
Other current assets	X,9	559,144,645.56	549,672,795.82
Total current assets		31,368,915,276.24	30,072,091,915.80
Non-current assets			
Debt investments		—	—
Other debt investments		—	—
Long-term receivables	X,10	142,009,746.55	153,599,166.40
Long-term equity investment	X,11	6,973,522,714.05	4,583,783,297.12
Other equity instruments investment	X,12	154,458,821.08	327,064,735.04
Other non-current financial assets	X,13	493,936,852.61	226,192,723.59
Investment properties	X,14	2,478,006,337.36	963,664,060.56
Fixed assets	X,15	11,942,099,732.71	13,742,446,806.12
Construction in progress	X,16	1,997,349,529.53	3,495,556,994.29
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets	X,17	5,228,339,127.68	5,410,610,569.19
Development expenditure	X,18	30,511,836.16	—
Goodwill	X,19	169,670,069.78	2,508,581,429.57
Long-term prepayments	X,20	263,995,854.52	229,040,708.29
Deferred tax assets	X,21	212,892,635.40	328,129,324.54
Other non-current assets	X,22	38,513,050.27	285,442,729.58
Total non-current assets		30,125,306,307.70	32,254,112,544.29
Total assets		61,494,221,583.94	62,326,204,460.09

The accompanying 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 Enterprise

Wang Jiuyun
Person-in-charge
for Accounting Work

Li Xiaoyan
Person-in-charge
of Accounting Department

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Financial Position (continued)

		Unit: RMB	
Items	Notes	Ending balance	Beginning balance
Current liabilities			
Short-term borrowings	X,25	2,231,743,549.91	1,499,248,448.97
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Bills payable and accounts payable	X,26	9,056,129,695.54	9,931,217,846.99
Advances from customers		—	—
Contract liabilities	X,27	2,576,275,224.01	2,316,876,930.43
Employee remunerations payable	X,28	1,470,491,147.30	1,400,725,203.34
Including: wages payable	X,28	1,188,527,792.37	1,149,190,192.89
welfare payable	X,28	5,079,485.26	16,334,709.62
Taxes and levies payable	X,29	481,975,148.65	624,122,963.60
Including: taxes payable	X,29	470,714,144.47	607,073,163.12
Other payables	X,30	3,045,689,490.76	6,191,924,523.81
Including: interest payable	X,30	134,333,264.70	165,640,720.97
dividend payables	X,30	106,507,405.73	252,079,064.58
Liabilities classified as held-for-sale		—	—
Non-current liabilities due within one year	X,31	1,166,302,753.40	2,441,523,391.54
Other current liabilities	X,32	167,271,210.90	168,607,954.37
Total current liabilities		20,195,878,220.47	24,574,247,263.05
Non-current liabilities			
Long-term loans	X,33	8,473,129,636.53	6,609,292,439.50
Bonds payables	X,34	3,497,076,575.36	3,495,826,575.34
Including: preferred shares		—	—
perpetual bonds		—	—
Long-term payables	X,35	656,231,579.79	809,425,056.59
Long-term employee remunerations payable	X,36	3,043,019.68	45,418,888.50
Provisions	X,37	407,925,602.60	332,614,628.18
Deferred income	X,38	395,905,585.01	391,756,593.89
Deferred income tax liabilities	X,21	11,590,458.74	232,562,611.22
Other non-current liabilities		—	—
Total non-current liabilities		13,444,902,457.71	11,916,896,793.22
Total liabilities		33,640,780,678.18	36,491,144,056.27
Shareholders' equity:			
Share capital	X,39	6,049,166,644.00	6,049,166,644.00
Other equity instruments		—	—
Including: preferred shares		—	—
perpetual bonds		—	—
Capital reserve	X,40	4,124,486,665.68	3,993,586,673.99
Less: treasury shares		—	—
Other comprehensive income	X,63	-275,001,310.29	277,450,293.21
Including: foreign currency translation difference	X,63	-327,135,927.64	149,807,679.29
Special reserves	X,41	41,536,205.81	33,687,174.45
Surplus reserves	X,42	811,845,310.51	699,577,957.51
Including: statutory reserve fund	X,42	811,845,310.51	699,577,957.51
discretionary reserve fund		—	—
Undistributed profits	X,43	12,484,368,855.91	10,376,503,880.96
Total shareholders' equity attributable to the parent company		23,236,402,371.62	21,429,972,624.12
Non-controlling interests		4,617,038,534.14	4,405,087,779.70
Total shareholders' equity		27,853,440,905.76	25,835,060,403.82
Total liabilities and shareholders' equity		61,494,221,583.94	62,326,204,460.09

The accompanying notes form an integral part of the financial statements

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS (CONTINUED)

Statement of Financial Position of the Company

Unit: RMB

Items	Notes	Ending balance	Beginning balance
Current assets			
Cash and bank balances	XIX,1	2,232,514,434.17	326,727,167.08
Held-for-trading financial assets		400,000,000.00	2,000,000,000.00
Derivative financial assets		—	—
Bills receivables and accounts receivable	XIX,2	1,198,778,359.12	796,632,786.98
Including: bills receivables	XIX,2	22,838,736.35	99,460,997.50
accounts receivable	XIX,2	1,175,939,622.77	697,171,789.48
Prepayments		27,737,883.02	53,649,098.01
Other receivables	XIX,3	7,770,199,706.08	4,871,372,746.63
Including: interest receivable	XIX,3	177,001.57	5,764,330.35
dividend receivable	XIX,3	84,271,356.22	68,052,908.69
Inventory		—	3,595,453.35
including: raw material		—	3,595,453.35
goods in stock (finished products)		—	—
Contract assets		—	—
Assets classified as held-for-sale		—	—
Non-current liabilities due within one year		354,010,852.27	171,619,641.35
Other current assets		49,054,666.08	20,766,420.53
Total current assets		12,032,295,900.74	8,244,363,313.93
Non-current assets			
Debt investments		—	—
Other debt investments		—	—
Long-term receivables	XIX,4	1,606,581,598.47	1,886,221,498.37
Long-term equity investment	XIX,5	11,110,762,797.06	11,192,702,872.19
Other equity instruments investment		—	—
Other non-current financial assets		630,314,038.78	538,872,895.17
Investment properties		—	—
Fixed assets		47,976,127.19	40,721,147.17
Construction in progress		9,215,368.60	—
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets		69,898,549.74	50,474,231.31
Development expenditure		23,314,238.03	—
Goodwill		—	—
Long-term prepayments		1,619,094.06	1,988,544.95
Deferred income tax assets		—	—
Other non-current assets		—	—
Total non-current assets		13,499,681,811.93	13,710,981,189.16
Total assets		25,531,977,712.67	21,955,344,503.09

The accompanying notes form an integral part of the financial statements

II. FINANCIAL STATEMENTS (CONTINUED)

Statement of Financial Position of the Company (continued)

		Unit: RMB	
Items	Notes	Ending balance	Beginning balance
Current liabilities			
Short-term borrowings		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Bills payables and accounts payable		538,121,606.24	538,060,278.86
Advances from customers		—	—
Contract liabilities		59,614,593.16	26,044,611.32
Employee remunerations payable		116,379,594.67	141,217,166.18
Including: wages payable		61,979,019.45	88,244,664.90
welfare payable		8,807.60	110,607.60
Taxes and levies payable		3,914,293.99	21,635,683.92
Including: taxes payable		3,247,637.35	11,177,056.73
Other payables		4,806,897,398.65	2,361,881,711.33
Including: interest payable		69,188,324.82	69,010,958.86
dividend payables		—	—
Liabilities classified as held-for-sale		—	—
Non-current liabilities due within one year		1,000,000,000.00	—
Total current liabilities		—	—
Total current liabilities		6,524,927,486.71	3,088,839,451.61
Non-current liabilities			
Long-term loans	XIX,6	1,624,000,000.00	2,124,000,000.00
Bonds payables	XIX,7	3,497,076,575.36	3,495,826,575.34
Including: preferred shares		—	—
perpetual bond		—	—
Long-term payables		—	—
Long-term employee remunerations payable		—	—
Provisions		—	—
Deferred income		—	—
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		5,121,076,575.36	5,619,826,575.34
Total liabilities		11,646,004,062.07	8,708,666,026.95
Shareholders' equity:			
Share capital		6,049,166,644.00	6,049,166,644.00
Other equity instruments		—	—
Including: preferred shares		—	—
perpetual bond		—	—
Capital reserve	XIX,8	5,113,523,892.31	5,113,523,892.31
Less: treasury shares		—	—
Other comprehensive income		-13,225,231.95	-13,870,645.17
Including: foreign currency translation difference		917,484.92	272,071.70
Special reserves		4,439,943.32	4,530,380.51
Surplus reserves		811,845,310.51	699,577,957.51
Including: statutory reserve fund		811,845,310.51	699,577,957.51
discretionary reserve fund		—	—
Undistributed profits	XIX,9	1,920,223,092.41	1,393,750,246.98
Total shareholders' equity		13,885,973,650.60	13,246,678,476.14
Total liabilities and shareholders' equity		25,531,977,712.67	21,955,344,503.09

The accompanying notes form an integral part of the financial statements

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Unit: RMB	
Items	Notes	Amount in current year	Amount in previous year
I Total income from operations	X, 44	77,311,836,514.83	73,157,512,716.11
Operating income	X, 44	77,311,836,514.83	73,157,512,716.11
II Total costs of operation		76,593,527,924.20	71,729,022,837.09
Including: Operating costs	X, 44	71,767,219,812.34	67,608,278,134.47
Taxes and surcharges	X, 45	190,993,779.58	215,197,182.01
Selling and distribution expenses	X, 46	931,060,960.57	836,941,681.23
Administrative expenses	X, 47	2,812,080,135.14	2,497,084,388.47
Research and development expenses	X, 48	23,925,038.10	1,294,905.02
Finance costs	X, 49	458,590,051.38	434,103,526.54
Including: interest expenses	X, 49	555,718,585.47	415,673,534.61
interest income	X, 49	181,001,747.60	207,602,185.64
exchange net income	X, 49	37,382,323.28	—
exchange net loss	X, 49	—	202,198,691.15
Asset impairment losses	X, 50	156,753,259.27	136,123,019.35
Expected credit losses	X, 51	252,904,887.82	—
Add: other income	X, 52	631,696,389.27	234,889,058.04
Investment income (loss denoted by "-")	X, 53	2,594,417,777.26	1,946,842,058.17
Including: share of profit of associates and jointly controlled entities	X, 53	1,170,771,434.70	1,021,668,429.17
Net exposure hedging income (loss denoted by "-")		—	—
Gain from changes in fair value (loss denoted by "-")	X, 54	236,004,338.46	-14,876,057.51
Income from assets disposal (loss denoted by "-")	X, 55	137,572,742.62	169,637,257.87
III Operating profits(loss denoted by "-")		4,317,999,838.24	3,764,982,195.59
Add: non-operating income	X, 56	91,205,938.96	111,442,502.51
Including: government grant	X, 57	39,704,161.55	37,218,582.00
gains from debt restructuring		—	—
Less: non-operating expenses	X, 58	300,764,891.44	109,338,955.03
Including: loss on debt restructuring		—	—
IV Total profit (total loss denoted by "-")		4,108,440,885.76	3,767,085,743.07
Less: income tax expenses	X, 59	909,472,556.18	785,699,197.84
V Net profit (net loss denoted by "-")		3,198,968,329.58	2,981,386,545.23
(I) Classified by the continuity of operation		—	—
1. Net profit from continuing operations (net loss denoted by "-")		3,198,968,329.58	2,981,386,545.23
2. Net profit from discontinuing operations (net loss denoted by "-")		—	—
(II) Classified by attribution of the ownership		—	—
1. Net profits attribute to owners of the Company (net loss denoted by "-")		2,704,106,404.93	2,304,190,975.71
2. Profit and loss of non-controlling interests (net loss denoted by "-")		494,861,924.65	677,195,569.52

The accompanying notes form an integral part of the financial statements

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

Items	Notes	Unit: RMB	
		Amount in current year	Amount in previous year
VI Other comprehensive income, net of tax	X, 63	-261,599,609.22	193,226,294.57
Other comprehensive income attribute to owners of parent company, net of tax	X, 63	-202,648,430.24	252,972,367.95
(I) Other comprehensive income not to be reclassified into profit and loss	X, 63	-75,969,534.02	—
1. Changes arising from re-measurement of defined benefit obligation		—	—
2. Other comprehensive income not to be transferred to profit or loss under equity method		—	—
3. Changes in fair value of other equity instruments investment	X, 63	-75,969,534.02	—
4. Changes in fair value of enterprise's own credit risk		—	—
5. Other comprehensive income not to be reclassified into profit and loss		—	—
(II) Other comprehensive income to be reclassified into profit and loss	X, 63	-126,678,896.22	252,972,367.95
1. Other comprehensive income to be transferred to profit or loss under equity method	X, 63	461,537.45	-10,100,995.96
2. Changes in fair value of other creditor's investments		—	—
3. Gains or losses from changes in fair value of available for sale financial assets		—	-84,738,717.30
4. Amount of financial assets to be reclassified into other comprehensive income		—	—
5. Credit impairment provisions for other creditor's investments		—	—
6. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)		—	—
7. Foreign currency translation difference	X, 63	-127,140,433.67	347,812,081.21
8. Other comprehensive income to be reclassified into profit and loss		—	—
Other comprehensive income attributable to non-controlling interests, net of tax	X, 63	-58,951,178.98	-59,746,073.38
VII Total comprehensive income	X, 63	2,937,368,720.36	3,174,612,839.80
Total comprehensive income attributable to owners of Company	X, 63	2,501,457,974.69	2,557,163,343.66
Total comprehensive income attributable to non-controlling interests	X, 63	435,910,745.67	617,449,496.14
VIII Earnings per share:			
Basic earnings per share (RMB/share)		0.45	0.38
Diluted earnings per share (RMB/share)		0.45	0.38

The accompanying notes form an integral part of the financial statements

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS (CONTINUED)

Statement of Profit or Loss and Other Comprehensive Income of the Company

		Unit: RMB	
Items	Notes	Amount in current year	Amount in previous year
I Income from operations	XIX,10	2,145,058,837.38	1,875,895,675.32
Less: lost of operations	XIX,10	1,834,355,968.57	1,625,330,016.18
Taxes and surcharges		646,665.23	11,171,023.99
Selling and distribution expenses		112,101,783.14	100,114,276.43
Administrative expenses		383,598,054.01	279,211,490.24
Research and development expenses		13,165,139.22	—
Finance costs	XIX,11	30,398,709.03	140,903,529.20
Including: interest expenses		244,391,150.73	208,973,671.46
Interest income		180,967,204.81	151,088,925.41
Exchange net income		53,925,083.65	—
Exchange net loss		—	81,567,208.08
Asset impairment losses		—	-13,719,272.49
Expected credit losses		253,551.44	—
Add: other income		980,000.00	—
Investment income (loss denoted by "-")	XIX,12	1,351,274,029.34	1,068,978,501.85
Including: share of profit of associates and jointly controlled entities		48,588,515.98	35,594,211.34
Net exposure hedging income (loss denoted by "-")		—	—
Gain from changes in fair value (loss denoted by "-")		—	—
Income from assets disposal (loss denoted by "-")		—	17,413.25
II Operating profits (loss denoted by "-")		1,122,792,996.08	801,880,526.87
Add: non-operating income		886,179.26	27,518.93
Including: government grant income		—	—
gains from debt restructuring		—	—
Less: non-operating expenses		15,785.39	1,508,177.42
Including: loss on debt restructuring		—	—
III Total profit (total loss denoted by "-")		1,123,663,389.95	800,399,868.38
Less: income tax expenses		989,860.00	1,078,734.87
IV Net profit (net loss denoted by "-")		1,122,673,529.95	799,321,133.51
Net profit from continuing operations (net loss denoted by "-")		1,122,673,529.95	799,321,133.51
Net profit from discontinuing operations (net loss denoted by "-")		—	—
V Other comprehensive income, net of tax		645,413.22	-794,396.00
(I) Other comprehensive income not to be reclassified into profit and loss		—	—
1. Changes arising from re-measurement of defined benefit obligation		—	—
2. Other comprehensive income not to be transferred to profit or loss under equity method		—	—
3. Changes in fair value of other equity instruments investment		—	—
4. Changes in fair value of enterprise's own credit risk		—	—
5. Other comprehensive income not to be reclassified into profit and loss		—	—
(II) Other comprehensive income to be reclassified into profit and loss		645,413.22	-794,396.00
1. Other comprehensive income to be transferred to profit or loss under equity method		—	—
2. Changes in fair value of other creditor's investments		—	—
3. Gains or losses from changes in fair value of available for sale financial assets		—	—
4. Amount of financial assets reclassified into other comprehensive income		—	—
5. Credit impairment provisions for other creditor's investments		—	—
6. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)		—	—
7. Converted difference in foreign currency statements		645,413.22	-794,396.00
8. Other comprehensive income which can be reclassified into profit and loss		—	—
VI Total comprehensive income		1,123,318,943.17	798,526,737.51

The accompanying notes form an integral part of the financial statements

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Cash Flows

Items	Notes	Unit: RMB	
		Amount in current year	Amount in previous year
I. Cash flow from operating activities:			
Cash received from sales of good and providing of services		77,853,673,615.37	74,042,333,328.28
Tax rebate received		18,614,685.70	9,312,814.22
Interest, charges and commission income received	X, 64	47,187,697.38	48,127,683.90
Other cash received in connection with operating activities	X, 64	1,156,999,535.98	1,065,364,369.07
Sub-total of cash inflow from operating activities		79,076,475,534.43	75,165,138,195.47
Cash paid for purchasing of products and receiving of labor service		67,333,941,678.62	63,578,335,411.88
Cash paid to and paid for employees		5,889,290,589.04	5,550,975,322.45
Interest, charges and commission paid		51,431,437.71	24,035,697.24
Various taxes and expenses paid		1,584,496,052.25	1,367,080,269.50
Other cash paid in connection with operating activities	X, 64	2,203,922,442.22	1,638,984,129.49
Sub-total of cash outflow from operating activities		77,063,082,199.84	72,159,410,830.56
Net cash flow from operating activities	X, 64	2,013,393,334.59	3,005,727,364.91
II. Cash flow from investment activities			
Cash received from the collection of investment		4,673,717,443.57	993,912,347.68
Cash received from the acquisition of investment income		1,018,263,891.13	1,093,819,071.03
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		427,044,815.45	566,907,679.72
Net cash received from disposal of subsidiaries and other operation units		1,776,145,605.66	186,643,657.87
Cash received relating to other investment activities	X, 64	235,829,953.10	157,895,550.71
Sub-total of cash inflow from investment activities		8,131,001,708.91	2,999,178,307.01
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,585,734,016.18	3,434,672,528.70
Cash paid for investments		177,597,055.74	1,043,886,101.09
Net cash received from subsidiaries and other operation units		417,241,754.88	–
Cash paid relating to other investment activities	X, 64	74,910,730.80	962,351,568.71
Sub-total of cash outflow from investment activities		3,255,483,557.60	5,440,910,198.50
Net cash flow from investment activities		4,875,518,151.31	-2,441,731,891.49
III. Cash flow from financing activities:			
Cash received from absorption of investment		56,546,027.22	202,729,837.56
Including: cash contribution to subsidiaries from minority shareholders' investment		56,546,027.22	202,729,837.56
Cash received from borrowings		9,689,463,444.98	9,380,058,772.60
Cash received relating to other financing activities	X, 64	691,789,965.08	–
Sub-total of cash inflow from financing activities		10,437,799,437.28	9,582,788,610.16
Cash paid for repayment of debts		6,322,517,872.30	8,399,555,269.34
Cash paid for distribution of dividends or profits or settlement of interest expenses	X, 64	1,712,910,482.30	1,220,631,150.15
Including: distribution of dividends and profits to non-controlling interests		356,340,566.04	300,285,775.07
Cash paid relating to other financing activities	X, 64	3,697,491,681.87	115,645,922.50
Sub-total of cash outflow from financing activities		11,732,920,036.47	9,735,832,341.99
Net cash flow from financing activities		-1,295,120,599.19	-153,043,731.83
IV. Effects of foreign exchange rate changes on cash and cash equivalents		14,651,861.01	-25,524,564.43
V. Net increase (decrease) in cash and cash equivalents		5,608,442,747.72	385,427,177.16
Add: balance of cash and cash equivalents at the beginning of the year		9,709,382,226.84	9,323,955,049.68
VI. Balance of cash and cash equivalents at the end of the year	X, 65	15,317,824,974.56	9,709,382,226.84

The accompanying notes form an integral part of the financial statements

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS (CONTINUED)

Statement of Cash Flows of the Company

Items	Notes	Unit: RMB	
		Amount in current year	Amount in previous year
I. Cash flow from operating activities:			
Cash received from sales of good and providing of services		1,730,487,691.50	1,589,160,999.73
Tax rebate received		–	–
Interest income received		8,431,783.12	–
Other cash received in connection with operating activities		1,052,716,755.85	178,155,177.82
Sub-total of cash inflow from operating activities		2,791,636,230.47	1,767,316,177.55
Cash paid for purchasing of products and receiving of labor service		1,825,182,176.83	1,418,009,669.66
Cash paid to and paid for employees		251,681,764.42	225,160,840.23
Various taxes and expenses paid		11,595,214.37	3,474,491.35
Other cash paid in connection with operating activities		310,593,040.95	540,080,315.26
Sub-total of cash outflow from operating activities		2,399,052,196.57	2,186,725,316.50
Net cash flow from operating activities	XIX,13	392,584,033.90	-419,409,138.95
II. Cash flow from investment activities			
Cash received from the collection of investment		1,600,000,000.00	56,536,882.83
Cash received from the acquisition of investment income		1,325,554,513.33	1,042,045,824.24
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		226,919.59	334,404.08
Net cash received from disposal of subsidiaries and other operation units		–	–
Cash received relating to other investment activities		272,139,327.64	348,599,233.29
Sub-total of cash inflow from investment activities		3,197,920,760.56	1,447,516,344.44
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		105,641,058.24	49,674,573.50
Cash paid for investments		–	1,071,904,184.00
Net cash received from subsidiaries and other operation units		–	–
Cash paid relating to other investment activities		2,801,485,364.17	765,670,439.48
Sub-total of cash outflow from investment activities		2,907,126,422.41	1,887,249,196.98
Net cash flow from investment activities		290,794,338.15	-439,732,852.54
III. Cash flow from financing activities:			
Cash received from absorption of investment		–	–
Cash received from borrowings		500,000,000.00	3,582,000,000.00
Cash received relating to other financing activities		1,475,311,392.05	–
Sub-total of cash inflow from financing activities		1,975,311,392.05	3,582,000,000.00
Cash paid for repayment of debts		–	2,582,000,000.00
Cash paid for distribution and profit and payment of interest		723,707,667.62	730,713,603.44
Cash paid relating to other financing activities		21,969,007.22	–
Sub-total of cash outflow from financing activities		745,676,674.84	3,312,713,603.44
Net cash flow from financing activities		1,229,634,717.21	269,286,396.56
IV. Effects of foreign exchange rate changes on cash and cash equivalents		-7,360,619.67	-11,665,980.24
V. Net increase (decrease) in cash and cash equivalents		1,905,652,469.59	-601,521,575.17
Add: balance of cash and cash equivalents at the beginning of the year		326,727,167.08	928,248,742.25
VI. Balance of cash and cash equivalents at the end of the year		2,232,379,636.67	326,727,167.08

The accompanying notes form an integral part of the financial statements

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Changes in Equity

Unit: RMB

Items	Amount of current year														
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less treasury shares	Shareholders' equity attributable to the company	Other comprehensive income	Including: foreign currency statements translation difference	Special reserves	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total owners' equity
I. Ending balance of prior year	6,049,166,644.00	-	-	-	3,993,586,673.99	-	277,450,293.21	149,807,679.29	33,687,174.45	699,577,957.51	10,376,503,880.96	21,429,972,624.12	4,405,087,779.70	25,835,060,403.82	
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prior error's correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at the beginning of current year	6,049,166,644.00	-	-	-	3,993,586,673.99	-	277,450,293.21	149,807,679.29	33,687,174.45	699,577,957.51	10,376,503,880.96	21,429,972,624.12	4,405,087,779.70	25,835,060,403.82	
III. Increases/decreases in current year (decreases denoted by "-")	-	-	-	-	130,899,991.69	-	-552,451,603.50	-476,943,606.93	7,849,031.36	112,267,353.00	2,107,864,974.95	1,806,429,747.50	211,950,754.44	2,018,380,501.94	
(I) Total comprehensive income	-	-	-	-	-	-	-202,648,430.24	-127,140,433.67	-	-	2,704,106,404.93	2,501,457,974.69	435,910,745.67	2,937,368,720.36	
(II) Capital contributed by owners and capital decrease	-	-	-	-	130,899,991.69	-	-349,803,173.26	-349,803,173.26	-	-	-	-218,903,181.57	106,914,066.43	-111,989,115.14	
1. Common shares invested by owners	-	-	-	-	-	-	-	-	-	-	-	-	109,081,429.72	109,081,429.72	
2. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Amount of share-based payments recorded in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	130,899,991.69	-	-349,803,173.26	-349,803,173.26	7,849,031.36	-	-	-218,903,181.57	-2,167,363.29	-221,070,544.86	
(III) Extraction and use of special reserves	-	-	-	-	-	-	-	-	-	-	-	-	1,565,727.40	9,414,758.76	
1. Extraction of special reserves	-	-	-	-	-	-	-	-	46,206,768.89	-	-	46,206,768.89	4,632,957.54	50,839,726.43	
2. Use of special reserves	-	-	-	-	-	-	-	-	-38,357,737.53	-	-	-38,357,737.53	-3,067,230.14	-41,424,967.67	
(IV) Profit distribution	-	-	-	-	-	-	-	-	-	112,267,353.00	-596,241,429.98	-483,974,076.98	-332,439,785.06	-816,413,862.04	
1. Appropriation of surplus reserve including: statutory reserve fund	-	-	-	-	-	-	-	-	-	112,267,353.00	-112,267,353.00	-	-	-	
Discretionary reserve fund	-	-	-	-	-	-	-	-	-	112,267,353.00	-112,267,353.00	-	-	-	
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Profit distributed to owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	-	-40,745.46	-40,745.46	-39,147.61	-79,893.07	
(V) Transfers within the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Capital transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-483,933,331.52	-483,933,331.52	-332,400,637.45	-816,333,968.97	
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-40,745.46	-40,745.46	-39,147.61	-79,893.07	
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Balance at the end of current year	6,049,166,644.00	-	-	-	4,124,486,665.68	-	-275,001,310.29	-327,135,927.64	41,536,205.81	811,845,310.51	12,484,368,855.91	23,236,402,371.62	4,617,038,534.14	27,853,440,905.76	

The accompanying notes form an integral part of the financial statements

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statement of Changes in Equity (continued)

Items	Shareholders' equity attributable to the company										Amount of prior year		Unit: RMB	
	Other equity instruments										Including: foreign			
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserves	Undistributed profits	Sub-total	Non-controlling interests	Total owners' equity		
I. Ending balance of prior year	4,606,483,200.00	-	-	-	5,654,815,065.89	-	24,477,925.26	31,925,752.18	8,799,499,500.44	19,536,847,287.93	3,947,390,232.83	23,484,237,520.76		
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-		
Prior error's correction	-	-	-	-	-	-	-	-	-	-	-	-		
Others	-	-	-	-	-	-	-	-	-	-	-	-		
II. Balance at the beginning of current year	4,606,483,200.00	-	-	-	5,654,815,065.89	-	24,477,925.26	31,925,752.18	8,799,499,500.44	19,536,847,287.93	3,947,390,232.83	23,484,237,520.76		
Increases/decreases in current year														
(decreases denoted by "-")														
III. Total comprehensive income	1,442,683,444.00	-	-	-	-1,461,228,391.90	-	25,972,367.95	1,761,422.27	1,577,004,380.52	1,893,125,336.19	457,697,546.87	2,350,822,883.06		
(I) Capital contributed by owners and capital decrease	1,442,683,444.00	-	-	-	-1,461,228,391.90	-	25,972,367.95	1,761,422.27	1,577,004,380.52	1,893,125,336.19	457,697,546.87	2,350,822,883.06		
1. Common shares invested by owners	1,442,683,444.00	-	-	-	-1,461,228,391.90	-	25,972,367.95	1,761,422.27	1,577,004,380.52	1,893,125,336.19	457,697,546.87	2,350,822,883.06		
2. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	2,304,190,975.71	2,557,163,345.66	617,449,496.14	3,174,612,839.80		
3. Amount of share-bases payments recorded in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-		
4. Others	-	-	-	-	-	-	-	-	-2,411,383.58	-20,956,331.48	140,565,696.34	119,609,364.86		
(II) Extraction and use of special reserves	-	-	-	-	-33,376,194.11	-	-	-	-2,411,383.58	-35,787,577.69	-47,332,895.01	-83,120,472.70		
1. Extraction of special reserves	-	-	-	-	-	-	-	1,761,422.27	-	1,761,422.27	-	1,761,422.27		
2. Use of special reserves	-	-	-	-	-	-	-	44,249,835.40	-	44,249,835.40	-	44,249,835.40		
(IV) Profit distribution	-	-	-	-	-	-	-	-42,488,413.13	-724,775,211.61	-644,883,098.26	-300,317,645.61	-945,160,743.87		
1. Appropriation of surplus reserve including statutory reserve fund	-	-	-	-	-	-	-	79,932,113.35	-79,932,113.35	-	-	-		
Discretionary reserve fund	-	-	-	-	-	-	-	79,932,113.35	-79,932,113.35	-	-	-		
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-		
3. Profit distributed to owners	-	-	-	-	-	-	-	-	-529,745,568.00	-529,745,568.00	-300,317,645.61	-830,063,213.61		
4. Others	-	-	-	-	-	-	-	-	-115,097,530.26	-115,097,530.26	-	-115,097,530.26		
(V) Transfers within the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-		
1. Capital transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-		
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-		
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-		
4. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-		
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-		
6. Others	-	-	-	-	-	-	-	-	-	-	-	-		
IV. Balance at the end of current year	6,049,166,644.00	-	-	-	3,993,586,673.99	-	277,450,293.21	33,687,174.45	10,376,933,880.96	21,429,972,624.12	4,405,087,779.70	25,835,060,403.82		

The accompanying notes form an integral part of the financial statements

II. FINANCIAL STATEMENTS (CONTINUED)

Statement of Changes in Equity of the Company

Items	Other equity instruments					Amount of current year				Including: foreign currency translation difference	Special reserves	Surplus reserves	Undistributed profits	Sub-total
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income							
I. Ending balance of prior year	6,049,166,644.00	-	-	-	5,113,523,892.31	-	-13,870,645.17	272,071.70	4,530,380.51	699,577,957.51	1,393,750,246.98	13,246,678,476.14		
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-		
Prior error's correction	-	-	-	-	-	-	-	-	-	-	-	-		
Others	-	-	-	-	-	-	-	-	-	-	-	-		
II. Balance at the beginning of current year	6,049,166,644.00	-	-	-	5,113,523,892.31	-	-13,870,645.17	272,071.70	4,530,380.51	699,577,957.51	1,393,750,246.98	13,246,678,476.14		
III. Increases/decreases in current year(decreases denoted by "-")														
(i) Total comprehensive income	-	-	-	-	-	-	645,413.22	645,413.22	-90,437.19	112,267,353.00	526,472,845.43	639,295,174.46		
(ii) Capital contributed by owners and capital decrease	-	-	-	-	-	-	645,413.22	645,413.22	-	-	1,122,673,529.95	1,123,318,943.17		
1. Common shares invested by owners	-	-	-	-	-	-	-	-	-	-	-	-		
2. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	-		
3. Amount of share-bases payments recorded in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-		
4. Others	-	-	-	-	-	-	-	-	-	-	-	-		
(iii) Extraction and use of special reserves	-	-	-	-	-	-	-	-	-90,437.19	-	-	-90,437.19		
1. Extraction of special reserves	-	-	-	-	-	-	-	-	60,319.23	-	-	60,319.23		
2. Use of special reserves	-	-	-	-	-	-	-	-	-150,756.42	-	-	-150,756.42		
(iv) Profit distribution	-	-	-	-	-	-	-	-	-	112,267,353.00	-596,200,684.52	-483,933,331.52		
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	112,267,353.00	-112,267,353.00	-		
Including: statutory reserve fund	-	-	-	-	-	-	-	-	-	112,267,353.00	-112,267,353.00	-		
Discretionary reserve fund	-	-	-	-	-	-	-	-	-	-	-	-		
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-		
3. Profit distributed to owners	-	-	-	-	-	-	-	-	-	-	-	-		
4. Others	-	-	-	-	-	-	-	-	-	-	-	-		
(v) Transfers within the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-		
1. Capital transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-		
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-		
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-		
4. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-		
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-		
6. Others	-	-	-	-	-	-	-	-	-	-	-	-		
IV. Balance at the end of current year	6,049,166,644.00	-	-	-	5,113,523,892.31	-	-13,225,231.95	917,484.92	4,439,943.32	811,845,310.51	1,920,223,092.41	13,885,973,650.60		

Unit: RMB

The accompanying notes form an integral part of the financial statements

Chapter 13 Financial Report

II. FINANCIAL STATEMENTS (CONTINUED)

Statement of Changes in Equity of the Company (continued)

Items	Other equity instruments					Amount of prior year			Unit: RMB			
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Including: foreign currency translation difference	Special reserves	Surplus reserves	Undistributed profits	Sub-total
I. Ending balance of prior year	4,606,483,200.00	-	-	-	2,742,594,087.04	-	-13,076,249.17	1,066,467.70	4,787,309.43	619,645,844.16	1,204,106,794.82	9,164,540,986.28
Add: accounting policy changes	-	-	-	-	-	-	-	-	-	-	-	-
Prior error's correction	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	4,606,483,200.00	-	-	-	2,742,594,087.04	-	-13,076,249.17	1,066,467.70	4,787,309.43	619,645,844.16	1,204,106,794.82	9,164,540,986.28
III. Increases/decreases in current year (decreases denoted by "-")	1,442,683,444.00	-	-	-	2,370,929,805.27	-	-794,396.00	-794,396.00	-256,928.92	79,932,113.35	189,643,452.16	4,082,137,489.86
(i) Total comprehensive income	-	-	-	-	-	-	-794,396.00	-794,396.00	-	-	799,321,133.51	798,526,737.51
(ii) Capital contributed by owners and capital decrease	1,442,683,444.00	-	-	-	2,370,929,805.27	-	-	-	-	-	-	3,813,613,249.27
1. Common shares invested by owners	1,442,683,444.00	-	-	-	3,973,940,361.89	-	-	-	-	-	-	5,416,623,805.89
2. Holders of other equity instruments invested capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-bases payments recorded in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-1,603,010,556.62	-	-	-	-	-	-	-1,603,010,556.62
(iii) Extraction and use of special reserves	-	-	-	-	-	-	-	-	-256,928.92	-	-	-256,928.92
1. Extraction of special reserves	-	-	-	-	-	-	-	-	108,115.93	-	-	108,115.93
2. Use of special reserves	-	-	-	-	-	-	-	-	-365,044.85	-	-	-365,044.85
(iv) Profit distribution	-	-	-	-	-	-	-	-	-	79,932,113.35	-609,677,681.35	-529,745,568.00
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	79,932,113.35	-79,932,113.35	-
Including: statutory reserve fund	-	-	-	-	-	-	-	-	-	79,932,113.35	-79,932,113.35	-
Discretionary reserve fund	-	-	-	-	-	-	-	-	-	-	-	-
2. Extraction of general risk reserves	-	-	-	-	-	-	-	-	-	-	-529,745,568.00	-529,745,568.00
3. Profit distributed to owners	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(v) Transfers within the shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital transferred from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital transferred from surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer changes of defined benefit plans into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer other comprehensive income into retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	6,049,166,644.00	-	-	-	5,113,523,892.31	-	-13,870,645.17	272,071.70	4,530,380.51	699,577,957.51	1,393,750,246.98	13,246,678,476.14

The accompanying notes form an integral part of the financial statements

III. 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 162,491,000 newly issued shares and 162,491,000 H-shares allocated by China Foreign Transportation Group Company. So far, the Company’s issued stock 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 stock 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 2004, 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 to its partners, with a par value of RMB1 per share, accounting for 8.41% of the issued stock, the Company’s issued stock 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.

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 & CS merged into China Merchants as a whole by means of free transfer, and became its wholly-owned subsidiary enterprise, and the Company has therefore become a listed subsidiary company 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, the Company agreed to purchase all the shares of the China Merchants Logistics Holding Co., Ltd. (hereinafter referred to as “China Merchants Logistics”) held by China Merchants, 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 provisional shareholders’ 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 stock accounted for 31.32% of issued stock, the Company’s issued stock 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.

The Company belongs to the logistics and transport industry, specifically involving non-vessel transport business (valid until 9 March 2024); ordinary freight; international express (except for the franchise business of postal enterprises) (valid until 20 June 2020); domestic waterway transport shipping agency and passenger cargo transport agency business; undertake the international transportation agency business of marine, land, air import and export goods, international exhibits, private goods and transit goods, etc.. Registered address of the Company: Jia No.43, North Avenue, Xizhimen, Haidian District, Beijing. Legal representative: GuanPeng Li.

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III. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

The main business of the Company and its subsidiary (hereinafter referred to as “the Group”) includes freight forwarding, professional logistics, logistics equipment leasing, warehousing and terminal services and other services. The Group’s main business is located in China.

For details of the scope of consolidated financial statements, please refer to Note 9, “Enterprise Consolidation and Consolidated Financial Statements”.

IV. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Group’s financial statements were prepared according to the transactions and events that have actually occurred on the basis of going concern in accordance with the *Accounting Standards for Business Enterprises* and relevant regulation (hereinafter referred to as “Accounting Standards for Business Enterprises”) promulgated by the Ministry of Finance, 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, *Companies Ordinance* of Hong Kong and *Listing Rules* of Hong Kong Stock Exchange, and based on the accounting policies and accounting estimates described in Note “IV. Significant Accounting Policies, Accounting Estimates”.

According to the *Consultation Summary on Accepting Mainland Companies Listed in Hong Kong to Adopt Mainland Accounting and Auditing Standards and Employ Mainland Accounting Firms* published by the Hong Kong Stock Exchange in December 2010 and the corresponding revision of the Listing Rules in Hong Kong, as well as the relevant documents of the Ministry of Finance and the CSRC, upon the review and approval of the board of directors of the Company, from this year, the Company will no longer provide financial statements prepared in accordance with International Financial Reporting Standards to H-share shareholders, instead, to provide financial statements prepared in accordance with China Accounting Standards for Business Enterprises to all A-share shareholders and H-share shareholders, and the disclosure requirements of the *Companies Ordinance* of Hong Kong and *Listing Rules* of Hong Kong Stock Exchange have been taken into account in preparing the financial report. The financial data used for comparison in this report for the year ended 31 December 2018 are based on the data under the China Accounting Standards for Business Enterprises.

Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of accounting standards for business enterprises, and truthfully and completely reflect the merger and the financial situation of the parent company on 31 December 2018 and merger and operating results of the parent company and merger and cash flow of the parent company in 2018.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY

1. ACCOUNTING YEAR

The Group adopts a calendar year, being the period from 1 January to 31 December of each year, as its accounting year.

2. FUNCTIONAL CURRENCY

Renminbi is the currency in the main economic environment where the Company and its domestic subsidiaries operate, the Company and its domestic subsidiaries take Renminbi as the functional currency. 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 Group in preparing this financial statements is Renminbi.

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

3. ACCOUNTING BASIS AND VALUATION PRINCIPLE

The accounting of the Group is based on the accrual basis. Except some financial instruments are measured at fair value, the financial statements is based on historical cost. In case of impairment of assets, the corresponding provision for impairment shall be calculated in accordance with relevant provisions.

Under the measurement of historical cost, 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 fund or 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 meet 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 first level 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 second level input value is the direct or indirect observable input value of related assets or liabilities in addition to the input value of the first level.
- The third level input value is the unobservable input value of related assets or liabilities.

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 obtained in the business combination are recognized at their carrying amounts at the date of merger as recorded by the party being combined. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or aggregate face values of the shares issued) is adjusted to capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained profits.

Costs that are directly attributable to the combination are charged to profit or loss when incurred by the combining party.

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

4. BUSINESS COMBINATION (CONTINUED)

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 combination costs of the combining party shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the acquiree on the acquisition date. The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current year when incurred.

Identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in business combination are measured at fair value on the acquisition date.

For the difference that the combination cost is larger than the portion of fair value of net identifiable assets of acquiree acquired in combination, it is recognized as goodwill as an asset, and initially measured at cost. For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in combination, re-verification is first carried out on the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities as well as the combination cost. For those with combination cost still lower than the portion of fair value of net identifiable assets of acquiree acquired in combination after re-verification, they are credited to profit or loss for the current year.

5. GOODWILL

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

When goodwill is tested for impairment, it shall be combined with its related asset groups or combination of asset groups. That is, from the purchase date, the book value of goodwill shall be apportioned in a reasonable way to the assets group or combination of asset groups that can benefit from the synergistic effect of business combination, if the recoverable amount of the asset groups or combination of asset groups containing apportioned goodwill is lower than its book value, corresponding impairment loss shall be recognized. The amount of impairment loss is first offset and apportioned to the book value of the goodwill of the asset groups or the combination of asset groups, then the book value of other assets shall be offset proportionally according to the proportion of the book value of assets other than goodwill in the asset groups or the combination of asset group.

The recoverable amount is the higher of the net amount of the fair value of the asset minus the disposal expenses or the present value of the expected future cash flow of the asset.

The impairment loss of goodwill is included in current profits and losses at the time of occurrence, and is not allowed to be reversed in subsequent accounting period.

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

6. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated scope of the consolidated financial statements is determined on the basis of control. Control refers to that the investor has the power over the investee, enjoys variable returns through participating in the investee's relevant activities, and has the ability to use the power over the investee to influence its return amount. Once the changes in relevant facts and circumstances lead to changes in the relevant elements involved in the above definition of control, the Group will reappraise them.

Consolidation of a subsidiary begins when the Group acquires control over the subsidiaries and ends when the Group loses control over the subsidiaries.

For subsidiaries disposed of by the Group, the operating results and cash flow prior to the disposal date (the date of loss of control) have been 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 the same control, its operating results and cash flow since the purchase date (the date of control) have been properly included in the consolidated statement of profit or loss and other comprehensive income and consolidated cash flow statement.

For the subsidiaries acquired through business combination under common control, whether the business combination occurs at any point in the reporting period, the subsidiaries shall be deemed to be incorporated into the merger scope of the Group since the date when it is controlled by the final controlling party. Its operating results and cash flow from the beginning of the earliest period of the reporting period have been properly included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

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 significant intra-group balances and transactions between the Company and its subsidiaries or between subsidiaries are eliminated on consolidation.

The share of the subsidiary's equity that does not belong to the Company shall be treated as non-controlling interests and shall be listed as "non-controlling interests" under the owners' equity item in the consolidated statement of financial position. The share of the current net profit and loss of a subsidiary belonging to non-controlling interests shall be listed under the item of "Profit and Loss of non-controlling interests" under the item of net profit in the consolidated statement of profit or loss and other comprehensive income. The shares of minority shareholders' equity in the current comprehensive income of a subsidiary shall be listed under the item of "Total Comprehensive Income Attributable to non-controlling interests" under the item of total comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

The loss of the subsidiary shared by the non-controlling interests exceeds the share of the non-controlling interests in the initial owner's equity of the subsidiary, and the balance still offset the shareholder's equity.

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 book value of the parent company's owner's equity and non-controlling interests is adjusted to reflect the changes of related equity in the subsidiary. The difference between the adjustment amount of non-controlling interests' rights and the fair value of payment/receipt of consideration adjusts the capital reserve. If the capital reserve is insufficient to reduce, the 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 a "package deal": 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 re-measured according to the fair value of the equity on the purchase date, and the difference between the fair value and the book value shall be recorded into the profits and losses of the current period; where the purchase of the acquirer's equity held prior to the date of purchase involves other comprehensive income and other changes in owners' equity under the equity and equity accounting method, it shall be converted into the current income on the purchase date.

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V. 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 the disposal of part of the equity investment or other reasons, the remaining equity shall be re-measured according to its fair value on the date of losing the right of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the difference between the share of the net assets that shall be continuously calculated from the date of purchase by the atomic company based on the original shareholding ratio, shall be included in the investment income of the period when control is lost and the goodwill shall be written off at the same time. Other comprehensive income related to the equity investment of the original subsidiary shall be converted into current investment income when the control is lost.

Where transactions dealing with equity investments of subsidiaries and until losing control belong to a package deal, accounting treatment as a transaction that disposes of subsidiaries and loses control, and each disposal price before the loss of control is inconsistent with it during the accounting policy/period adopted by the subsidiaries, when preparing the consolidated financial statements, the Group has made necessary adjustments to the financial statements of the subsidiaries in accordance with the Company's accounting policy/period.

7. JOINT VENTURE ARRANGEMENT

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

Common control refers to the common 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. Joint venture means an arrangement whereby the parties to the joint venture enjoy the relevant assets of the arrangement and bear the relevant liabilities of the arrangement. A joint venture is an arrangement in which the parties to the joint venture have rights only to the net assets of the said arrangement.

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 investments held by the Group with short term, strong liquidity, easy to be converted into cash with known amount and little risk of value change.

9. FINANCIAL INSTRUMENTS

When the Group becomes a party to a financial instrument, it shall recognize a financial asset or financial liability. Financial assets and financial liabilities are measured at fair value at the time of initial recognition. For financial assets and liabilities measured at fair value through profit or loss, relevant transaction costs are directly included in current profits and losses. For other categories of financial assets and financial liabilities, the relevant transaction costs shall be included in the initial recognition amount. When the Group in accordance with the *Accounting Standards for Business Enterprises No. 14 – Revenue* ("revenue standards") considered that there is no significant financing component of accounts receivable or do not consider the financing component of the contract not more than one year, the initial recognition of accounts receivable is in accordance with the definition of revenue standards for the initial measurement of the transaction price.

V. 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 shall measure different types of financial assets at amortized cost, at fair value and the changes thereof shall be included in other comprehensive income, or at fair value and the changes thereof shall be included in current profit and loss for subsequent measurement.

9.1.1 Classified As Financial Assets Measured at Amortized Cost

Financial asset terms stipulated in the contract of the cash flow at a specific date is only for the principal and on the basis of the outstanding principal amount of the payment of interest, and the Group's business model is based on management of the financial asset collection contract cash flow as the goal, the Group classifies the financial assets as financial assets measured at amortized cost.

This financial asset adopts the effective interest rate method, and carries out subsequent measurement according to the amortized cost, the profit or loss generated when impairment occurs or the recognition is terminated shall be recorded into the current profit and loss.

9.1.1.1 *Effective Interest Rate Method and Amortized Cost*

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and counting interest income or interest expense apportionment into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of the financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flow is estimated on the basis of all contract terms of the financial asset or financial liability (such as prepayment, rollover, call option or other similar options, etc.) without taking into account the expected credit loss.

A financial asset or financial liability amortised cost based on the amount of initial recognition of a financial asset or financial liability to deduct has to repay the principal, plus or minus the adopting the actual interest rate method will be the difference between the amount of the initially recognized amount and maturity date form to amortize the accumulative amortization of the forehead, and then deducting the accumulated depreciation preparation (only applicable to financial assets).

The Group recognizes interest income according to the effective interest rate method for financial assets classified as amortized cost and financial assets classified as fair value and their changes are included in other comprehensive income. Except in the following cases, the Group shall calculate and determine the interest income based on the carrying balance of financial assets multiplied by the effective interest rate:

- For the financial assets acquired or originated with credit impairment, since its initial confirmation, the Group determines its interest income by calculating the amortized cost of the financial asset and the effective interest rate adjusted by credit.
- For the financial assets acquired or originated with no credit impairment, but it becomes credit-impaired in the subsequent period, the Group determine its interest income based on the amortized cost and the effective interest rate of the financial asset in the subsequent period. If there is no longer any credit impairment in the subsequent period due to the improvement of the financial instrument's credit risk, the Group will calculate and determine the interest income by multiplying the effective interest rate by the book balance of the financial asset.

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V. 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 Classified as Financial Assets Measured at Fair Value Through Other Comprehensive Income

Financial asset terms stipulated in the contract of the cash flow at a specific date is only for the principal and on the basis of the outstanding principal amount of the payment of interest, and the Group's business model management of the financial asset is cash flow as the goal for a contract and to sell the financial asset as the goal, the classification of the financial asset is measured at fair value and the changes are included in the financial assets of other comprehensive income.

The impairment loss or gain related to the financial asset, the interest income calculated by the effective interest rate method and the exchange profit and loss are included in the current profit and loss. In addition, the changes in the fair value of the financial asset are included in other comprehensive income. When the financial asset is terminated for recognition, the accumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in current profit and loss.

9.1.3 Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets measured at fair value through profit or loss include financial assets classified as measured at fair value and its changes are included in the current profits and losses and financial assets designated as measured at fair value through profit or loss.

- Financial assets that do not meet the requirements of classification as financial assets measured at amortized cost or classification as financial assets measured at fair value and their changes are included in other comprehensive income are classified as financial assets measured at fair value and their changes are included in current profits and losses.
- At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Group may irrevocably designate financial assets as financial assets measured at fair value through profit or loss of the current period.

In addition to the financial assets that are part of the hedging relationship, the fair value shall be used for subsequent measurement of such financial assets, and the gains or losses resulting from the changes in the fair value and the dividends and interest income related to such financial assets shall be recorded into the profits and losses of the current period.

9.1.4 Financial Assets Designated As At Fair Value through Other Comprehensive Income

Upon initial recognition, the Group may, on the basis of individual financial assets, irrevocably designate non-tradable equity instruments as financial assets measured at fair value and in other comprehensive income. Financial assets acquired or recognized through business combination not under common control are classified as financial assets measured at fair value and their changes are included in the current profits and losses, and are not designated as financial assets measured at fair value and their changes are included in other comprehensive income.

After the designation, the change in the fair value of the financial asset is recognized in other comprehensive income. When the financial asset is terminated, the accumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income and recorded in retained income. During the period when the Group holds the equity instrument investment, the right of the Group to collect dividends has been established, the economic interests related to dividends are likely to flow into the Group, and when the amount of dividends can be measured reliably, the dividend income shall be recognized and included into the current profits and losses.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.2 Impairment of Financial Instruments

The Group undertakes to recognize loss provision on the basis of anticipated credit losses for the classification includes financial instruments measured at amortized cost, financial instruments measured at fair value through other comprehensive income, leasing receivables, contract assets and accounts receivable, and loans.

The Group measures loss provision in terms of the amount equivalent to the expected credit loss over the entire duration for the contract assets and accounts receivable formed by transactions regulated by revenue standards that do not contain significant financing elements or do not consider financing elements in contracts that do not exceed one year, contract assets and accounts receivable, leasing receivables with significant financing components formed by transaction regulated by revenue standards.

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 and included in other comprehensive income as changes, the increased or retracted amount of credit loss provision shall be recorded in current profit and loss as impairment loss or gain. For financial assets classified as fair value through other comprehensive income, the Group shall recognize its credit loss provision in other comprehensive income, and record impairment loss or gain into current profits and losses, without reducing the book value of the financial assets listed in the statement of financial position.

The Group has measured the loss provision according to the amount equivalent to the expected credit loss of the financial instruments during its entire duration in the previous accounting period, but at the end of the reporting period, the financial instruments are no longer belongs to the credit risk increased significantly after initial recognition, at the end of the reporting period, the Group measures the loss provision of financial instruments in the amount equivalent to the expected credit loss in the next 12 months, the recovered amount of the loss provision thus formed shall be recorded into the current profits and losses as the impairment gain.

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 on the balance sheet date, 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.);

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V. 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)

- (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 include: 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 amortized 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;
- (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;
- (15) Whether the contract payment is overdue.

At the end of the reporting period, the Group assumes that the credit risk of financial instruments has not increased significantly since the initial recognition if the Group judges that the instrument has only a low credit risk.

V. 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.

9.2.3 Determination of Expected Credit Losses

In addition to the financial assets measured by fair value through profit or loss, the Group shall make provision for the loss of financial assets on the basis of expected credit losses. Expected credit losses are the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit losses refers to the difference between the cash flow of all contracts discounted according to the original effective interest rate and the expected cash flow of all contracts receivable according to the contract, that is, the present value of all cash shortages.

Accounts Receivable

The Group adopts a simplified method to recognize the lifetime expected credit losses at the initial recognition of accounts receivable. According to the customer's credit rating, business scale, historical payment collection and bad debt loss, the Group estimates the expected credit losses in the following two ways:

- (1) For accounts receivable involving large amount, long-term cooperative relationship or abnormal situation of cooperative relationship, the Group does not consider the provision matrix, but confirms the loss provision according to the lifetime expected credit losses when the receivables are initially recognized, according to the specific credit risk characteristics of accounts receivable, such as customer credit rating, industry and business characteristics, historical repayments and bad debt losses, etc.
- (2) For other accounts receivable which do not belong to the above situation, the Group divides financial instruments into different groups based on the characteristics of common credit risk, and uses provision matrix to determine the credit losses of relevant financial instruments on the basis of combination. The common credit risk features adopted by the Group include credit risk rating, initial recognition date, residual contract duration, the industry in which the debtor is located, the type of collateral and the value of collateral relative to financial assets.

On the basis of combination, the Group determines the provision matrix of default rate for historical observation during the expected duration of accounts receivable, and make adjustments to forward-looking estimates. On each reporting date, the Group updates its historical observations of default rates and analyses changes in forward-looking estimates. If the provision matrix needs to be adjusted, the provision matrix shall be adjusted according to the changes and loss provisions shall be made.

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V. 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 (continued)

Contract Assets

For the contract assets, the Group adopts the simplified method permitted by the accounting standards for enterprises to confirm the lifetime expected credit losses of the contract assets at the initial recognition. The provision matrix is determined based on the historical observed default rate of contract assets with similar credit risk characteristics during the expected duration, and is adjusted for forward-looking estimation. The Group updates historical default rates on each reporting day and analyzes changes in forward-looking estimates.

Leasing Receivables

For the leasing receivables, the Group's provision matrix adopts the simplified method permitted by the accounting standards for enterprises, and uses the simple model matrix to recognize the lifetime expected credit loss of the leasing receivables when the initial recognition of the leasing receivables is made. The calculation method is the default probability * default loss rate * default risk exposure.

Other Receivables

Other receivables recognize credit losses at the time of initial recognition. If the credit risk of other receivables has not increased significantly since the initial recognition, the Group shall measure its loss reserve according to the amount equivalent to the expected credit loss of other receivables in the next 12 months, and the resulting increase or reversal amount of loss reserve shall be included in the current profit and loss as impairment loss or gain.

If the credit risk of other receivables has increased significantly since the initial recognition, the Group shall measure its loss reserve according to the amount equivalent to the expected credit loss of other receivables in the entire duration. The resulting increase or reversal of loss provision shall be recorded as impairment loss or gain in the current profit and loss. The term of "expected credit loss in the next 12 months", refers to the expected credit loss caused by the possible default event within 12 months after the end of the reporting period (if the expected duration of other receivables is less than 12 months, it is the expected duration), and it is a part of the expected credit loss in the entire duration.

Other Financial Assets

For other financial assets measured at amortized cost, measured at fair value and recorded into other comprehensive income, as well as financial guarantee contracts, the Group has carried out expected credit loss assessment based on forward-looking information. The Group confirms the relevant loss reserves on each reporting day, and the impairment method adopted is dependent on whether the credit risk has increased significantly since the initial recognition. If the credit risk has not increased significantly since the initial confirmation, the Group shall measure its loss reserve according to the amount of the expected credit loss in the next 12 months; If the credit risk increases significantly after the initial recognition, the impairment shall be recognized according to the pre-credit loss of the entire duration.

V. 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 (continued)

Other Financial Assets (continued)

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 leasing 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 the unwithdrawn loan commitment, the credit loss shall be the present value of the difference between the contract cash flow to be collected by the Group and the expected cash flow to be collected if the loan commitment holder draws the corresponding loan. The Group's estimate of the expected credit loss of the loan commitment is consistent with its expectation of the withdrawal of the loan commitment.
- For financial assets that are credit-impaired at the end of the reporting period but is not purchased or originated, the credit loss is the difference between the carrying balance of the financial asset and the present value of the estimated future cash flow discounted at the original real interest rate.

Factors reflected by the Group's approach to measuring expected credit losses on financial instruments include: 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.

9.2.4 Write Down Financial Assets

When the Group no longer reasonably expects that the cash flow of the financial asset contract can be fully or partially recovered, the book balance of the financial asset shall be directly written down. Such write-downs constitute a derecognition of the relevant financial asset.

9.3 Transfer of Financial Assets

Financial assets that meet one of the following conditions shall be derecognized: (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 recognize the transferred financial assets according to the extent to which it continues to be involved in the transferred financial assets, and recognize the relevant liabilities accordingly. The Group measures the related liabilities in the following ways:

- If the transferred financial assets are measured at the amortized cost, the book value of the related liabilities is equal to the book value of the continued involvement in the transferred financial assets less the amortized cost of the rights retained by the Group (if the Group retains the relevant rights due to the transfer of financial assets) and the amortized cost of 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 which are measured at fair value and whose changes are included in current profits and losses.

Chapter 13 Financial Report

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.3 Transfer of Financial Assets (continued)

- If the transferred financial assets are measured at fair value, the book value of the related liabilities is equal to the book value of the continued involvement in the transferred financial assets minus the rights reserved by the Group (if the Group retains the relevant rights due to the transfer of financial assets) and the fair value of 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.

The overall transfer of financial assets meets the conditions for derecognition, for the classification of financial assets measured by amortized cost and the classification of financial assets measured by fair value through other comprehensive income, the difference between the book value 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 profits and losses. For non-tradable equity instruments designated by the Group to be measured at fair value through in 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 income.

If the partial transfer of financial assets meets the conditions for the derecognition, the total book value of the financial assets before the transfer shall be apportioned 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 balance between the sum of the consideration received in the part of the recognition of termination and the accumulative amount of the fair value changes originally recorded in other comprehensive income and the book value of the part of the derecognition on the date of derecognition shall be recorded into the current profit and loss or retained income.

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

9.4 Classification and Measurement of Financial Liabilities

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.

Financial liabilities at the time of initial recognition are divided into financial liabilities and other financial liabilities measured at fair value through profit or loss.

9.4.1 Financial Liabilities Measured at Fair Value through Profit or Loss

Financial liabilities measured at fair value, including trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated at fair value through profit or loss.

At the time of initial recognition, financial liabilities that meet one of the following conditions can be irrevocably designated as financial liabilities measured at fair value and their changes are included in the profits and losses of the current period: (1) The designation may eliminate or significantly reduce the inconsistency in recognition and measurement of the relevant gains or losses arising from the difference in the measurement basis of the financial liability; (2) Manage and evaluate the financial liability combinations or financial asset and financial liability combinations on the basis of fair value according to the enterprise risk management or investment strategy stated in the formal written document, and report to the key management personnel on this basis within the Group; (3) A qualified hybrid tool that contains embedded derivatives.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.4 Classification and Measurement of Financial Liabilities (continued)

9.4.1 Financial Liabilities Measured at Fair Value through Profit or Loss (continued)

Transactional financial liabilities are subsequently measured using fair value. The gains or losses resulting from changes in fair value and dividends or interest expenditures related to such financial liabilities are recorded in current profits and losses.

Financial liabilities designated as financial liabilities measured at fair value through profit or loss shall be included in other comprehensive gains due to changes in the fair value of the liabilities caused by changes in the Group's own credit risk, and when the liabilities are terminated, the cumulative changes in their fair value caused by changes in their own credit risk of other comprehensive gains shall be transferred to retained earnings. The profits or losses resulting from the changes in the remaining fair value and the dividends or interest expenditures related to such financial liabilities are included in the current profits and losses. If the above-mentioned way of dealing with the impact of the changes in the credit risk of such financial liabilities will result in or expand the accounting mismatch in profits and losses, the Group shall include all the gains or losses of such financial liabilities (including the amount of the impact of the changes in the credit risk of the enterprise itself) into the profits and losses of the current period.

Where a financial liability is formed as a result of business combination not under the same control and recognized by the Group as the purchaser, the financial liability shall be accounted for by the Group as measured at fair value through profit or loss.

9.4.2 Other Financial Liabilities

Other financial liabilities, except those arising from the transfer of financial assets that do not meet the conditions for the derecognition or continue to involve in the financial liabilities formed by the transferred financial assets, shall be classified as financial liabilities measured by amortized costs, and shall be subsequently measured by amortized costs. The profits or losses generated by the derecognition or amortization shall be recorded into the current profits and losses. Amortized costs are shown in note 9.1.1.1.

The Group and the counterparty modify or renegotiate the contract which has not resulted in the termination of recognition of the financial liabilities measured subsequently according to the amortized cost, but resulted in changes in contract cash flow, the Group recalculates the book value of the financial liability and records the relevant gains or losses into the current profits and losses. The book value of the financial liability recalculated is determined by the Group based on the contract cash flow that will be renegotiated or modified at the present value discounted from the original effective interest rate of the financial liability. For all costs or expenses arising from the modification or renegotiation of the contract, the Group adjusts the book value of the modified financial liabilities and amortize them over the remaining term of the modified financial liabilities.

9.5 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 a new financial liabilities, and if the contract terms of the new financial liabilities and the original financial liabilities are substantially different, the Group terminate the recognition of the original financial liabilities and simultaneously recognize the new financial liabilities.

If the recognition of financial liabilities is terminated in whole or in part, the difference between the book value of the part to be terminated and the consideration paid (including the transferred non-cash assets or the new financial liabilities) shall be recorded into the profits and losses of the current period.

Chapter 13 Financial Report

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.6 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 recognize 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.

9.7 Derivative Instruments and Embedded Derivative Instruments

Derivative financial instruments, including 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. Except for the derivatives designated as hedging instruments and highly effective hedging instruments, the gains or losses caused by the changes in their fair value will be included in the profit and loss period according to the nature of the hedging relationship and the requirements of the hedge accounting, and the changes in the fair value of other derivatives will be recorded in the current profit and loss period.

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 on 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 complies 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 on the acquisition date or subsequent to the end of the reporting period, the Group will designate the mixed contracts as financial instruments measured at fair value and its changes through profit or loss.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

9.8 Convertible Bonds

The convertible bonds issued by the Group which contain liabilities and conversion options, shall be split upon initial recognition and respectively recognized. Including, conversion options for settlement of fixed amount of cash or other financial assets in exchange for fixed amount of self-equity instruments is accounted for as equity.

At the time of the initial recognition, the fair value of the liability portion is determined at current market prices similar to those of non-convertible bonds. The difference between the overall issue price of convertible bonds and the fair value of the liabilities shall be taken as the value of the conversion options of the bondholders to convert the bonds into equity instruments and recorded in the capital reserve. (other capital reserve – share transfer rights).

In the subsequent measurement, the liabilities of convertible bonds are measured at amortized cost using the real interest rate method. The value of the conversion option divided into equity continues to be retained in the equity. No loss or gain is incurred when a convertible bond expires or is converted.

The transaction costs incurred in issuing convertible bonds shall be apportioned between the liability component and the equity component according to their respective fair value. Transaction costs related to the equity component are directly recorded in the equity; Transaction costs related to the liability component are recorded in the book value of the liability and amortized over the term of the convertible bonds using the effective interest rate method.

9.9 Offset of Financial Assets and Financial Liabilities

When the Group has legal right to offset recognized financial assets and liabilities, and this legal right is the currently executable, at the same time, when the Group plans to settle or simultaneously realize 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. In addition, financial assets and financial liabilities are shown separately in the balance sheet and shall not be offset against each other.

10. INVENTORY

The Group's inventory mainly includes raw materials, turnover materials (packaging, low-priced consumables, etc.) and inventory goods. Inventory is initially measured at cost, the cost of inventory includes purchase cost, processing cost and other expenses incurred to bring the inventory to the current place and state.

The weighted average method is adopted to determine the actual cost of the inventory. The turnover materials are amortized by the one-off amortization method.

At the end of the reporting period, inventory is measured at the lower of cost or net realizable value. When the net realizable value is lower than the cost, withdraw the provisions for decline in inventory.

Net realizable value refers to the estimated price of the inventory minus the estimated cost to be incurred at the time of completion, the estimated cost of sale and the amount after relevant taxes in daily activities. In determining the net realizable value of inventories, 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.

For inventories with large quantity and low unit price, provisions for decline in inventory are accounted according to the inventory category; for the inventories related to the product series produced and sold in the same region, which the same or similar end-use or purpose, and which are difficult to be measured separately from other items, consolidate provisions for decline in inventory; Other inventories withdraw provision for decline in inventory based on the difference between the cost of a single inventory item and its net realizable value.

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

10. INVENTORY (CONTINUED)

After withdrawal the provisions for decline in inventory, if the factors of the previous write-down of the inventory value have disappeared, and result in the net realizable value of the inventory is higher than its book value, it shall be reversed within the amount of the original provisions for decline in inventory, and the amount reversed shall be recorded in the current profit and loss.

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

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 enjoys 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 formulation 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 by business combination under the same control, the initial investment cost of the long-term equity investment shall be the share of the owner's equity of the combined party in the book value of the final control party's consolidated financial statements on the merger date. The difference between the initial investment cost of long-term equity investment and the cash paid, the non-cash assets transferred and the book value of the debts undertaken, and the adjustment of capital reserve; If the capital reserve is insufficient to be written down, the retained earnings shall be adjusted. To issue equity securities as a merger of value, owners' equity on the merger date according to the combined party on the final the share of the book value of the control side of the consolidated financial statements as the initial cost of the long-term equity investment, according to the face value of the total issued shares as equity, long-term equity investment in the initial cost of investment and the difference between the total issued shares value, adjust the capital reserves; If the capital reserve is insufficient to be written down, the retained earnings shall be adjusted.

As for the long-term equity investment acquired by the enterprise merger not under the same control, the initial investment cost of the long-term equity investment shall be taken as the merger cost on the purchase date.

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

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 made accounted to the cost. For the additional investment can be significant influence on the invested units or the implementation of common control but does not constitute control, the cost of long-term equity investment is the sum of the fair value of the original equity investment plus the additional investment cost determined in accordance with the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

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

11. LONG-TERM EQUITY INVESTMENT (CONTINUED)

11.3 Subsequent Measurement and Profit and Loss Recognition Method

11.3.1 Long-term Equity Investment Calculated by 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 can control the Group.

The long-term equity investment calculated by cost method is measured by the initial investment cost. Adding or recovering investment to adjust the cost of long-term equity investment. The current investment income is recognized according to the cash dividend or profit declared to be issued by the invested entity.

11.3.2 Long-term Equity Investment Calculated According to the Equity Method

In addition to investments in associates and joint ventures classified in whole or in part as holding assets for sale, the Group's investment in associates and joint ventures is calculated by 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 profits and losses, and the long-term equity investment cost shall be adjusted at the same time.

When adopt equity method accounting, the investment income and other comprehensive income shall be recognized respectively according to the share of net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared, and the book value of long-term equity investment shall be adjusted at the same time; the book value of long-term equity investment shall be reduced accordingly by calculating the portion to be enjoyed according to the profit or cash dividend declared by the invested entity; The book value of long-term equity investment shall be adjusted and included in the capital reserve for other changes in the owner's rights and interests of the invested entity except net profit and loss, other comprehensive income and profit distribution. When recognizing the share of the net profit and loss of the invested entity, the net profit of the invested entity shall be adjusted and recognized on the basis of the fair value of the identifiable assets of the invested unit at the time of acquiring the investment. If the accounting policies and periods adopted by the invested unit are inconsistent with those of the Group, the financial statements of the invested entity 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 recognized accordingly. For transactions between the Group and associates or joint ventures, the assets invested or sold do not constitute business, and the gains and losses of internal transactions are offset by the portion belonging to the Group calculated according to the proportion enjoyed. On this basis, the investment gains and losses are recognized. However, the unrealized internal transaction losses between the Group and the invested entity shall not be offset if they belong to the impairment losses of the transferred assets.

When it is recognized that the net loss of the invested unit shall be shared, the book value 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 recognize the estimated liabilities according to the expected obligations and record them into the current investment loss. If the invested entity achieves net profit during the subsequent period, the Group shall resume recognizing the income sharing amount after the income sharing amount makes up the unrecognized loss sharing amount.

Chapter 13 Financial Report

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

11. LONG-TERM EQUITY INVESTMENT (CONTINUED)

11.4 Long-term Equity Investment Disposal

When disposing of long-term equity investment, the difference between its book value and the actual price obtained shall be recorded into the current profit and loss. For long-term equity investment calculated by equity method, the residual equity after disposal is still accounted by equity method. Other comprehensive income recognized by equity method is accounted for on the same basis as the assets or liabilities directly disposed of by the invested unit, and the profits and losses of the current period are carried forward proportionally; Owner's rights and interests recognized by changes in owners' rights and interests of the investor other than net profits and losses, other comprehensive incomes and profit distribution, long-term equity investments carried over to current profits and losses proportionally and accounted for by cost method, if the residual equity is still accounted for by cost method after disposal, the other comprehensive earnings recognized by equity method or financial instrument recognition and measurement criteria before the control of the invested unit is obtained shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested unit, and the profits and losses of the current period shall be carried forward proportionally; the owner's equity changes in the net assets of the invested unit recognized by the equity method, except net profit and loss, other comprehensive income and profit distribution, carry forward the current profits and losses proportionally.

Where the Group loses control over the invested entity 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 invested entity, it shall be accounted for by the equity method instead, and the residual equity shall be accounted for by the equity method when it is deemed to be acquired; if the residual equity after disposal cannot exercise common control or exert significant influence on the invested entity, 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 book value on the date of loss of control shall be included in the profits and losses of the current period. Before the Group gains control over the invested entity, other comprehensive gains recognized by adopting equity method or financial instrument recognition and measurement criteria shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity when losing control over the invested entity, and in the net assets of the invested entity recognized by adopting equity method. Changes in owner's rights and interests other than net gains and losses, other comprehensive gains and profit distribution are carried over to current gains and losses when the control of the invested unit is lost. Including, 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.

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 book value 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 gains recognized 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 rights and interests recognized by the invested party due to the change of owner's rights and interests other than net profit and loss, other comprehensive gains 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 book value of each disposal price and the long-term equity investment corresponding to the disposal equity shall be recognized as other comprehensive income, and then transferred into losing control when losing control. The current profits and losses of the system of power.

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

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 is 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 amortization in accordance with the policies consistent with the buildings or land use rights.

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

13. FIXED ASSETS AND DEPRECIATION

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 recognized 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 book value of the replaced part shall be terminated. 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 method of average life from the next month when they reach their intended usable state. The service life, estimated residual value and yearly depreciation rate of all types of fixed assets are as follows:

Category	Service life (year)	Estimated residual value rate (%)	Yearly depreciation rate (%)
Buildings, special railway lines and docks	8-50	0-10	1.80-12.50
Ships and vehicles	3-25	0-10	3.60-33.33
Containers	8-15	5	6.33-11.88
Machinery and equipment	5-10	5	9.50-19.00
Office equipment and furniture	3-20	0-10	4.50-33.33

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 book value 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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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY (CONTINUED)

14. CONSTRUCTION IN PROCESS

The construction in process is measured by actual cost, which includes the expenditure incurred during the construction period, the capitalized borrowing cost before the project reaches its intended usable state, and other related costs. There is no depreciation in construction. Construction in progress is carried over to fixed assets after it reaches its intended usable state.

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 amortized by the straight-line method in phases during their expected service life. Intangible assets with uncertain service life shall not be amortized. The amortization methods, service life and estimated residual value of various intangible assets are as follows:

Category	Amortization methods	Service life (year)	Ratio of remaining value (%)
Land use right	Straight-line method	10-50	0
Software use right	Straight-line method	5	0

At the end of the period, the service life and amortization 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 recognized 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.

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

16. LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses are costs that have occurred but should be borne by the current and subsequent periods for a period of more than one year long-term deferred expenses are amortized evenly over the period of anticipated benefit.

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 signs of impairment, the estimated recoverable amount of such assets. 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 recognized, it shall not be 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 recognized as an estimated liability.

At the end of each 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 recognized as an asset when it is basically confirmed that it can be received, and the confirmed amount of compensation shall not exceed the book value of the estimated liabilities.

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 includes short-term compensation, post-service benefits, dismissal 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 recognize the employee compensation payable as a liability during the accounting period when the employee provides services.

Chapter 13 Financial Report

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

19. EMPLOYEE REMUNERATIONS (CONTINUED)

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 accumulation 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 dismiss benefits. Short-term remunerations include: employee salaries, bonuses, allowances and subsidies, employee welfare, medical insurance premiums, industrial injury insurance premium and birth insurance premium and housing accumulation fund, union funds and employee education funds, short-term paid absence, short-term profit sharing plan, non-monetary benefits and other short-term compensation. During the accounting period when the employees provide services, the Group shall recognize 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-retirement welfare 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 dismiss welfare. Post-service benefits include endowment insurance, annuity, unemployment insurance, internal retirement benefits and other post-service benefits.

The Group classifies post-service benefit plans into defined contribution plans and defined benefit plans. Post-retirement welfare plan refers to the agreement reached between the Group and the employee on the post-retirement welfare, or the regulations or measures formulated by the Group for the provision of post-retirement welfare to the employee. Where, a defined escrow plan is a post-service welfare 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-service 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 recognized as a liability and recorded into the current profit and loss or the cost of related assets.

The Group provides retirement benefits to employees who accept internal retirement arrangements. Inside retreat welfare 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 internal 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 recognized as liabilities according to the present value and recorded into the profits and losses of the current period.

Dismiss welfare 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 dismiss welfare to the employee, the liability arising from the dismiss welfare shall be recognized at an early date and recorded into the current profit or loss if: (1) the Group cannot unilaterally withdraw the dismiss welfare 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-retirement benefits and dismissal benefits.

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

20. BONDS PAYABLE

The initial recognition of the bonds payable of the Group shall be measured according to the fair value, and the relevant transaction expenses shall be included in the initial recognition amount. Subsequent amortized cost measurement.

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 amortized 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.

21. REVENUE RECOGNITION

As of 1 January 2018, the *Accounting Standards for Business Enterprises No. 14 – Revenue* (hereinafter referred to as the “New Revenue Standards” and the revised revenue standards referred to as the “Original Revenue Standards”) revised by the Ministry of Finance of the People’s Republic of China in 2017 is as follows:

All revenues shall be recognized only when they simultaneously meet the following conditions: (I) the parties to the contract have approved the contract and promised to perform their respective obligations; (II) the contract specifies the rights and obligations of each party related to the provision of labor services; (III) the contract has clear payment terms related to the provision of labor services; (IV) the contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the future cash flow of the enterprise; (V) the consideration entitled to receive for the provision of services to customers is likely to be recovered. If the above conditions are not met, the collected consideration shall be recognized as income only when the residual obligation to provide service to the customer is no longer borne and the consideration already received from the customer need not be refunded; otherwise, the collected consideration shall be treated as a liability.

On the commencement date of the contract, the Group shall evaluate the contract, identify each individual performance obligation contained in the contract, determine whether each individual performance obligation shall be performed within a certain period of time or at a certain point, and then separately recognize the revenue when each individual performance obligation is performed.

If one of the following conditions is satisfied, revenue shall be recognized within a certain period of time, otherwise revenue shall be recognized at a certain point: (I) customers obtain and consume the economic benefits brought about by the Group’s performance at the same time as the Group’s performance. (II) customers can control the goods under construction in the course of the Group’s performance. (III) the goods or services produced by the Group in the course of its performance are irreplaceable and the Group has the right to collect payments for the part of performance that has been completed so far during the entire contract period.

For the recognition of revenue at a certain point, the following signs should be taken into account: (I) the Group enjoys the right to collect cash on the goods or services, that is, the customer has the obligation to pay for the goods or services at the present time. (II) the Group has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity. (III) the Group has transferred the goods in kind to the customers, that is, the customers have actually taken possession of the goods. (IV) the Group has transferred the main risks and rewards in the ownership of the commodity to its customers, that is, the customers have acquired the main risks and rewards in the ownership of the commodity. (V) the customer has accepted the goods. (VI) other signs indicating that the customer has acquired control over the commodity.

On the commencement date of the contract, the Group identifies the individual performance obligations existing in the contract and allocates the transaction price to the individual performance obligations according to the relative proportion of the individual selling prices of the commodities promised by the individual performance obligations. In determining the transaction price, the factors such as variable consideration, significant financing elements in the contract, non-cash consideration and customer consideration are taken into account.

Chapter 13 Financial Report

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

21. REVENUE RECOGNITION (CONTINUED)

Principal Responsible Person and Agent

Based on whether the Group has control over the goods or services before transferring them to its customers, it judges whether the company is the principal responsible person or agent for the implementation of the new revenue criteria when conducting transactions. If the Group is able to control the goods or services before transferring them to its customers, it shall be the principal responsible person to confirm the income in accordance with the total amount of consideration received or receivable; otherwise, the Group shall be the agent to confirm the income in accordance with the amount of commission or handling fee expected to be entitled to collect, after deducting the price payable to other interested parties according to the total amount of consideration received or receivable. The net amount of the commission shall be determined according to the amount or proportion of the commission.

Customer's Unexercised Contract Rights

If the Group receives advance sales of goods or services from its customers, it first recognizes the amount as a liability and then converts it into revenue when it fulfills its relevant performance obligations. When the Group's advance receipts need not be returned and the customer may abandon all or part of its contractual rights, the Group expects to be entitled to the amount related to the contractual rights abandoned by the customer, the amount mentioned above shall be recognized as income proportionally in accordance with the mode of exercising the contractual rights of the customer; otherwise, the Group will only have a very low possibility of the customer requesting the performance of the remaining obligations. Only then will the balance of the above liabilities be converted into income.

Cost of Contract Acquisition

The incremental costs incurred by the Group in order to obtain a contract (i.e. costs that would not occur without a contract) are expected to be recoverable and recognized as an asset. If the amortization period of the asset does not exceed one year, the profits and losses of the current period shall be included in the occurrence. Other expenditures incurred by the Group in order to obtain the contract shall be included in the profits and losses of the current period at the time of occurrence, except those clearly borne by the customers.

Cost of Performance of Contract

The cost incurred by the Group for the performance of the contract does not fall within the scope of other enterprise accounting standards other than revenue standards and meets the following conditions at the same time. It is recognized as an asset: (1) the cost is directly related to a current or expected contract; (2) the cost increases the resources that the Group will use to perform its obligations in the future; (3) the cost is expected to be recovered.

The above-mentioned assets related to contract costs shall be amortized on the same basis as the revenue of goods or services related to the assets, and shall be included in current profits and losses.

The book value of the above-mentioned assets related to the contract cost is higher than the difference between the following two items, which exceeds part of the provision for impairment and confirms that the loss of impairment of assets is: (1) the residual consideration expected to be obtained by the Group as a result of the transfer of goods or services related to the assets; (2) the estimated cost to be incurred for the transfer of the related goods or services.

After the provision for impairment is made, if the factors of impairment in the previous period change, so that the above two differences are higher than the book value of the asset, the original provision for impairment of the asset shall be transferred back to the original provision for impairment of the asset, which shall be included in the current profit and loss, but the book value of the transferred asset shall not exceed the book value of the asset on the transfer date assuming that the provision for impairment is not included.

Contract assets refer to the Group's right to receive consideration for the transfer of goods or services to its customers, which depends on factors other than the passage of time. For accounting policies on impairment of contractual assets, see Notes IV.9, 9.2. The Group's unconditional (i.e., depending only on the passage of time) right to collect consideration from customers is shown separately as receivables.

Contract liabilities refer to the obligations of the Group to transfer goods or services to its customers when they have received or received consideration from their customers.

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

21. REVENUE RECOGNITION (CONTINUED)

Cost of Performance of Contract (continued)

The Group's revenue mainly comes from the following business types:

- (1) **Freight Forwarding Revenue**
Revenue is confirmed according to the service completion schedule during the period of providing freight forwarding services, and the service completion schedule is determined according to the proportion of the services already provided to the total amount of services to be provided. If the Group is in fact the principal responsible person for providing services for the transport of goods to its customers, the recognized revenue generally includes the carrier's freight charges to the Group.
- (2) **Professional Logistics Revenue**
The revenue of professional logistics service is confirmed according to the service completion schedule during the logistics service period, and the service completion schedule is determined according to the proportion of the service provided to the total service provided.
- (3) **Revenue From Warehousing and Terminal Services**
The revenue of warehousing service is confirmed according to the service completion schedule during the period of service provision, and the service completion schedule is determined according to the proportion of the service provided to the total service provided. Revenue from terminal services is recognized when relevant services are provided.
- (4) **Logistics Equipment Leasing Service**
The accounting policies for revenue recognition of logistics equipment leasing in the Group are described in the following significant accounting policies and accounting estimates.
- (5) **Revenue From Other Services**
Revenue from other services, such as shipping, automobile and express services, is recognized in accordance with the service completion schedule during the service period.

22. GOVERNMENT GRANTS

Government grants refer to the Group's free access to monetary and non-monetary assets from the government. Government grants are recognized when they meet the conditions attached to government grants and can be received.

Where government grants are monetary asset, it shall be measured according to the amount received or receivable. If the government grants are non-monetary assets, they shall be measured at the fair value; if the fair value cannot be obtained reliably, they shall be measured at the nominal amount. Government grants measured in nominal amounts are directly recorded in current profits and losses.

Government grants related to assets shall be recognized as deferred earnings, and profits and losses shall be recorded in stages according to a reasonable and systematic method during the service life of the relevant assets. Government grants measured in nominal amounts are directly recorded in current profits and losses. If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of related deferred earnings that have not been allocated shall be transferred to the profits and losses of the current period of asset disposal.

If the government grants related to income is used to compensate the related cost or loss of the Group in the following period, it shall be recognized as deferred income and shall be included in the current profit and loss during the period of confirming the relevant cost or loss; if the government grants are used to compensate the related cost or loss incurred by the Group, it shall be directly included in the current profit and loss.

Chapter 13 Financial Report

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

22. GOVERNMENT GRANTS (CONTINUED)

For government grants that include both asset-related and income-related parts, different parts should be separately accounted for; for those that are difficult to distinguish, they should be classified as income-related government grants as a whole.

Government grants related to the daily activities of the Group shall be accounted for in accordance with the essence of economic operations and other benefits or cost deductions. Government grants unrelated to the daily activities of the Group shall be included in the non-operating income and expenditure.

23. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets eligible for capitalization begin to capitalize when asset expenditure has occurred, borrowing costs have occurred, and purchasing, construction or production activities necessary to make assets available or marketable have begun; Capitalization shall cease when the assets constructed or produced in accordance with the capitalization conditions reach the intended usable or saleable state. If an abnormal interruption occurs in the acquisition, construction or production process of assets eligible for capitalization and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production activities of assets resume.

The rest borrowing costs are recognized as expenses in the current period of occurrence.

The actual interest expenses incurred in the current period of special loans shall be capitalized after deducting the interest income obtained by depositing unused borrowing funds into banks or the investment income obtained from temporary investments; general borrowings the capitalized amount is determined by multiplying the weighted average of the aggregate asset expenditures in excess of the special borrowings by the capitalization rate of the general borrowings occupied. The capitalization rate is calculated based on the weighted average interest rate of general borrowings. During the capitalization period, the exchange balance of the foreign currency special borrowings shall be fully capitalized; the exchange difference of foreign currency general borrowings shall be recorded into the current profit and loss.

24. INCOME TAX

Income tax expenses include current income tax and deferred income tax.

24.1 Current Income Tax

At the end of the reporting period, the current income tax liabilities (or assets) formed in the current and previous periods are measured by the expected amount of income tax payable (or returned) in accordance with the provisions of the tax law.

24.2 Deferred Income Tax Assets and Deferred Income Tax Liabilities

The balance sheet liability method is used to confirm deferred income tax assets and deferred income tax liabilities for the difference between the book value of certain assets and liabilities and their tax base, as well as the temporary difference between the book value of items that are not recognized as assets and liabilities but can be determined according to the tax law.

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

24. INCOME TAX (CONTINUED)

24.2 Deferred Income Tax Assets and Deferred Income Tax Liabilities (continued)

Deferred tax is generally recognized for all temporary differences. However, for deductible temporary differences, the Group recognizes the relevant deferred income tax assets to the extent that it is likely to obtain the amount of taxable income to offset the deductible temporary differences. In addition, the deferred income tax assets or liabilities related to the initial recognition of goodwill and the temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither merger of enterprises nor affect accounting profits or taxable income (or deductible losses) at the time of occurrence are not recognized.

For deductible losses and tax credits that can be carried forward in subsequent years, the deferred income tax assets are recognized to the extent that future taxable income is likely to be obtained to offset deductible losses and tax credits.

The Group recognizes deferred income tax liabilities arising from temporary differences in taxable investments in subsidiaries, joint ventures and joint ventures, unless the Group can control the time for the reversal of temporary differences and the temporary differences are likely not to be reversed in the foreseeable future. For deductible temporary differences related to investments of subsidiaries, joint ventures and joint ventures, the Group recognizes deferred income tax assets only when the temporary differences are likely to be reversed in the foreseeable future and the amount of taxable income used to deduct the temporary differences is likely to be obtained in the future.

At the end of the reporting period, the deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rate during the period of anticipated recovery of the relevant assets or liquidation of the related liabilities in accordance with the provisions of the tax law.

Except the current income tax and deferred income tax related to transactions and events directly included in other comprehensive income or owner's rights and interests are included in other comprehensive income or owner's rights and interests, and the carrying amount of goodwill adjusted by deferred income tax resulting from business combination, the other current income tax and deferred income tax expenses or gains are included in current profits and losses.

At the end of the reporting period, the book value of deferred income tax assets is reviewed. If it is likely that sufficient taxable income will not be obtained in the future to offset the interests of deferred income tax assets, the carrying amount of deferred income tax assets is written down. When it is possible to obtain sufficient taxable income, the amount written down shall be reversed.

24.3 Offset of Income Tax

When the Group has the legal right to settle in net, and intends to settle in net or acquire assets and pay off liabilities simultaneously, the Group's current income tax assets and current income tax liabilities are reported in net after offset.

When the Group has the legal right to settle current income tax assets and current income tax liabilities in net amount, and deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and administration department on the same tax payer or to different tax payers, but in the future, during each important period of deferred income tax assets and liabilities being transferred back, they are related to the deferred income tax assets and liabilities. When the taxpayer intends to settle the current income tax assets and liabilities in net terms or acquire assets and pay off liabilities simultaneously, the Group deferred income tax assets and deferred income tax liabilities to offset the net amount presented.

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

25. FOREIGN CURRENCY BUSINESS AND FOREIGN CURRENCY FINANCIAL STATEMENTS TRANSLATION

25.1 Foreign Currency Business

The spot exchange rate on the date of transaction is used to convert foreign currency transactions when they are initially recognized.

At the end of the reporting period, foreign currency monetary items are converted into account-keeping base currencies at the spot exchange rate on that day, resulting in the exchange difference between the spot exchange rate on that day and the spot exchange rate at the time of initial recognition or at the end of previous reporting period, except for: (1) the exchange difference of special foreign currency loans that meet the capitalization conditions shall be capitalized into the cost of related assets during the capitalization period; (2) in order to avoid foreign exchange risk, the exchange difference of hedging instruments is treated according to the hedging accounting method; (3) exchange differences arising from changes in book balances of monetary items available for sale, other than amortized costs, are included in the current profits and losses, except for other comprehensive gains.

Where the preparation of consolidated financial statements involves overseas operations, if there is a foreign currency monetary item substantially constituting net investment in overseas operations, the exchange difference resulting from the change of exchange rate shall be included in the "Conversion Difference in Foreign Currency Statements" item of other comprehensive income; when dealing with overseas operations, it shall be included in the profits and losses of the current period of disposal.

Foreign currency non-monetary items measured at historical cost are still measured at the book-keeping base currency amount converted at the spot exchange rate on the date of transaction. Foreign currency non-monetary items measured by fair value shall be converted by spot exchange rate on the date of determination of fair value. The difference between the converted amount of the book-keeping standard currency and the original amount of the book-keeping standard currency shall be treated as changes in fair value (including changes in exchange rate), and shall be included in current profits and losses or recognized as other comprehensive gains.

25.2 Foreign Currency Financial Statements Translation

In order to prepare consolidated financial statements, foreign currency financial statements of overseas operations are converted into Renminbi statements by the following methods: all assets and liabilities in the consolidated statement of financial position are converted at the spot exchange rate at the end of the reporting period; owner's equity items are converted at the spot exchange rate on the date of occurrence at the end of the reporting period; all items in the profit statement and items reflecting the amount of profit distribution are converted at the spot exchange rate on the transaction occurrence date. Approximate exchange rate conversion of futures exchange rate; after conversion, the difference between the total amount of assets and liabilities and owner's equity items is recognized as other comprehensive gains and included in owner's equity.

Foreign currency cash flow and cash flow of overseas subsidiaries are converted by the approximate exchange rate of spot exchange rate on the date of cash flow occurrence, and the impact of exchange rate changes on cash and cash equivalents is taken as a regulation item, which is separately shown in the cash flow statement as the "Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents".

The balance at the beginning of the year and the actual number of the previous year are shown in accordance with the amount converted from the financial statements of the previous year.

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

25. FOREIGN CURRENCY BUSINESS AND FOREIGN CURRENCY FINANCIAL STATEMENTS TRANSLATION (CONTINUED)

25.2 Foreign Currency Financial Statements Translation (continued)

When dealing with all the owner's rights and interests of the Group operating abroad or losing control over overseas operations due to the disposal of some equity investments or other reasons, all the foreign currency statement conversion differences listed in other comprehensive income items in the consolidated statement of financial position related to the overseas operation belonging to the owner's rights and interests of the Company shall be transferred to the current profits and losses of the disposal.

When dealing with part of the equity investment or other reasons leading to the reduction of the proportion of holding overseas operating rights and interests but not losing control over overseas operations, the balance of foreign currency statement conversion related to the part of overseas operation and disposal will be attributed to the rights and interests of non-controlling shareholders and will not be transferred into current profits and losses. When disposing of part of the equity of an overseas associates or joint ventures, the foreign currency translation difference related to the overseas operation shall be transferred to the current profits and losses of the disposal according to the proportion of the disposal of the overseas operation.

26. LEASE

A lease that essentially transfers all risks and rewards related to asset ownership is a financial lease. Leases other than financial leases are operating leases.

26.1 The Group Records and Operates the Leasing Business As a Lessee

The rental expenditure of operating lease is included in the cost of related assets or current profits and losses in the straight line method during each period of the lease period. Initial direct expenses are included in current profits and losses. Contingent rents are included in current profits and losses when they actually occur.

26.2 The Group Records and Operates the Leasing Business As a Lessor

The rental income of operating lease is recognized as current profit and loss according to the straight line method during each period of the lease period. The larger initial direct expenses are capitalized when they occur, and the profits and losses of the current period are recorded in stages on the same basis as the recognized rental income during the whole lease period; the smaller initial direct expenses are recorded in the profits and losses of the current period when they occur. Contingent rents are included in current profits and losses when they actually occur.

26.3 The Group Records Financial Leasing Business As a Lessee

At the beginning of the lease term, the lower of the fair value of the leased assets and the present value of the minimum lease payment on the lease start date is regarded as the entry value of the leased assets, and the lowest lease payment is regarded as the entry value of the long-term payables, and the difference is regarded as the unrecognized financing cost. In addition, the initial direct costs attributable to the lease project are also included in the value of the leased assets when they occur during the lease negotiation and the signing of the lease contract.

The unrecognized financing cost is calculated by the real interest rate method during the lease period. Contingent rents are included in current profits and losses when they actually occur. The balance of the minimum lease payment after deducting the unrecognized financing costs is shown as long-term liabilities and long-term liabilities maturing within one year, respectively.

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

26. LEASE (CONTINUED)

26.4 The Group Records Financial Leasing Business As a Lessor

On the lease commencement date, the sum of the minimum lease receipts and the initial direct expenses on the lease commencement date shall be taken as the account value of the receivable finance lease, and the unguaranteed residual value shall be recorded. The difference between the sum of the minimum lease receipts, the initial direct expenses and the unguaranteed residual and the sum of its present value is recognized as unrealized financing income.

The unrealized financing income is recognized by the effective interest rate method during the lease period. Contingent rents are included in current profits and losses when they actually occur.

The balance of financial lease receivable after deducting unrealized financing income is shown as long-term claims and long-term claims due within one year, respectively.

27. HELD-FOR-SALE

When the Group recovers its book value mainly by selling (including the exchange of non-monetary assets with commercial substance) rather than continuing to use a non-current asset or disposal group, it is classified as holding for sale.

Non-current assets or disposal groups classified as holding categories for sale need to satisfy the following conditions: (1) according to the usual practice of selling such assets or disposal groups in similar transactions, they can be sold immediately in the current situation; (2) the sale is highly likely, that is, the Group has made a decision on a sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year.

The Group holds non-current assets or disposal groups for sale at a lower level than the net amount of the book value and fair value minus the cost of sale. If the book value is higher than the fair value minus the selling expenses, the book value shall be written down to the net amount after the fair value minus the selling expenses. The amount written down shall be recognized as the loss of impairment of assets, and shall be included in the current profits and losses, and the provision for impairment of assets classified as held-for-sale shall be included. If the net increase of the fair value of the non-current assets classified as held-for-sale minus the selling expenses subsequent to the end of the reporting period, the amount previously written down shall be restored, and the amount of loss of impairment of assets recognized after the classification of holding for sale shall be turned back, and the amount returned shall be included in the profits and losses of the current period.

Non-current assets classified as held-for-sale or non-current assets in the disposal group are not depreciated or amortized and interest and other expenses on liabilities in the disposal group held-for-sale continue to be recognised.

The equity investment of associates or joint ventures is classified as holding all or part of the assets for sale, and the part classified as holding for sale is no longer calculated by the equity method from the date of classification as held-for-sale.

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

28. SAFETY PRODUCTION COST

The Group shall withdraw the production safety fee in accordance with the No.16 [2012] *Administrative Measures for the Withdrawal and Use of Safety Production Cost* jointly issued by the Ministry of Finance and the State Administration of Work Safety on February 14, 2012, which shall be included in the cost of related products or the current profit and loss, and transferred to the special reserve. Where the extracted safe production takes time and belongs to expenses, the special reserve shall be directly written off. If the extracted safety production expenses are used to form fixed assets, the expenses incurred by the collection of "Construction in Process" shall be recognized as fixed assets when the safety project is completed and reaches the predetermined usable state; At the same time, special reserves are deducted according to the cost of forming fixed assets, and the accumulated depreciation of the same amount is recognized. The fixed assets are no longer depreciated in the later period.

29. ASSET SECURITIZATION BUSINESS

Where a financial asset is transferred, it shall be judged according to the transfer of almost all risks and rewards in the ownership of the relevant financial asset: where all the transferred financial assets have been transferred, the recognition of the corresponding financial assets shall be terminated; where there is no transfer and almost all risks and rewards in the ownership of the relevant financial assets are retained, the recognition shall not be terminated; where there is no transfer or retention of almost all risks and rewards in the ownership of the relevant financial asset, the recognition shall be terminated according to the degree of involvement in the control of the financial asset: where the control of the financial asset is abandoned, the recognition of the financial asset shall be terminated; if the control over the financial asset is not abandoned, the relevant financial asset shall be recognized according to the degree of its continuous involvement in the financial asset, and the relevant liabilities shall be recognized accordingly.

On derecognition of a financial asset in its entirety, the difference between the consideration received and the corresponding book value shall be recorded into the current profit and loss, and the accumulated change of the fair value of the relevant financial asset directly recorded into the owner's equity shall be transferred into the current profit and loss; On derecognition of a financial asset other than in its entirety, the book value of the whole financial asset involved in the transfer shall be apportioned between the part that is derecognized and the part that is not derecognized according to their respective relative fair value, and the book value after apportionment shall be used as the basis to deal with the part transferred according to the whole transfer. if the conditions for termination of recognition are not met, the consideration received shall be recognized as a financial liability.

30. 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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VI. KEY ASSUMPTIONS AND UNCERTAINTIES IN THE USE OF IMPORTANT JUDGMENTS MADE IN THE ACCOUNTING POLICY PROCESS AND ACCOUNTING ESTIMATES

In applying the accounting policies described in Note 4, due to the inherent uncertainties in business activities, the Group needs to make judgments, estimates and assumptions about the book value of reporting items that cannot be accurately measured. These judgments, estimates and assumptions are based on the past experience of the Group's management and are based on consideration of other relevant factors. The actual results may differ from the Group's estimates.

The Group regularly reviews the above judgments, estimates and assumptions on the basis of continuing operation. The changes in accounting estimates only affect the current period of change, and the impacts is recognized in the current period of change; if the changes affect both the current and future periods, the impact will be recognized in the current and future periods of change.

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 book value of assets and liabilities in the future are as follows:

1.1 Impairment of Receivables – Expected Credit Loss

At the end of the reporting period, the Group reviews the receivables measured at the amortized cost to assess the specific amount of expected credit losses. The Group measures its loss preparation in terms of the amount equivalent to the expected credit loss of receivables throughout the duration of the receivables. The Group is characterized by common risks, dividing receivables into different groups, and using impairment matrix to determine the credit losses of related financial instruments on the basis of combination. The Group's method of measuring expected credit losses reflects the following factors: unbiased probability weighted average amount determined by evaluating a series of possible outcomes; time value of money; reasonable and valid information on past events, current situation and future economic forecasts that can be obtained without unnecessary additional costs or efforts at the end of the reporting period. If there is a discrepancy between the re-estimation results and the existing estimates, the discrepancy will affect the estimated profits and the book value of receivables during the period of change.

1.2 Estimated Useful Lives and Estimated Residual Value of Fixed Assets

The estimated useful lives and estimated residual value of fixed assets are based on historical experience with the actual useful life and residual value of fixed assets of similar nature and function and may change significantly as a result of technological innovation and competitors' response to severe industry competition. When the estimated useful lives and residual value of fixed assets are less than the previous estimates, the Group will increase depreciation, or write off or write down obsolete technologies or non-strategic fixed assets.

1.3 Impairment of Non-current Assets

If there is an indication that the book value of non-current assets cannot be recovered, it indicates that there may be impairment of assets, and impairment loss should be recognized.

The book value of an asset or cash-producing unit, including non-current assets, is periodically reviewed to determine whether the recoverable amount is less than the book value. Impairment tests are performed when events or circumstances indicate that the book value of the asset or cash generation unit may not be recoverable. When the recoverable amount is less than the book value, the book value shall be written down to the recoverable amount. The recoverable amount is the higher of the fair value of the asset minus the sales expenses and the use value.

When evaluating the use value, it requires a significant judgment to discount the expected cash flow of the asset or cash output unit into the present value. The Group will use all available information including the discount rate, the reasonable gross margin for the budget period and the growth rate after the budget period to determine an approximately reasonable recoverable amount.

VI. KEY ASSUMPTIONS AND UNCERTAINTIES IN THE USE OF IMPORTANT JUDGMENTS MADE IN THE ACCOUNTING POLICY PROCESS AND ACCOUNTING ESTIMATES (CONTINUED)

1. KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

1.4 Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

When determining whether the goodwill or intangible assets with indefinite useful lives are impaired, it is necessary to estimate the Value in use of the cash generating unit that distributes the goodwill. The Group management shall make a material judgment and assumption in assessing the recoverable amount of the impairment of such cash generating units. The recoverable amount is recognised by reference to the use value of the cash generating unit concerned and significant assumptions need to be made about the discount rate and growth rate over the period in order to arrive at the net present value of the discounted future cash flow analysis. If the discounted future cash flow analysis is lowered or the actual cash flow is lower than expected, the recoverable amount will be adjusted or a material impairment loss will occur.

1.5 Estimated Liabilities in Claims Proceedings

In its daily business activities, the Group has business disputes with many customers and suppliers. These disputes are mainly due to the loss or damage of goods when the Group provides freight forwarding services, professional logistics services, and transportation and warehousing services. When recognizing the expected liabilities related to the litigation claims, the management judges whether the litigation related matters may lead to the outflow of economic interests from the Group, or the amount of compensation when relevant, the management judges the amount of compensation. In deciding on the expected liabilities, management considers the experience of similar cases in the past, the results of recent related cases, adverse circumstances for the Group under individual jurisdictions and past court decisions to determine the expected liabilities. When the actual loss of compensation is greater or less than expected,

It may be necessary to further calculate or write-off the estimated liabilities, which will also affect the profits during the change period. For the estimated liabilities recognized in this period, please refer to Note (IX). 58.

1.6 Other Estimated Liabilities

In addition to the estimated liabilities in the above claims litigation, the Group will incur a number of obligations in its daily business activities. The management determines the possibility and amount of outflow of related resources needed to resolve the obligations based on the best estimate, and recognizes the amount of the forecasted liabilities. However, the amount and time of cash flow caused by these obligations are uncertain.

1.7 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 recognized.

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 profits 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 recognized 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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VI. KEY ASSUMPTIONS AND UNCERTAINTIES IN THE USE OF IMPORTANT JUDGMENTS MADE IN THE ACCOUNTING POLICY PROCESS AND ACCOUNTING ESTIMATES (CONTINUED)

1. KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

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.

VII. NOTES ON CHANGES IN ACCOUNTING POLICY

1. ACCOUNTING POLICY CHANGE AND ITS IMPACT

On 31 March 2017, the Ministry of Finance issued the "Notice on the issuance and revision of the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*" (CK [2017] No. 7), which revised the *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*. Enterprises listed both at home and abroad as well as those listed abroad and which adopt International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare financial reports, shall enter into force on 1 January 2018 1 January 2019; Other domestic listed enterprises shall come into effect on 1 January 2019, and unlisted enterprises that implement the Accounting Standards for Business Enterprises shall come into effect on 1 January 2021. At the same time, enterprises are encouraged to execute in advance. Enterprises implementing these standards shall no longer implement the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* in the "Notice of the Ministry of Finance on the issuance of 38 Specific Standards <Accounting Standards for Business Enterprises No. 1 – Inventory>, etc." (CK [2016]No. 3) issued by the Ministry of Finance on 15 February 2006. Enterprises implementing these standards shall simultaneously implement the *Accounting Standards for Business Enterprises No. 23 – Financial Asset Transfer* (CK [2017]No. 8) and *Accounting Standards for Business Enterprises No. 24 – Hedge Accounting* (CK [2017]No. 9) (the three newly revised standards mentioned above, collectively referred to as the "New Financial Instrument Standards") revised and issued by the Ministry of Finance in 2017.

On 5 July 2017, the Ministry of Finance issued the "Notice on the Revision and Issuance of the *Accounting Standards for Business Enterprises No. 14 – Revenue*" (CK [2017] No. 22), which revised the *Accounting Standards for Business Enterprises No. 14 – Revenue*. Enterprises listed both at home and abroad as well as those listed abroad and which adopt International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare financial reports, shall enter into force on 1 January 2018; Other domestic listed enterprises shall come into effect on 1 January 2020; and unlisted enterprises that implement the Accounting Standards for Business Enterprises shall come into effect on 1 January 2021. At the same time, enterprises are encouraged to execute in advance. Enterprises implementing these standards shall no longer implement the *Notice of the Ministry of Finance on the Issuance of 38 Specific Standards* (CK [2016] No.3) <Accounting Standards for Business Enterprises No. 1 – Inventory>, etc.) (*Accounting Standards for Business Enterprises No. 14 – Revenue* and *Accounting Standards for Business Enterprises No. 15 – Construction Contract*) issued by the Ministry of Finance on 15 February 2006, and the "Notice of the Ministry of Finance on the Issuance of <Accounting Standards for Business Enterprises – Application Guide >" (CK [2016] No.18) <Application Guide for Accounting Standards for Business Enterprises No. 14 – Revenue>> issued by the Ministry of Finance on 30 October 2006.

VII. NOTES ON CHANGES IN ACCOUNTING POLICY (CONTINUED)

1. ACCOUNTING POLICY CHANGE AND ITS IMPACT (CONTINUED)

(1) New Revenue Standards

The Group will implement the new revenue standards from 1 January 2018. The new revenue standards introduce a five-step approach to revenue recognition and add more guidelines for specific transactions. The detailed accounting policies for revenue recognition and measurement of the Group are given in section IV, 22. The new revenue standards require that the cumulative impact of the first implementation of the guidelines be adjusted at the beginning of the year of the first implementation (i.e., 1 January 2018) retained earnings and other related items in the financial statements, and that no adjustments be made to information during the comparable period. As for the income of freight forwarders, professional logistics and warehousing services, the income shall be recognized after the completion of relevant services under the original income standard. Under the new income standard, the income shall be recognized according to the progress of the performance of the contract if the services meet the condition of recognizing the income within a certain period of time. The Group has calculated the cumulative impact of the first execution of the new revenue standard on the contracts not yet completed on 1 January 2018 according to the new revenue standard, and the Group believes that the new revenue standard has no significant impact on the first execution of the daily financial statements.

Compared with the original revenue standards, the implementation of the new revenue standards has no significant impact on the 2018 financial statements.

(2) New Financial Instrument Standards

In respect of classification and measurement of financial assets, the new financial instruments standards require that financial assets based on the contractual cash flow characteristics and the enterprise management the business model of such assets classified as “financial assets measured at the amortized cost”, “financial assets measured at fair value through other comprehensive income” and “financial assets measured at fair value through profit or loss” three categories. The original classification of loans and receivables, hold-to-maturity investments and available-for-sale financial assets was cancelled. Equity instrument investments generally classified as financial assets at fair value through profit or loss, investment also allows companies to non-transactional equity instruments designated at fair value and through other comprehensive income financial assets, but the specified irrevocable, and at the time of disposal will not originally recorded in the total of other comprehensive income amount carried forward to changes in fair value recorded in the current profits and losses.

In impairment of financial assets, the impairment requirements of the new financial instrument standards are applicable to financial assets measured at amortized cost and fair value and the changes of which are recorded in other comprehensive income, such as leasing receivables, accounts receivable, contract assets and specific unwithdrawn loan commitments. The new financial instrument standards require the expected credit loss model to replace the original credit loss model. The new impairment model requires the adoption of a three-stage model. According to whether the credit risk of related items has significantly increased after the initial confirmation, the credit loss is prepared to be calculated and withdrawn according to the expected credit loss within 12 months or the expected credit loss within the whole duration. There is a simplified approach to accounts receivable, contractual assets, and leasehold receivables that allows the impairment provision to be recognized at all times in accordance with the expected credit loss for the entire duration.

The Group implements the above new financial instrument standards as of 1 January 2018, and from that date, recognize, measure and report the Group's financial instruments in accordance with the new financial instrument standards. The Group's revised accounting policy is detailed in Note IV.9.

If the recognition and measurement of financial instruments before 1 January 2018 are inconsistent with the requirements of the new financial instrument standards, the Group shall make adjustment in accordance with the requirements of the new financial instrument standards. The Group will not make any adjustment if the previous comparative financial statement data are inconsistent with the requirements of the new financial instrument standards. The difference between the original book value of the financial instrument and the new book value as of the date of implementation of the new financial instrument standards shall be included in retained earnings or other comprehensive earnings as of 1 January 2018. The impact of the Group's adoption of the new financial instruments standards on 1 January 2018 is detailed in the following table.

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VII. NOTES ON CHANGES IN ACCOUNTING POLICY (CONTINUED)

1. ACCOUNTING POLICY CHANGE AND ITS IMPACT (CONTINUED)

(2) New Financial Instrument Standards (continued)

Summary of the Impact of the First Implementation of the New Financial Instrument Standards on 1 January 2018

Items	Book Value Listed in Accordance with the Original Standards 31 December 2017	Total Impact of Implementation of the New Financial Instrument Standards	Impact of the Implementation of the New Financial Instruments Standards on Consolidated Statement of Financial Position Reclassification			Book Value Listed in Accordance with the New Financial Instruments 1 January 2018
			Transfer from the Original Classification of Financial Assets Available for Sale (Note 1)	Transfer of Financial Assets Originally Designated as Those Measured at fair Value through profit or loss (Note 2)	Transfer From Original Classification to Other Current Assets (Note 3)	
Financial Assets Measured at Fair Value through profit or loss	381,911,520.22	-381,911,520.22	-	-381,911,520.22	-	-
Held-for-trading Financial Assets	-	2,381,911,520.22	-	381,911,520.22	2,000,000,000.00	2,381,911,520.22
Other Current Assets	2,549,672,795.82	-2,000,000,000.00	-	-	-2,000,000,000.00	549,672,795.82
Financial Assets Available for Sale	553,257,458.63	-553,257,458.63	-553,257,458.63	-	-	-
Other Equity Instruments	-	327,064,735.04	327,064,735.04	-	-	327,064,735.04
Other Non-current Financial Assets	-	226,192,723.59	226,192,723.59	-	-	226,192,723.59

Note 1: Transfer from the Original Classification of Financial Assets Available for Sale

1.1 Transfer from Financial Assets Available for Sale to Other Equity Instruments

On 1 January 2018, RMB327,064,735.04 of financial assets available for sale were reclassified to other equity instruments, this part of the investment is a non-tradable equity instrument and the Group is not expected to sell in the foreseeable future. The Group irrevocably designates the above financial assets as financial assets measured at fair value through other comprehensive income. Investments in other equity instruments are reported on the consolidated statement of financial position. Under the original financial instrument standard and the new financial instrument standards, this part of equity investment is measured at fair value through other comprehensive income, on 1 January 2018, the profit and loss of RMB101,308,736.24 due to changes in the fair value accumulated in the previous year of this part of equity investment was reclassified as "other comprehensive income that is reclassified as profit and loss" to "other comprehensive income that cannot be reclassified as profit and loss", the reclassification had no effect on other aggregate earnings and retained earnings.

1.2 Transfer from Financial Assets Available for Sale to Other Non-current Financial Assets

On 1 January 2018, an equity vehicle investment of RMB226,192,723.59 that was not quoted in the active market and whose fair value could not be reliably measured was reclassified from financial assets available for sale to other non-current financial assets. This part of the financial assets for sale in the previous period according to the original financial instrument standards measured at cost. The fair value measurement of this part of equity investment on 1 January 2018 has no impact on the book value and retained earnings of other non-current financial assets.

VII. NOTES ON CHANGES IN ACCOUNTING POLICY (CONTINUED)

1. ACCOUNTING POLICY CHANGE AND ITS IMPACT (CONTINUED)

(2) New Financial Instrument Standards (continued)

Note 2: Transfer of Financial Assets Originally Designated as Those Measured at fair Value through Profit or Loss

On 1 January 2018, the Group designated the book value of RMB381,911,520.22 as the preferred stock equity investment measured at fair value and its changes included in the current profits and losses under the original financial instruments standards, and reclassified as the held-for-trading financial assets according to the new financial instruments standard.

Note 3: Transfer From Original Classification to Other Current Assets

On 1 January 2018, the Group will reclassify the short-term bank wealth management product investment with the original book value of RMB2,000,000,000.00 which is available for sale (including listed in other current assets) into transactional financial assets according to the new financial instrument standards. The financial asset available for sale, which was originally measured at fair value, did not affect the initial retained earnings when reclassified as transactional financial assets.

(3) New Financial Statement Format Adjustment

The Group from the preparation of the 2018 annual financial statements, implement the *Notice on the Revision and Issuance of the Format of the 2018 Annual General Enterprise Financial Statements* (CK [2018] No.15, hereinafter referred to as "CK No.15 Document") issued by the Ministry of Finance on 15 June 2018. CK No.15 Document revised the items listed in the statement of financial position and the statement of profit or loss and other comprehensive income, and added the reporting contents of items of "Bills receivables and accounts receivable", "Bills payables and Accounts payable", "Research and Development Expenses", and revised "Other Receivables", "Fixed Assets", "Construction in Process", "Other Payables", "Long-term Payables", "Administrative Expenses", and reduced items of "Bills receivables", "Trade receivables", "Dividend Receivable", "Interest Receivable", "Liquidation of Fixed Assets", "Engineering Material", "Notes Payables", "Accounts payable", "Interest Payable", "Dividend Payable" and "Account Payable Special Funds", and added reporting items of "Including: Interest Expenses" and "Interest Income" under the item of "Finance expenses", adjusted the reporting position of some items in the statement of profit or loss and other comprehensive income. For the changes of the above listed items, the Group adopts the retroactive adjustment method for accounting treatment, and makes retroactive adjustment for the comparison data of the previous year.

2. ACCOUNTING ESTIMATE CHANGE AND ITS IMPACT

There has been no change in accounting estimate during the year.

3. PRIOR YEAR ADJUSTMENTS AND ITS IMPACT

There is no prior year adjustment during the year.

4. RESTATEMENT OF FIGURES FROM ACQUISITION UNDER COMMON CONTROL

There is no such event during the year.

5. OTHER ADJUSTMENTS

There is no such event during the year.

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VIII. 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%/10%/11%/16%/17% of the sales amount calculated under the relevant tax law)	3%-17%
Urban maintenance & construction tax	Business tax actually paid, value-added tax	1%, 5%, 7%
Education surcharge and local education surcharge	Business tax actually paid, value-added tax	2%, 3%
House property tax	70% of the original value of the house property, rental income	1.2%, 12%
Enterprise income tax (Note 2)	Taxable income	0-35%

Note 1: if any taxable sales occurring in the Company after May 2018 originally apply the tax rates of 17% and 11%, they shall be adjusted to 16% and 10% respectively.

Note 2: in 2018, 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 main income tax rates of subsidiaries in the countries or regions outside the mainland of the PRC are as follows:

Country or Region	Income tax rate (%)
Hong Kong	16.50%
Japan	35%
Korea	20%
Australia	30%
Belarus	18%
Angola	30%
Brunei	19%
Indonesia	25%
Malaysia	24%
The British Virgin Islands	0.00%

2. TAX PREFERENCES AND APPROVALS

2.1 Enterprise income tax

- According to the Notice on Tax Policy Issues concerning the In-depth Implementation of the Western Development Strategy CS (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 (2012) No. 12 issued by 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% after their application is reviewed and approved by the competent tax authorities. During the reporting period, some branches and subsidiaries of the Group located in Western China enjoyed a preferential income tax rate of 15%.
- 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 CS (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 during the reporting period and implement the enterprise income tax rate of 15%.

VIII. TAXES (CONTINUED)

2. TAX PREFERENCES AND APPROVALS (CONTINUED)

2.1 Enterprise income tax (continued)

- (3) According to the Notice of the Ministry of Finance and the State Taxation Administration on Further Expansion of the Scope of Preferential Income Tax Policies for Small Low-Profit Enterprises (CS (2018) No. 77), Article 28 of the Enterprise Income Tax Law and the relevant provisions of Article 92 of the Rules for the Implementation relating to small low-profit enterprises, from 1 January 2018 to 31 December 2020, any income of the small low-profit enterprises of the Group whose annual taxable income is less than RMB1 million (including RMB1 million) shall be included in their taxable income at the reduced rate of 50%, and their enterprise income tax shall be paid at the rate of 20%.
- (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), Guangdong Sinotrans Electronic Commerce Co., Ltd. and E-TRANS INFORMATION DEVELOPMENTCO., LTD have been enjoying tax preferences for high-tech enterprises at the reduced enterprise income tax rate of 15% since 2016.
- (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 No. [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 2018, the projects of China Merchants Logistics in the Great Stone Industrial Park are exempted from enterprise income tax. In addition to this preferential policy, the income tax rate applicable to the Group's subsidiaries in Belarus is 18%.

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 (CS [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. Sinotrans Air Transportation Development Co., Ltd. (hereinafter referred to as "Sinotrans Development") South China Branch 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 Sinotrans Development 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 domestic units and individuals of Sinotrans South China whose storage location is located abroad are exempted from valued-added tax during the period.
- (5) 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 China Merchants Logistics for the construction of the Great Stone Industrial Park during the period shall be refunded.

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VIII. TAXES (CONTINUED)

2. TAX PREFERENCES AND APPROVALS (CONTINUED)

2.3 Land use tax

- (1) In accordance with the provisions of the Notice 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 (CS (2017) No. 33), from 1 January 2017 to 31 December 2019, 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 the Group's subsidiaries that meet the above requirements was levied at the reduced rate of 50% in 2018. The land use tax on the storage facility lands of Sinotrans Shanghai Haigang International Logistics Co., Ltd. was levied at the reduced rate of 50% in 2018.

- (2) In accordance with Article 1 of the Notice of the Ministry of Finance and the State Taxation Administration on the Continued Implementation of Preferential Policies for House Property Tax and Urban Land Use Tax on Wholesale Markets for Agricultural Products and Farm Product Markets (CS (2016) No. 1), the house property tax and the urban land use tax shall be temporarily exempted for the house property and land used for the wholesale markets of agricultural products and farm product markets that specialize in agricultural products (including self-owned and leased lands, the same below). For the house property and land used for the wholesale markets of agricultural products and farm product markets that deal in other products at the same time, the house property tax and the urban land use tax shall be levied and exempted according to the proportion of the are ended trading sites of other products and agricultural products. In 2018, Sinotrans Liaoning Shenyang Branch met these conditions and was subject to a land use tax at the reduced rate of 50%.

IX. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF SUBSIDIARIES INCORPORATED INTO THE SCOPE OF CONSOLIDATED STATEMENTS THIS YEAR

Serial number	Name	Grade	Enterprise Type	Registered Address	Principal place of business	Business Nature	Paid-in Capital	Total Shareholding Ratio of the Group(%)	Total Voting Ratio of the Group(%)	Acquisition Method	Remark
1	Sinotrans South China Co., Ltd.	2nd	1	Guangzhou	Guangzhou	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 services	905,481,720.00	60.95	60.95	1	
4	Sinotrans Changjiang Co., Ltd.	2nd	1	Nanjing	Nanjing	Freight forwarding and logistics	650,000,000.00	100.00	100.00	1	
5	Sinotrans Central China Co., Ltd.	2nd	1	Qingdao	Qingdao	Freight forwarding, trucking, storage and terminal services, and logistics	645,339,941.77	100.00	100.00	1	
6	Sinotrans Chemical International Logistics Co., Ltd.	2nd	1	Shanghai	Shanghai	Logistic	339,554,483.66	59.20	59.20	1	
7	Sinotrans Fujian Co., Ltd.	2nd	1	Xiamen	Xiamen	Freight forwarding, logistics, storage and terminal services	223,257,965.92	100.00	100.00	1	
8	Trade Sky International Limited	2nd	3	HKSAR	Xiamen	Hoisting and transporting	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 Logistics Development Co., Ltd.	2nd	1	Beijing	Beijing	Logistics	120,000,000.00	100.00	100.00	1	
11	Sinotrans Hubei Company Limited	2nd	1	Wuhan	Wuhan	Freight forwarding and logistics	120,000,000.00	100.00	100.00	1	
12	Sinotrans Heavy-lift Logistics Co., Ltd.	2nd	1	Jinan	Jinan	Lifting and Transportation	103,600,000.00	100.00	100.00	3	
13	Wide Shine Development Limited	2nd	3	HKSAR	HKSAR	Container leasing	79,287,945.35	100.00	100.00	2	
14	Sinotrans Liaoning Co., Ltd.	2nd	1	Dalian	Dalian	Freight forwarding and logistics	48,966,940.29	100.00	100.00	1	
15	China Marine Shipping Agency Co., Ltd.	2nd	1	Beijing	Beijing	Freight Forwarding	30,000,000.00	100.00	100.00	1	
16	Sinotrans Chongqing Co., Ltd.	2nd	1	Chongqing	Chongqing	Freight Forwarding	15,869,000.00	100.00	100.00	1	
17	Sinotrans Japan Co., Ltd.	2nd	3	Japan	Japan	Freight Forwarding	3,418,111.04	100.00	100.00	2	
18	Sinotrans Korea Shipping Co., Ltd.	2nd	3	Korea	Korea	Freight Forwarding	2,070,000.00	100.00	100.00	2	
19	Sinotrans Brazil Logistics Ltd	2nd	3	Brazil	Brazil	Logistics	2,065,554.43	100.00	100.00	1	
20	Sinotrans (HK) Logistics Limited	2nd	3	HKSAR	HKSAR	Freight Forwarding and Logistics	530,557.66	100.00	100.00	2	
21	Sanawat Al-Khier Company For General Trading And Marine Services	2nd	3	Iraq	Iraq	Logistics	292,842.00	100.00	100.00	1	
22	China Merchants Logistics	2nd	1	Shenzhen, Guangdong	Shenzhen, Guangdong	Logistics and Logistics equipment leasing	1,444,000,000.00	100.00	100.00	2	

Note: enterprise type: 1. domestic non-financial subsidiary; 2. domestic financial subsidiary; 3. overseas subsidiary; 4. institution; 5. infrastructure unit

Acquisition method: 1. establishment with investment; 2. business combination under the same control; 3. business combination not under the same control; 4. others

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IX. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. CHANGES AND REASONS FOR THE SCOPE OF CONSOLIDATION THIS YEAR

The disposal of subsidiaries during current year were “Zhengzhou China Merchants Logistics Co., Ltd” and “China Merchants Shipping Enterprise Co., Ltd”.

- (i) On August 21, 2018, China Merchants Logistics Co., Ltd., signed the “Equity Transfer Statement for Zhengzhou China Merchants Logistics Co., Ltd.” with Sinotrans Changhang, transferred 100% equity of Zhengzhou Merchants Logistics Co., Ltd. (“Zhengzhou Company”) to Sinotrans Changhang, and the consideration for the equity transfer was RMB1,932,900. After the completion of the transaction equity, in order to avoid horizontal competition, Sinotrans Changhang agreed to include Zhengzhou Company in the scope of the custody enterprise and entrusted it to the Group for operation and management. The Group received the equity transfer payment on August 28, 2018, and the equity delivery date was August 31, 2018.
- (ii) On October 25, 2018, the Group’s subsidiary, China Merchants Shipping Enterprise Co., Ltd. (“China Merchants Shipbuilding”) signed a sale and purchase agreement with CITIC Capital Maneuver Holdings Limited and FV Pallet Leasing Holding Ltd (the Share Sale and Purchase agreement to transfer 55 shares of China Merchants Lukai International Holdings Co., Ltd), transferred of 55% equity of China Merchants Loscam International Holdings Co., Ltd. (“CM Loscam”). The agreement stipulates that the consideration for equity transfer is RMB2.475 billion, which is paid in US dollars and agreed exchange rate. On December 20, 2018, China Merchants Shipbuilding Co., Ltd. received an equity transfer amount of USD0.358 billion, equivalent to RMB2.459 billion. The two parties have completed asset transfer, re-election of the board of directors and revised the charter by December 31, 2018. CM Loscam was changed from the Group’s subsidiary to the Group’s associate.

3. BUSINESS COMBINATION NOT UNDER COMMON CONTROL THIS YEAR

There were no business combination not under common control this year.

4. ITEMIZED DESCRIPTION OF THE REASONS FOR INCORPORATION INTO THE SCOPE OF CONSOLIDATION IN THE EVENT OF LESS THAN HALF OF THE VOTING RIGHTS OR THE REASONS FOR NON-INCORPORATION INTO THE SCOPE OF CONSOLIDATION IN THE EVENT OF MORE THAN HALF OF THE VOTING RIGHTS

There are no such condition occurred during the year.

IX. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. IMPORTANT NON-WHOLLY OWNED SUBSIDIARIES

(1) Non-controlling interests

2018

No	Enterprise name	Shareholding ratio of non-controlling interests (%)	Profits and losses attributable to non-controlling interests in the year	Dividends paid to non-controlling interests in the year	Cumulative non-controlling interests at the end of the year
1	Sinotrans Air Transportation Development Co., Ltd.	39.05	449,654,194.96	212,160,193.20	3,390,202,651.42
2	Sinotrans Chemical International Logistics Co., Ltd	40.80	17,100,831.74	–	186,127,196.12

2017

No	Enterprise name	Shareholding ratio of non-controlling interests (%)	Profits and losses attributable to non-controlling interests in the year	Dividends paid to non-controlling interests in the year	Cumulative non-controlling interests at the end of the year
1	Sinotrans Air Transportation Development Co., Ltd.	39.05	528,334,317.91	176,800,161.00	3,196,824,840.94
2	Sinotrans Chemical International Logistics Co., Ltd	36.45	12,368,159.61	–	149,212,804.94

(2) Main financial information

Items	Amount of current year		Amount of last year	
	Enterprise 1	Enterprise 2	Enterprise 1	Enterprise 2
Current assets	6,483,751,581.46	643,116,994.50	6,346,904,008.62	666,834,639.02
Non-current assets	3,795,246,207.80	301,763,817.95	3,723,084,416.16	247,500,353.10
Total assets	10,278,997,789.26	944,880,812.45	10,069,988,424.78	914,334,992.12
Current liabilities	1,486,298,119.07	371,894,838.47	1,725,954,981.30	460,503,874.86
Non-current liabilities	105,404,833.31	18,000,000.00	157,476,899.95	6,432,818.81
Total liabilities	1,591,702,952.38	389,894,838.47	1,883,431,881.25	466,936,693.67
Operating revenue	6,953,089,845.39	1,685,714,086.29	6,206,624,720.73	1,526,633,756.10
Net profit	1,157,002,414.68	49,755,086.95	1,353,006,024.97	45,111,904.65
Total comprehensive income	1,037,663,581.16	49,755,086.95	1,203,637,812.27	45,111,904.65
Cash flows from operating activities	194,290,710.04	80,860,399.15	382,780,109.45	47,599,070.85

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the following data disclosed in the financial statements, unless otherwise specified, “the beginning of the year” means 1 January 2018, “the end of the year” means 31 December 2018, “current year” means 1 January to 31 December 2018, and “last year” means 1 January to 31 December 2017.

1. CASH AND BANK BALANCES

1) Classification of cash and bank balances

Items	Ending balance			Beginning balance		
	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB
Cash on hand	—	—	10,396,081.65	—	—	16,203,545.93
Including: RMB	3,139,036.06	1.0000	3,139,036.06	4,803,097.81	1.0000	4,803,097.81
USD	366,077.63	6.8632	2,512,463.99	922,250.46	6.5342	6,026,168.96
HKD	112,580.80	0.8762	98,643.30	191,572.60	0.8359	160,135.54
Yen	642,390.31	0.0619	39,763.96	619,111.23	0.0579	35,846.54
Euro	1,160.16	7.8473	9,104.12	1,160.16	7.8023	9,051.92
Others	—	—	4,597,070.22	—	—	5,169,245.16
Cash at banks	—	—	15,307,428,892.91	—	—	11,903,675,041.36
Including: RMB	9,824,092,504.14	1.0000	9,824,092,504.14	8,567,224,377.29	1.0000	8,567,224,377.29
USD	695,756,458.36	6.8632	4,775,115,725.02	401,977,693.83	6.5342	2,626,602,647.02
HKD	637,053,246.40	0.8762	558,186,054.50	459,952,636.27	0.8359	384,474,408.66
Yen	915,189,284.98	0.0619	56,650,216.74	894,333,639.38	0.0579	51,781,917.72
Euro	3,482,294.84	7.8473	27,326,612.30	4,812,663.39	7.8023	37,549,843.57
Others	—	—	66,057,780.21	—	—	236,041,847.10
Other cash and bank balances	—	—	210,607,844.23	—	—	232,440,469.18
Including: RMB	197,464,844.23	1.0000	197,464,844.23	204,853,352.89	1.0000	204,853,352.89
USD	—	6.8632	—	1,471,529.23	6.5342	9,615,266.29
HKD	15,000,000.00	0.8762	13,143,000.00	21,500,000.00	0.8359	17,971,850.00
Total	—	—	15,528,432,818.79	—	—	12,152,319,056.47
Including: total amount deposited abroad	—	—	2,238,371,113.14	—	—	1,536,100,840.61

2) Restricted use of monetary capital at the end of the year

Items	Ending balance	Beginning balance	Reasons for restricted use
Fixed term deposit over 3 months	—	2,225,182,926.55	—
Guarantee money	129,956,176.98	80,299,797.33	Bank restricted
Performance bond	70,000,000.00	13,000,000.00	Contract restricted
Letter of credit margin	2,009,203.29	—	Bank restricted
Banker's acceptance margin	—	101,750,000.00	Bank restricted
Funds deposited subject to restrictions on the litigation	—	19,866,530.00	Court restricted instruction
Others	8,642,463.96	2,837,575.75	—
Total	210,607,844.23	2,442,936,829.63	—

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. HELD-FOR-TRADING FINANCIAL ASSETS

Items	Ending balance	Beginning balance
Held-for-trading equity instrument investments (i)	140,176.57	381,911,520.22
Others (ii)	400,000,000.00	2,000,000,000.00
Total	400,140,176.57	2,381,911,520.22

- (i) The investment held for trading is mainly the preference shares of Americold Realty Trust held by the Group. It has been converted into ordinary stock in 2018 and sold after the expiration of the restricted period.
- (ii) On December 31, 2018, the Group held RMB400,000,000.00 of short-term wealth management financial products of Bank of China with no fixed term.

As at December 31, 2017, the Group's short-term wealth management products include: (1) wealth management products purchased from Shanghai Pudong Development Bank with totally RMB800,000,000.00 with 90-91 days maturity; (2) wealth management products purchased from Bank of China with RMB350,000,000.00 and no fixed term; (3) wealth management products purchased from Ping An Bank with totally RMB350,000,000.00 with 92-94 days maturity; (4) wealth management products purchased from Bank of Beijing with totally RMB500,000,000.00, with a term of 40-57 days, totaling RMB2,000,000,000.00. According to the new financial instrument standards, the above available-for-sale financial assets are reclassified as Held-for-trading financial assets.

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

Items	Ending balance	Beginning balance
Bills receivable	555,923,514.54	745,941,219.26
Accounts receivable	10,417,568,351.23	10,552,330,532.19
Total	10,973,491,865.77	11,298,271,751.45

(1) Bills receivable

1) Classification of bills receivable

Type	Ending balance	Beginning balance
Bank acceptance bills	537,635,917.84	616,876,755.96
Commercial acceptance bills	18,287,596.70	129,064,463.30
Total	555,923,514.54	745,941,219.26

2) There was no bills receivable being pledged at the end of the year

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (CONTINUED)

(1) Bills receivable

- 3) Bills receivable that have been endorsed or discounted but yet undue at the end of the year

Type	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Banker's acceptance bills	491,092,766.63	–
Total	491,092,766.63	–

- 4) At the end of the year, the Group has accepted the bank acceptance billion of RMB3,397,034.45, which has not been accepted due to the endorsement defect and so on. As of the issuing date of this report, the draft has been accepted.

- 5) The age of the Group's bills receivable at the end of the year is less than 360 days.

(2) Accounts receivable

- 1) General situation of accounts receivable

Items	Ending balance	Beginning balance
Accounts receivable	10,857,386,208.16	10,857,008,469.91
Less: bad debt provision	439,817,856.93	304,677,937.72
Total	10,417,568,351.23	10,552,330,532.19

- 2) Overall aging of accounts receivable

Items	Ending balance			Beginning balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Less than 1 year (including 1 year)	10,444,850,658.31	96.20	105,451,140.96	10,548,954,867.26	97.16	89,199,808.71
1 to 2 years (including 2 years)	175,205,601.06	1.61	105,287,659.49	143,423,842.71	1.32	76,868,945.07
2 to 3 years (including 3 years)	122,186,275.09	1.13	115,855,948.33	108,122,987.56	1.00	82,102,411.56
More than 3 years	115,143,673.70	1.06	113,223,108.15	56,506,772.38	0.52	56,506,772.38
Total	10,857,386,208.16	100.00	439,817,856.93	10,857,008,469.91	100.00	304,677,937.72

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (CONTINUED)

(2) Accounts receivable (continued)

3) Bad debt provision

On 31 December 2018, the accounts receivable with a single bad debt provision are analyzed as follows:

Entity name	Book balance	Expected credit loss rate over the entire life	Bad debt provision	Reasons for accrual
Entity 1	6,671,338.71	100.00%	6,671,338.71	Litigation risk
Entity 2	6,050,099.67	100.00%	6,050,099.67	Accrual according to the expected credit loss risk over the entire life
Entity 3	4,133,539.24	23.46%	969,630.42	Accrual according to the expected credit loss risk over the entire life
Entity 4	3,965,210.94	100.00%	3,965,210.94	Litigation risk
Entity 5	3,742,760.04	11.48%	429,847.84	Accrual according to the expected credit loss risk over the entire life
Entity 6	3,173,562.72	100.00%	3,173,562.72	Litigation risk
Entity 7	2,994,837.01	100.00%	2,994,837.01	Litigation risk
Entity 8	2,068,301.89	100.00%	2,068,301.89	Litigation risk
Entity 9	1,898,842.10	1.75%	33,302.00	Accrual according to the expected credit loss risk over the entire life
Entity 10	1,856,584.90	18.68%	346,764.43	Accrual according to the expected credit loss risk over the entire life
Entity 11	1,685,307.39	100.00%	1,685,307.39	Litigation risk
Entity 12	1,465,792.08	100.00%	1,465,792.08	Accrual according to the expected credit loss risk over the entire life
Entity 13	1,363,684.00	100.00%	1,363,684.00	Accrual according to the expected credit loss risk over the entire life
Entity 14	1,252,561.15	100.00%	1,252,561.15	Litigation risk
Entity 15	991,034.00	100.00%	991,034.00	Litigation risk
Entity 16	973,291.71	100.00%	973,291.71	Accrual according to the expected credit loss risk over the entire life
Entity 17	903,531.78	100.00%	903,531.78	Litigation risk
Entity 18	828,800.00	100.00%	828,800.00	Accrual according to the expected credit loss risk over the entire life
Entity 19	823,892.08	100.00%	823,892.08	Accrual according to the expected credit loss risk over the entire life
Entity 20	809,167.15	100.00%	809,167.15	Debtors financial distress
Entity 21	800,000.00	100.00%	800,000.00	Litigation risk
Entity 22	769,009.40	43.18%	332,075.20	Accrual according to the expected credit loss risk over the entire life
Entity 23	681,515.15	100.00%	681,515.15	Litigation risk
Entity 24	677,080.95	100.00%	677,080.95	Accrual according to the expected credit loss risk over the entire life
Entity 25	618,741.65	7.22%	44,654.00	Accrual according to the expected credit loss risk over the entire life
Entity 26	604,673.23	0.97%	5,880.00	Accrual according to the expected credit loss risk over the entire life
Others	14,445,877.81	89.95%	12,994,444.22	Accrual according to the expected credit loss risk over the entire life
Total	66,249,036.75	80.51%	53,335,606.49	—

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (CONTINUED)

(2) Accounts receivable (continued)

3) Bad debt provision (continued)

On 31 December 2018, the accounts receivable with a bad debt provision made by combination are analyzed as follows:

Combination I: combination with lower recovery risk

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Accounts receivable of related parties	87,142,655.11	—	—
Total	87,142,655.11	—	—

Combination II: aging analysis combination

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Less than 1 year (including 1 year)	10,327,716,960.28	0.82%	84,696,632.23
1 to 2 years (including 2 years)	154,337,887.82	55.04%	84,940,749.39
2 to 3 years (including 3 years)	113,839,664.65	95.52%	108,745,215.54
More than 3 years	108,100,003.55	100.00%	108,099,653.28
Total	10,703,994,516.30	3.61%	386,482,250.44

During the period from 1 January 2018 to 31 December 2018, the amount of the bad debt provision made by the Group was RMB170,891,049.50 (2017: RMB84,529,954.67), in which the amount of the bad debt provision recovered or reversed was RMB10,695,079.74 (2017: RMB9,637,029.62).

4) Accounts receivable actually written off during the reporting period

Entity name	Nature of accounts receivable	Write-off amount	Write-off reasons	Whether to arise from related party transactions
Entity 1	Others	3,980,740.07	Bankruptcy	No
Entity 2	Logistics	2,146,484.31	Bankruptcy	No
Entity 3	Others	1,879,311.27	No cash for execution	No
Entity 4	Logistics	859,576.88	No cash for execution	No
Entity 5	Logistics	827,509.45	No cash for execution	No
Entity 6	Others	695,392.10	Litigation expenses over litigation claims	No
Entity 7	Logistics	664,680.00	No cash for execution	No
Entity 8	Logistics	648,739.68	No cash for execution	No
Entity 9	Logistics	644,971.01	No cash for execution	No
Entity 10	Others	464,795.43	No cash for execution	No
Others	Others	2,861,143.34	—	No
Total	—	15,673,343.54	—	—

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (CONTINUED)

(2) Accounts receivable (continued)

- 5) There were no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Group during the year.
- 6) Entities with the top five accounts receivable

Entity name	Relationship with the Company	Amount	Aging	Bad debt provision	Proportion to total accounts receivable(%)
Entity 1	Customers	179,031,450.98	Within 1 year	1,468,057.90	1.65
Entity 2	Customers	176,186,933.48	Within 1 year	1,444,732.85	1.62
Entity 3	Customers	118,643,971.00	Within 1 year	972,880.55	1.09
Entity 4	Customers	116,298,752.45	Within 2 year	954,013.68	1.07
Entity 5	Customers	69,375,704.55	Within 1 year	568,880.78	0.64
Total	—	659,536,812.46	—	5,408,565.76	6.07

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (CONTINUED)

(2) Accounts receivable (continued)

7) Accounts receivable from related parties

Entity name	Relationship with the Company	Amount	Aging	Bad debt provision	Proportion to total accounts receivable(%)
Sinotrans Container Lines Co., Ltd.	Fellow subsidiaries	21,148,836.85	Within 1 year	0.19	—
Sinotrans Sunny Express Co., Ltd	Fellow subsidiaries	21,140,421.58	Within 2 years	0.19	—
DHL-Sinotrans International Air Courier Ltd	Joint-venture	10,023,202.86	Within 1 year	0.09	81,470.43
China Merchants Logistics Group Nanjing co. LTD	Associate	8,981,990.38	Within 1 year	0.08	66,184.89
Cofco China Merchants (ShenZhen) Food Electronic Trading Centre Co., Ltd	Associate of final controller	7,779,207.46	Within 1 year	0.07	5,258.00
Sinotrans&CSC Gansu Company	Fellow subsidiaries	6,641,976.98	Within 1 year	0.06	1,727.01
Sinotrans Container Lines (Hong Kong) Company Limited	Fellow subsidiaries	6,362,561.61	Within 1 year	0.06	8,886.90
MAXX LOGISTICS LTD.	Fellow subsidiaries	6,142,758.09	More than 3 years	0.06	841,050.37
Chongqing Wanqiao Communication-Tech Co., Ltd	Joint-venture	5,410,832.20	Within 1 years	0.05	—
Tianjin shiyun logistics co. LTD	Associate	4,824,508.73	Within 1 year	0.04	39,560.97
Nissin-Sinotrans International Logistics Co., Ltd.	Joint-venture	4,220,866.66	Within 1 year	0.04	33,078.28
Beijing Sinotrans Huali Logistics Co., Ltd.	Joint-venture	4,029,904.05	More than 2 years	0.04	41,274.20
Sinotrans Air Transport (France) Co., Ltd.	Joint-venture	3,920,662.31	Within 1 year	0.04	32,149.43
Hebei Sinotrans Jiuling Storage and Transportation Company	Fellow subsidiaries	3,120,471.05	Within 1 year	0.03	—
Far rise Co., Ltd.	Fellow subsidiaries	2,926,662.87	More than 3 years	0.03	23,998.60
Nanjing Rixin Waiyun International Transport Co., Ltd.	Joint-venture	2,494,475.60	Within 1 year	0.02	18,492.85
Tianjin runfeng logistics co. Ltd	Associate	2,248,494.91	Within 1 year	0.02	18,437.66
Weihai Weidong Shipping Co., Ltd.	Associate	1,984,859.82	Within 1 year	0.02	3,079.97
Henan Sinotrans Bonded Logistics Co., Ltd.	Fellow subsidiaries	1,908,992.33	Within 1 year	0.02	—
Others	—	22,242,043.80	—	0.20	191,876.76
Total	—	147,553,730.14	—	—	1,406,526.32

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE (CONTINUED)

(2) Accounts receivable (continued)

8) Accounts receivable derecognized by transfer of financial assets

Entity name	Amount derecognized	Gains and losses associated with derecognition (losses expressed with "-")
Entity 1	53,121,050.27	3,910,107.70
Entity 2	47,833,102.22	1,973,478.22
Entity 3	43,490,122.09	3,201,199.16
Entity 4	40,588,110.32	3,818,394.64
Entity 5	38,544,046.92	4,042,289.77
Entity 6	37,591,888.13	3,869,437.25
Entity 7	30,696,255.50	3,513,493.40
Entity 8	30,246,921.69	2,201,628.78
Entity 9	24,571,203.92	2,295,061.35
Entity 10	23,234,068.13	2,191,063.19
Entity 11	22,736,381.33	2,369,771.10
Entity 12	20,292,156.34	2,223,168.67
Entity 13	18,753,020.06	2,146,470.68
Entity 14	17,738,522.47	1,305,688.29
Entity 15	17,680,664.21	1,301,429.49
Entity 16	17,350,799.90	1,277,148.99
Entity 17	16,532,160.28	1,892,271.07
Entity 18	16,073,926.76	1,183,161.57
Entity 19	15,516,330.82	1,775,999.22
Entity 20	14,750,662.94	1,085,759.43
Entity 21	13,979,896.19	1,489,337.87
Entity 22	13,949,345.75	1,477,091.95
Entity 23	13,837,726.23	1,018,560.43
Entity 24	13,565,876.90	998,550.28
Entity 25	13,212,392.85	1,398,444.42
Entity 26	12,269,863.91	903,154.01
Entity 27	11,064,732.11	738,050.00
Entity 28	10,879,833.06	1,170,254.26
Entity 29	10,603,633.88	1,152,658.25
Entity 30	10,588,618.70	1,136,031.70
Entity 31	10,539,633.06	1,038,571.27
Total	681,832,946.94	60,097,726.41

- 9) There are no amount of assets and liabilities from continued involvement in case of securitization or factoring of the transfer of accounts receivable with accounts receivable being the object

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. PREPAYMENTS

(1) The aging of prepayments is analyzed as follows:

Items	Ending balance	Beginning balance
Less than 1 year (including 1 year)	2,031,670,258.12	1,757,349,088.30
1 to 2 years (including 2 years)	26,444,438.82	86,818,717.83
2 to 3 years (including 3 years)	16,157,954.51	3,562,156.92
More than 3 years	16,581,574.23	16,296,191.23
Total	2,090,854,225.68	1,864,026,154.28

(2) large prepayments with the aging of more than one year are as follows:

Entity name	Ending balance	Aging	Reasons for non-settlement
Shanghai Wusongkou International Cruise Port Development Co., Ltd (i)	11,194,556.04	2 to 3 years	Incompleted of the contracted target
Wujiashan Changqing Industrial Co., Ltd	10,000,000.00	Over 3 years	Incompleted of the contracted target
Total	21,194,556.04	—	—

(i) The reason for unsettled prepayments of Sinotrans Eastern to Shanghai Wusongkou International Cruise Port Development Co., Ltd due to the berth lock deposits at terminal. Such lock deposits was needed to pay at least 1 year advance.

(3) Major entities of prepayments (list the top five entities)

Entity name	Relationship with the Company	Amount	Aging	Proportion to the total prepayments (%)	Reasons for non-settlement
Entity 1	Supplier	72,223,691.20	Less within than 1 year	3.45	Project Incompleted
Entity 2	Supplier	39,495,068.63	Less within than 1 year	1.89	Project Incompleted
Entity 3	Supplier	38,309,877.09	Less within than 1 year	1.83	Project Incompleted
Entity 4	Supplier	32,476,379.73	Less within than 1 year	1.55	Project Incompleted
Entity 5	Supplier	30,854,896.48	Less within than 1 year	1.48	Project Incompleted
Total	—	213,359,913.13	—	10.20	—

(4) There were no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company during the year.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES

Items	Ending balance	Beginning balance
Interests receivable	11,361,382.76	27,510,878.82
Dividends receivable	63,826,982.07	37,866,902.92
Other receivables	1,346,388,826.51	1,443,463,062.55
Total	1,421,577,191.34	1,508,840,844.29

(1) Interests receivable

1) Classification of interests receivable

Items	Ending balance	Beginning balance
Fixed deposit	11,361,382.76	25,829,146.92
Others	—	1,681,731.90
Total	11,361,382.76	27,510,878.82

2) Overdue interest

As at 31 December 2018, there no overdue interest receivables.

(2) Dividends receivable

Invested Entities	Beginning balance	Increase due to changes in the scope of consolidation	Increase of the year	Decrease of the year	Translated difference in foreign currency statements	Ending balance	Non-recovery reason	Whether an impairment occurs and its judgment basis
Dividends receivable with the aging of less than 1 year	—	—	39,676,326.96	21,517,901.80	—	18,158,425.16	—	—
Including: Shenzhen Zhonglian Tally Co., Ltd.	—	—	10,000,000.00	—	—	10,000,000.00	Announced by haven't transferred	No
Wuhan Port Container Co., Ltd.	—	—	6,000,000.00	—	—	6,000,000.00	Announced by haven't transferred	No
China sinotrans (Pakistan) logistics co. LTD	—	—	1,536,000.00	—	—	1,536,000.00	Announced by haven't transferred	No
Ams Global Transportation Co., Ltd.	—	—	622,425.16	—	—	622,425.16	Announced by haven't transferred	No
Jiangsu Sinotrans Rixin International Freight Co., Ltd	—	—	2,150,138.60	2,150,138.60	—	—	—	—
Ningbo Dagang New Century Container Co. Ltd	—	—	2,531,449.10	2,531,449.10	—	—	—	—
Ningbo Taiping Int'l Trade Transportation Co., Ltd	—	—	2,750,000.00	2,750,000.00	—	—	—	—
Ningbo Dagang Container Co., LTD	—	—	4,547,415.84	4,547,415.84	—	—	—	—
Suzhou Sinotrans Ams International Freight Co., Ltd	—	—	1,350,000.00	1,350,000.00	—	—	—	—
Sipg Sinotrans Container Depot Co., Ltd	—	—	8,188,898.26	8,188,898.26	—	—	—	—
Dividends receivable with the aging over 1 year	37,866,902.92	—	11,754,496.96	3,952,842.97	—	45,668,556.91	—	—
Including: Shenzhen Haixing Harbor Development Co., Ltd.	25,949,781.00	—	—	—	—	25,949,781.00	(i)	No
New Land Bridge(Lianyungang)Dock Co., Ltd.	8,524,016.91	—	11,754,496.96	559,737.96	—	19,718,775.91	(ii)	No
China Merchants Logistics Group Nanjing Co. LTD	3,393,105.01	—	—	3,393,105.01	—	—	—	—
Total	37,866,902.92	—	51,430,823.92	25,470,744.77	—	63,826,982.07	—	—

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(2) Dividends receivable (continued)

Note: (i) Shenzhen Haixing Port Development Co., Ltd. (hereinafter referred to as Shenzhen Haixing) is a joint venture of Sinotrans South China Co., Ltd (a subsidiary of the Company). The dividend was announced in 2015. Due to the upgrading of Shenzhen Haixing's port, it needed more financial source to complete the project, therefore the dividend payment is suspended. The Group believes that Shenzhen Haixing can pay dividends through its operating cash inflow after upgrading the port, so no provision for impairment is made.

(ii) New Land Bridge (Lianyungang) Terminal Co., Ltd. ("New Land Bridge") is a joint venture of the invested by the Company, Sinotrans (HK) Logistics Limited ("HK Logistics") and Sinotrans Land Bridge Transportation Co., Ltd. Snee the dividends paid to overseas companies have not been approved by the relevant authorities, they have not been issued yet. The Company B expected to be approved and issued in 2019.

(3) Other receivables

1) Analysis by nature of other receivables

Nature of other receivables	Ending balance	Beginning balance
Deposit paid	630,113,432.58	627,537,338.99
Intercourse funds with related parties	462,018,333.65	321,761,856.14
Government grants receivable	117,465,430.07	48,059,447.00
Advanced payments	81,325,201.09	294,472,897.69
Reserve fund receivable	41,362,940.58	62,774,071.77
Compensation receivable	36,859,273.21	7,619,678.48
Outstanding payments for the disposal of property and machinery and land use rights	—	45,022,806.00
Other intercourse funds	114,342,849.22	111,449,485.86
Subtotal	1,483,487,460.40	1,518,697,581.93
Less: Impairment loss	137,098,633.89	75,234,519.38
Total	1,346,388,826.51	1,443,463,062.55

2) Analysis by aging

Items	Ending balance			Beginning balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Less than 1 year (including 1 year)	1,054,727,653.47	71.10	6,640,309.21	1,072,513,736.33	70.62	2,605,280.80
1 to 2 years (including 2 years)	151,434,624.42	10.21	26,284,449.80	270,526,864.11	17.81	47,017,902.99
2 to 3 years (including 3 years)	129,338,107.59	8.72	43,128,647.86	44,413,189.61	2.93	2,788,036.88
More than 3 years	147,987,074.92	9.97	61,045,227.02	131,243,791.88	8.64	22,823,298.71
Total	1,483,487,460.40	100.00	137,098,633.89	1,518,697,581.93	100.00	75,234,519.38

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(3) Other receivables (continued)

3) Bad debt provision

Other receivables with a single bad debt provision ended 31 December 2018 are analyzed as follows:

Entity name	Book balance	Expected credit loss rate over the entire life	Bad debt provision	Reasons for accrual
Entity 1	3,962,036.89	100.00%	3,962,036.89	Accrual based on the expected credit loss risk over the entire life
Entity 2	3,148,098.00	100.00%	3,148,098.00	Accrual based on the expected credit loss risk over the entire life
Entity 3	3,000,000.00	100.00%	3,000,000.00	In relation to litigation received amount
Entity 4	2,500,000.00	100.00%	2,500,000.00	Business stop operation
Entity 5	2,100,000.00	100.00%	2,100,000.00	Accrual based on the expected credit loss risk over the entire life
Entity 6	1,471,033.37	100.00%	1,471,033.37	Accrual based on the expected credit loss risk over the entire life
Entity 7	976,173.17	73.40%	716,517.89	Accrual based on the expected credit loss risk over the entire life
Entity 8	711,000.00	31.09%	221,028.00	Accrual based on the expected credit loss risk over the entire life
Entity 9	623,721.00	100.00%	623,721.00	Accrual based on the expected credit loss risk over the entire life
Entity 10	451,692.70	100.00%	451,692.70	Accrual based on the expected credit loss risk over the entire life
Others	4,727,992.37	99.48%	4,703,542.37	—
Total	23,671,747.50	96.73%	22,897,670.22	—

Other receivables with a bad debt provision made by portfolio ended 31 December 2018 are analyzed as follows:

Portfolio 1: Portfolio with lower recovery risk

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Receivables from related parties	461,444,540.95	0.00%	—
Others	664,067,053.17	0.00%	—
Total	1,125,511,594.12	—	—

Note: the term "others" are mainly the Group's receivables of any nature such as margin and deposit from the relevant national industry authorities and industry associations and the temporary loans, reserve funds and other receivables incurred by active employees of the Group for the purpose of carrying on business activities.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(3) Other receivables (continued)

3) Bad debt provision (continued)

Portfolio 2: Portfolio by aging analysis

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Less than 1 year (including 1 year)	174,235,561.92	3.70%	6,440,309.21
1 to 2 years (including 2 years)	35,134,245.04	32.51%	11,422,143.05
2 to 3 years (including 3 years)	67,124,448.27	57.40%	38,528,647.86
More than 3 years	57,809,863.55	100.00%	57,809,863.55
Total	334,304,118.78	34.16%	114,200,963.67

During the period from 1 January 2018 to 31 December 2018, the amount of bad debt provision made by the Group was RMB82,013,838.32 (2017: RMB38,078,471.37), in which the amount of bad debt provision recovered or reversed was RMB676,365.06 (2017: RMB108,914.50).

4) Other receivables actually written off during the reporting period

Entity name	Nature of other receivables	Write-off amount	Write-off reasons	Whether to arise from related party transactions
Entity 1	Advanced	18,932,604.97	No cash for exeution	No
Entity 2	Advanced	155,800.59	No cash for exeution	No
Entity 3	Advanced	52,172.14	No cash for exeution	No
Total	—	19,140,577.70	—	—

5) Outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company

Entity name	Ending balance		Beginning balance	
	Amount in arrears	Amount of bad debts	Amount in arrears	Amount of bad debts
Sinotrans & CSC Group	—	—	85,828,192.13	—
Total	—	—	85,828,192.13	—

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(3) Other receivables (continued)

6) Other receivables with the top five ending balances pooled by debtor

Entity name	Relationship with the Company	Amount	Aging	Proportion to total other receivables(%)	Provisions for bad debt	Nature
Entity 1	Associate	340,101,840.13	Within 1 year	22.93		– loan and advanced payment
Entity 2	Third parties	62,646,223.71	More than 2 years	4.22	41,796,659.19	Deposits and advanced payments
Entity 3	Third parties	26,149,397.00	Within 1 year	1.76		– Delivery route deposits
Entity 4	Third parties	25,000,000.00	Within 2 years	1.69		– Government grant
Entity 5	Third parties	24,037,139.60	Within 3 years	1.62		– Government grant
Total	—	477,934,600.44	—	32.22	41,796,659.19	—

7) Receivables from related parties

Entity name	Relationship with the Company	Amount	Proportion to total other receivables(%)
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	Associate	340,101,840.13	22.93
Loscam Supply Chain Management (Jiaxing) Co., Ltd.	Associate	20,014,499.97	1.35
Changhanghuoyun Co., Ltd	Fellow subsidiaries	18,140,978.54	1.22
MAXX LOGISTICS LTD.	Joint venture	16,246,197.06	1.10
Dongguan Container Terminals Co., Ltd	Joint venture	14,817,206.31	1.00
Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	Joint venture	9,406,544.19	0.63
Ocean Network Express Pte. Ltd.	Related parties	9,394,958.06	0.63
China Sinotrans Djibouti Co. Ltd	Joint venture	8,209,463.65	0.55
Sinotrans luzhou port bonded logistics co. LTD	Joint venture	5,175,172.51	0.35
Other	—	19,937,680.53	1.34
Total	—	461,444,540.95	31.10

Note: The Group's receivables from Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd. And Loscam Supply Chain Management (Jiaxing) are mainly for current and advance payments. At the end of 2018, the Group disposed of Loscam International's equity are no longer included the above companies in the scope of consolidation. As of the date of issuance of this report, the Group and other shareholders of Loscam International intended to sign a loan agreement with the above companies. Each shareholder provides loans to the above companies in proportion to their shareholdings. The current amount has been transferred to the Company's borrowings from the above companies.

The Group's receivables from other related parties are mainly deposits and deposits in business operations.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(3) Other receivables (continued)

8) Other receivables derecognized by transfer of financial assets

Entity name	Related to government grant projects	Ending balance	Ending aging	Exepcted receiving time, balance and reason
Entity 1	International freight forwarding government grant	29,151,136.98	Within 1 year	Would receive at 31 March 2019
Entity 2	Middle Europe and Middle Asia freight service government grant in Guangdong provice	26,149,397.00	Within 1 year	Would receive at the second quarter of 2019
Entity 3	Middle Europe freight service government grant in Hunan provice	24,037,139.60	Within 1 year	Received
Entity 4	Middle Europe freight service government grant in shenyang	23,397,900.00	Within 1 year	Would receive at 30 April 2019
Entity 5	Container allowance	14,729,856.49	Within 2 years	Would receive at December 2019
Total	—	117,465,430.07	—	—

Note: The Group's government grants such as international freight or container allowances were in line with the preferential policies of the region, and can be declared and obtained government grants on a monthly or quarterly basis according to preferential criteria.

9) At the year ended, the Group had no amount of assets and liabilities from continued involvement.

10) There were no prepayments transferred to other receivables during the year.

6. INVENTORIES

(1) Classification of inventories

Items	Ending balance			Beginning balance		
	Book balance	Inventory falling price reserves	Carrying amounts	Book balance	Inventory falling price reserves	Carrying amounts
Raw materials	34,377,672.70	2,995,950.82	31,381,721.88	51,674,219.72	3,450,697.09	48,223,522.63
Goods in stock	202,108,819.57	3,501,085.61	198,607,733.96	260,779,137.25	3,358,395.98	257,420,741.27
Revolving materials	38,368,031.24	1,757,000.00	36,611,031.24	10,737,798.33	1,757,000.00	8,980,798.33
Total	274,854,523.51	8,254,036.43	266,600,487.08	323,191,155.30	8,566,093.07	314,625,062.23

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVENTORIES (CONTINUED)

(2) Inventory falling price reserves

Items	Beginning balance	Increase of the year		Decrease of the year		Ending balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials	3,450,697.09	–	–	–	454,746.27	2,995,950.82
Goods in stock	3,358,395.98	91,782.26	50,907.37	–	–	3,501,085.61
Revolving materials	1,757,000.00	–	–	–	–	1,757,000.00
Total	8,566,093.07	91,782.26	50,907.37	–	454,746.27	8,254,036.43

7. HELD-FOR-SALE ASSETS

Items	Ending carrying value	Fair Value	Disposal cost	Time of disposal
Sinotrans Luzhou Port Bonded Logistic Co., Ltd.	53,745,651.81	82,800,000.00	165,600.00	Completed within the coming 12 months
Total	53,745,651.81	82,800,000.00	165,600.00	—

Note: The Group's subsidiary Sinotrans Air Transport Development Co., Ltd ("Sinotrans Air") intends to transfer 60% shareholdings and 4.8 million share rights of Sinotrans Luzhou Port Bonded Logistics Co., Ltd. ("Luzhou Bonded"). On November 27, 2018, the equity of Luzhou Bonded was listed on the Beijing Equity Exchange. On December 29, 2018, Sinotrans Air and Luzhou Lingang Investment Group Co., Ltd signed a property sales and purchase agreement with transaction price of RMB82.8 million. The trading will be completed within.

8. NON-CURRENT ASSETS DUE WITHIN ONE YEAR

Items	Ending balance	Beginning balance
Long-term receivables due within one year	74,928,213.64	2,424,731.04
Total	74,928,213.64	2,424,731.04

Note: Long-term receivables due within one year can be refer to X.10

9. OTHER CURRENT ASSETS

Items	Ending balance	Beginning balance
Deductible VAT taxation expenses	504,845,995.78	530,565,102.62
VAT reimbursement from Belarus	4,965,919.80	19,107,693.20
Prepaid taxes	27,363,722.76	–
Auditing fee and lawyer fee for project Tengda	21,969,007.22	–
Subtotal	559,144,645.56	549,672,795.82
Less: impairment provision	–	–
Total	559,144,645.56	549,672,795.82

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. LONG-TERM RECEIVABLES

(1) Long-term receivables

Items	Ending balance			Beginning balance			Year-end discount rate range
	Book balance	Impairment provision	Carrying amounts	Book balance	Impairment provision	Carrying amounts	
Amounts due from associates and joint ventures	144,655,512.49	-	144,655,512.49	148,159,215.69	-	148,159,215.69	1.2%-12.5%
Other long-term receivables	72,282,447.70	-	72,282,447.70	7,864,681.75	-	7,864,681.75	—
Total	216,937,960.19	-	216,937,960.19	156,023,897.44	-	156,023,897.44	—
Less: Due within one year	74,928,213.64	-	74,928,213.64	2,424,731.04	-	2,424,731.04	—
Long-term receivables due after one year	142,009,746.55	-	142,009,746.55	153,599,166.40	-	153,599,166.40	—

(i): The Group's receivables from associates and joint ventures include as follows:

Shanghai Puan Storage Co., Ltd. ("Shanghai Puan"), an associate of the Group, obtained a loan of RMB45.16 million from the Group in April 2017 to supplement Shanghai Puan's 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 Puan shall repay the principal and interest on a quarterly basis from June 2017 to November 2024. The balance of the loan was RMB39.28 million ten thousand ended 31 December 2018 (31 December 2017: RMB43.12 million).

In November 2016, the Group's joint venture, Dongguan Port Container Port Co., Ltd. ("Dongguan Humen") obtained a loan of RMB48.04 million from the subsidiary of the Group, which was used to supplement the working capital, with an annual interest rate of 4.85%. The maturity date is November 2019, and it will be repaid at once. On December 31, 2018, the loan balance was RMB48.04 million (December 31, 2017: RMB48.04 million), which is expected to expire within one year, so it was full reclassified to non-current assets 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 on 2026 August. 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 Wujingjiang 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. On December 31, 2018, the remaining balance of the loan is RMB57 million (December 31, 2017: RMB57 million).

(ii): The Group's subsidiary – Sinotrans Air Transportation Development 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 of HK\$10,726,517.54, Huali Logistics Co., Ltd. owed HK\$55,974,597.46, while Uni-top Airlines Co., Ltd. owed Sinotrans Development RMB29,880,000.00. On 13 March 2018, Sinotrans Air Transportation Development, Uni-top Airlines Co., Ltd., UT CHARTER 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 Industrial 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. And Uni-top Holdings assume joint and several liability guarantee for the above debts.

On 30 September 2018, Sinotrans Air Transportation Development received the first debt principal and interest repaid by Uni-top Industrial at HK\$11,116,852.50 and RMB4,980,000.00 separately. On 31 December 2018, Sinotrans Air Transportation Development's long-term receivables for Uni-top Industrial Co., Ltd. was equivalent to RMB72,282,447.70, of which the portion due within one year was equivalent to RMB26,888,997.95.

(2) The Group had no long-term receivables derecognized by transfer of financial assets during the period from 1 January 2018 to 31 December 2018

(3) The Group had no assets and liabilities from the transfer of long-term receivables and the continued involvement during the period from 1 January 2018 to 31 December 2018.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS

Items	Beginning balance	Increase of the year	Decrease of the year	Other increases (decreases)	Effects from changes in the scope of consolidation	Effects from translation in foreign currency statements	Ending balance
Investments in joint ventures	3,340,227,567.82	1,118,749,600.71	1,025,448,606.29	-161,293,394.33	-5,651,542.05	1,058,025.39	3,267,641,651.25
Investments in associates	1,270,445,656.75	470,023,617.24	35,203,837.38	1,264,598.91	2,012,021,379.89	-235,399.84	3,718,316,015.57
Subtotal	4,610,673,224.57	1,588,773,217.95	1,060,652,443.67	-160,028,795.42	2,006,369,837.84	822,625.55	6,985,957,666.82
Less: Provision for impairment of long-term equity investments	26,889,927.45	-	-	-14,842,000.00	-	387,025.32	12,434,952.77
Total	4,583,783,297.12	1,588,773,217.95	1,060,652,443.67	-145,186,795.42	2,006,369,837.84	435,600.23	6,973,522,714.05

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments

Invested Entities	Investment cost	Beginning balance	Effects from changes in the scope of consolidation	Changes for the year						Effects from transition in foreign currency statements	Ending balance	Ending balance of impairment provision	
				Increase in investment	Decrease in investment	Investment profits or losses under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends and profits declared				Impairment provision
Joint ventures	2,079,951,625.04	3,321,365,294.68	-5,651,542.05	203,007,075.00	44,630,482.12	1,098,410,293.97	-	32,231.74	-980,758,124.17	-1,058,025.39	-146,451,394.33	3,263,621,378.11	40,020,731.14
DHL-Sinotrans International Air Courier Ltd.	(69,144,505.07	1,155,888,802.48	-	-	-	1,050,670,465.13	-	-	-907,855,460.89	-	-	1,298,688,806.72	-
Dongguan Container Terminal Co., Ltd.	376,633,333.00	346,745,162.30	-	-	-	579,629.97	-	-	-	-	-	347,324,792.27	-
New Land Bridge (Lianyungang) Dock Co., Ltd.	132,385,575.46	205,959,569.98	-	-	-	55,021,213.99	-	-	-11,754,496.56	-	-	199,724,287.01	-
Wuhu Sanqian Port Co. Ltd.	140,000,000.00	130,120,095.57	-	-	-	-46,857.71	-	-	-	-	-	129,663,051.86	-
Chengdu Bonded Logistics Investment Ltd.	95,000,000.00	112,817,164.22	-	-	-	6,783,217.42	-	-	-	-	-	119,600,381.64	-
Sinotrans High-Tech Logistics (Shanghai) Co., Ltd.	105,691,247.29	93,916,010.22	-	-	-	7,465,254.48	-	31,226.57	-	-	-	101,412,491.27	-
Shenyang Jiyun automobile logistics co., LTD	100,000,000.00	93,021,821.37	-	-	-	-2,482,494.07	-	-	-	-	-	90,539,327.30	-
Sinotrans H. Techlogistics (Shanghai) Co., LTD	978,988,300.00	88,033,664.88	-	-	-	-71,110.66	-	-	-	-	-	87,962,554.22	-
Shanghai Huaxing International Container Freight Transportation Co., Ltd.	81,191,596.23	84,712,065.22	-	-	-	-2,141,017.76	-	-	-	-	-	82,571,047.46	-
Shanghai Tongyun International Logistics Co., Ltd.	40,949,160.75	78,869,565.18	-	-	-	3,389,761.69	-	-	-	-	-	82,459,326.87	-
Xinsh-Sinotrans International Logistics Co., Ltd.	55,518,961.25	74,230,301.89	-	-	-	9,866,555.14	-	-	-5,000,000.00	-	-	79,086,857.03	-
Ningbo Dagang Container Co., LTD	49,855,251.00	57,281,584.24	-	-	-	5,098,235.59	-	-	-4,547,415.84	-	-	57,832,403.99	-
Sinotrans Sharon logistics co., LTD	48,000,000.00	55,467,362.22	-	-	-	1,652,745.72	-	-	-	-	-	57,120,107.94	-
Qingdao port Dongjiaokou Sinotrans Logistics Co., Ltd	51,000,000.00	51,132,978.23	-	-	-	15,194,545.8	-	-	-119,704.54	-	-	52,532,728.27	-

(2) Details of long-term equity investments (continued)

Invested Entities	Investment cost	Beginning balance	Effects from changes in the scope of consolidation	Changes for the year						Effects from transition in foreign currency statements	Ending balance	Ending balance of impairment provision
				Increase in investment	Decrease in investment	Investment profits or losses under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends and profits declared			
Shanghai Wai-Hong Yicida International Logistics Co., Ltd.	56,268,942.25	52,226,865.67	-	-	-	-1,135,162.22	-	-	-	-	51,091,701.35	-
Shi Qi Sinotrans Container Depot Co. Ltd	300,000,000.00	49,442,476.84	-	-	-	7,512,545.40	-	-	-8,118,898.26	-	48,836,125.98	-
Sinotrans pfeiffer cold chain logistics co. LTD	900,000,000.00	50,727,333.14	-	-	-	-2,489,756.69	-	-	-	-	48,237,574.45	-
Sinotrans international cold chain logistics (Shanghai) co.LTD (Note1)	23,500,000.00	18,164,061.03	-	3,500,000.00	-	904,246.60	-	-	-	-	22,568,308.63	-
Meihai comprehensive bonded zone hongyin supply chain management co. LTD (Note 2)	4900,000.00	-	-	4900,000.00	-	704,630	-	-	-	-	4,970,478.30	-
Beijing Medical Chain Interchange Supply Chain Management Co. Ltd	3,500,000.00	-	-	3,500,000.00	-	-157,781.36	-	-	-	-	3,342,212.64	-
Shenzhen Zhonglian Tally Co. Ltd (Note 4)	98,789,111.56	123,992,591.11	-	-	-	-	-	-	-32,551,447.50	-91,441,143.61	-	-
Shenzhen Shun Haigong Supply Chain Logistics Co. Ltd.	5,600,000.00	-	-5,661,542.05	5,600,000.00	-	51,542.05	-	-	-	-	-	-
Sinotrans (shou port bonded logistics co. LTD (Note5)	96,000,000.00	61,545,954.63	-	-	-	-7,800,303.62	-	-	-	-53,745,651.81	-	-
Wuhan Port Group Co. Ltd (Note 6)	-	45,613,933.97	-	44,680,482.12	-	-923,451.85	-	-	-	-	-	-
Others	227,935,895.08	291,477,015.49	-	2,807,075.00	-	14,793,889.95	-	1,005.17	-1,081,070.18	1,058,025.39	298,061,811.91	40,020,731.14

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments (continued)

Invested Entities	Investment cost	Beginning balance	Effects from changes in the scope of consolidation	Increase in investment	Decrease in investment	Investment profits or losses under equity method	Changes for the year				Effects from transition in foreign currency statements	Others	Ending balance	Ending balance of impairment provision
							Other comprehensive income adjustments	Other changes in equity	Cash dividends and profits declared	Impairment provision				
Associates	3,413,083,635.02	1,262,418,002.44	2,012,021,379.89	393,928,381.51	532,440,747	72,361,140.74	461,537.45	3,227,557.54	-29,879,429.91	-	-622,425.16	12,645,989.91	3,709,901,335.94	8,414,679.63
CIN Locom (Note 7)	2,012,021,379.89	-	2,012,021,379.89	-	-	-	-	-	-	-	-	-	2,012,021,379.89	-
China Merchants-Hainan Development Investment Co., Ltd. (Note 8)	351,328,381.51	-	-	351,328,381.51	-	-	-	-	-	-	-	-	351,328,381.51	-
Shenzhen Hailing Harbor Development Co., Ltd.	297,818,642.42	410,249,993.39	-	-	-	-17,073,205.26	-	-	-	-	-	-	393,176,785.13	-
Weihai Waidong Shipping Co., Ltd.	286,722,602.90	199,574,093.92	-	-	-	11,557,967.87	461,537.45	-	-8,680,065.00	-	-	-	202,910,534.24	-
Wuluan Port Container Co., Ltd.	127,189,594.38	153,382,669.91	-	-	-	20,574,308.44	-	-	-6,000,000.00	-	-	-	166,963,575.35	-
China merchants logistics group nanjing co. LTD	152,200,000.00	152,200,000.00	-	-	-	14,412,086.74	-	44,570.65	-	-	-	-	166,666,607.39	-
Jiangsu Jaryin Port Group Co., Ltd	593,190,000.00	110,383,699.76	-	-	-	30,787,592.60	-	-	-	-	-	-	141,171,292.36	-
Shanghai Pu Yin Storage Co., Ltd	31,269,456.00	773,548,871	-	-	-	-772,682.77	-	-	-	-	-	-	76,592,805.94	-
Ma Anshan Tianshun Port Co., Ltd.	21,000,000.00	26,925,297.07	-	-	-	1,983,132.03	-	-	-	-	-	-	28,908,429.10	-
Zhejiang Port Changning Port Co., Ltd (Note 9)	20,100,000.00	-	-	20,100,000.00	-	-	-	-	-	-	-	-	20,100,000.00	-
Shenyang Fuyun Cold Chain Logistics Co., Ltd (Note 10)	20,000,000.00	-	-	20,000,000.00	-	-2,905,460.34	-	-	-	-	-	-	17,094,539.66	-
Others	114,114,597.92	133,380,165.68	-	2,900,000.00	532,440,747	13,797,451.43	-	3,227,986.89	-15,196,364.91	-	-622,425.16	12,645,989.91	133,027,005.37	8,414,679.63
Total	5,492,925,260.96	4,583,782,297.12	2,006,349,887.84	414,225,665.51	5,001,488,839	1,170,771,434.71	461,537.45	3,304,782.28	-1,010,637,554.08	-	-435,600.23	-145,186,795.42	6,973,522,714.05	12,434,952.77

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments (continued)

- Note 1: Sinotrans SENKO International Cold Logistics (Shanghai) Co., Ltd. ("Sinotrans SENKO") is a joint venture of the Group, which was jointly established by Sinotrans Air, a subsidiary of the Group, and SENKO and RUNTEC in 2016. Sinotrans Air invested RMB20 millions, holding 50% of its shares. Sinotrans Air, SENKO and RUNTEC jointly controlled Sinotrans SENKO, hence it is accounted for using the equity method. In 2018, Sinotrans Air, SENKO and RUNTEC carried out the same proportion of capital increase of Sinotrans SENKO, and after the capital increase, Sinotrans Air increased its capital of RMB3.50 millions to Sinotrans SENKO, but the shares of the Company's equity in Sinotrans SENKO remained unchanged.
- Note 2: Weihai Comprehensive Bonded Zone Hongxin Supply Chain Management Co. Ltd. ("Hongxin Supply Chain"), a joint venture of the Group, which was jointly established by Weihai Sinotrans Logistics Development Co., Ltd. ("Weihai Sinotrans"), a subsidiary of the Group, and Weihai Integrated Bonded Zone Xinxing Development Co., Ltd. ("Weihai Bonded") on 10 April 2018. In 2018, Weihai Sinotrans contributed RMB4.90 millions, holding 49% of its shares, and Weihai Bonded contributed RMB5.10 millions, holding 51% of its shares. According to the regulations of Hongxin Supply Chain, Weihai Sinotrans and Weihai Bonded jointly control the company, hence it is accounted for using the equity method.
- Note 3: Beijing Medical Chain Interchange Supply Chain Management Co., Ltd. ("Medical Chain Interchange"), a joint venture of the Group, was established with the joint investment by Sinotrans Modern Logistics Co., Ltd. ("Modern Logistics"), a subsidiary of the Group, and Liu Yang in September 2018. Modern Logistics contributed RMB3.50 millions, holding 35% of its shares. According to the regulations of Medical Chain Interchange, Modern Logistics and Liu Yang jointly control the company, hence it is accounted for using the equity method.
- Note 4: China United Tally Co., Ltd. ("China United Tally") is originally a joint venture, which was jointly established by the Company and COSCO Shipping Logistics Co., Ltd. ("COSCO Shipping") on 13 May 2003, and the Company holds 32% of the shares of China United Tally. In accordance with the regulations, both parties jointly control China United Tally, hence it is accounted for using the equity method. On 13 May 2018, the Company entered into an Agreement for Relevant Arrangements of China United Tally with COSCO Shipping, which stipulates that from 1 January 2018 to 31 December 2019, the Company will no longer participate in the operation and management of China United Tally. Regardless of the profit or loss of China United Tally in the current year, the Company shall collect a fixed amount of RMB10 millions per year from China United Tally, other than that, the Company shall no longer be entitled to enjoy any proceeds from China United Tally in accordance with its shareholding ratio nor bear any losses for the year. As the Company no longer has a significant influence on China United Tally, the investment is treated as other non-current financial assets at the end of the year.
- Note 5: As stated in Note X.7, the Group intends to dispose the equity investment in Luzhou Bonded and has obtained a certain purchase commitment. Therefore, the equity investment is classified as assets held-for-sale at the end of the year.
- Note 6: Wuhan Zhonggang Logistics Co., Ltd. ("Wuhan Zhonggang") is a joint venture of the Group, which was jointly established by Sinotrans Hubei Co., Ltd. ("Sinotrans Hubei") and Wuhan Port Group Co., Ltd. ("Wuhan Port"). Sinotrans Hubei invested RMB34.68 million, holding 45% of its shares. In November 2018, Sinotrans Hubei signed the property rights transaction contract with Wuhan Port stating that 45% equity held by Sinotrans Hubei was transferred to Wuhan Port, and the consideration for the transfer equity was RMB47.88 million.
- Note 7: CM Loscam is recognised as a joint venture at the end of the year due to the disposal of its equity. The details for the disposal are stated in Note IX 2, (2).
- Note 8: Hainan Development Investment Co., Ltd. ("China Merchants Hainan") is an associate of the Group, which was jointly established by Sinotrans (Hong Kong) Logistics Co., Ltd. ("Hong Kong Logistics"), a subsidiary of the Group, China Merchants Group (Hong Kong) Co., Ltd., JumboPacific Holdings Limited, Chiwan Port (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, the registered capital of China Merchants Hainan is RMB350,000, of which Hong Kong Logistics has a capital contribution of RMB350 million, holding 10% of its shares. One director was appointed to participate in financial and operational policy decisions. The Group has a significant influence on China Merchants Hainan, hence it is accounted for using the equity method.
- Note 9: Zhejiang Port Changxing Port Co., Ltd. ("Zhejiang Meigang") is an associate of the Group, which was jointly established by Zhejiang Sinotrans Co., Ltd. ("Sinotrans Zhejiang Company"), a subsidiary of the Group, Zhejiang Port Neihe Port Development Co., Ltd., Changxing South Taihu Investment Development Co., Ltd. and Changxing Xuyu Investment Co., Ltd. The registered capital of Zhejiang Meigang is RMB187.00 million. Among them, Sinotrans Zhejiang Company subscribes the capital contribution of RMB56.10 million, holding 30% of its shares. In 2018, the first paid contribution of Zhejiang Company was RMB20.10 million, and the remaining RMB36.00 million will pay in full according to the progress of actual fund demand for project development. According to the Zhejiang Meigang Regulations, the Group has a significant influence on Zhejiang Meigang, hence it is accounted for using the equity method.
- Note 10: Shenyang Fuyun Cold Chain Logistics Co., Ltd. ("Shenyang Fuyun"), is an associate of the Group, which was jointly established by Sinotrans Liaoning Co., Ltd. ("Sinotrans Liaoning Company"), a subsidiary of the Group, and Shenyang Frozen Food Company on November 17, 2017. Sinotrans Liaoning Company invested RMB20.00 million in 2018, holding 40% of its shares. Shenyang Frozen Food Company contributed RMB30.00 million, holding 60% of its shares. According to the regulations of Shenyang Fuyun Company, the Group has a significant influence on Shenyang Fuyun, hence it is accounted for using the equity method.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(3) The changes in the provision for impairment of long-term equity investments are as follows:

Items	Beginning balance	Effects of changes in the scope of consolidation	Increase of the year	Decrease	Decrease of the year	Effects from translation in foreign currency statements	Ending balance
					Decrease reason		
Sinotrans Luzhou Port Bonded Logistics Co. Ltd	14,842,000.00	-	-	14,842,000.00	Transfer to the assets classified as held-for-sale	-	-
Sinotrans Hongfeng (Shanghai) International Logistics co. Ltd	4,020,273.14	-	-	-	-	-	4,020,273.14
Beijing Merchants Science City Red Estate Development Co., Ltd.	5,379,016.50	-	-	-	-	259,330.50	5,638,347.00
Beijing Honglian Technology co. Ltd	1,369,204.20	-	-	-	-	66,011.40	1,435,215.60
Ningbo Beilun Donghua Container Service Co., Ltd.	1,279,433.61	-	-	-	-	61,683.42	1,341,117.03
Total	26,889,927.45	-	-	14,842,000.00	-	387,025.32	12,434,952.77

(4) Investments in joint ventures

Name of invested entities	Place of registration	Principal place of business	Registered capital	Shareholding ratio(%)	Voting ratio(%)	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total operating revenue for the year	Net profit for the year	Net profit of the invested entity attributable to the parent company for the year
Joint ventures:											
DHL-Sinotrans International Air Courier Ltd.	Beijing	Air-freight courier	USD14.5M	50.00	50.00	4,671,300,938.77	2,073,933,345.33	2,597,367,613.44	12,715,763,932.26	2,101,340,930.26	2,101,340,930.26
Dongguan Container Terminals Co., Ltd	Dongguan	Harbour operating	RMB670M	49.00	49.00	1,442,577,902.79	915,493,616.36	527,084,286.43	252,992,416.81	5,860,505.68	5,860,505.68
New Land Bridge(Lianyungang)Dock Co., Ltd.	Lianyungang	Port development	RMB395M	42.00	42.00	529,791,675.71	54,257,659.05	475,534,016.66	241,120,196.81	13,143,366.64	13,143,366.64
Chengdu Bonded Logistics Investment Ltd.	Sichuan	Freight forwarding	RMB175M	54.29	54.29	235,801,344.44	15,502,243.98	220,299,100.46	40,785,578.35	14,089,357.21	14,089,357.21
Total	-	-	-	-	-	6,879,471,881.71	3,059,186,864.72	3,820,285,016.99	13,250,662,124.23	2,134,434,159.79	2,134,434,159.79

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(5) Main financial information of important joint ventures

Items	Ending balance/amount of current year				Beginning balance/amount of last year			
	DHL-Sinotrans International Air Courier Ltd.	Dongguan Container Terminals Co., Ltd	New Land Bridge (Lianyungang) Dock Co., Ltd.	Chengdu Bonded Logistics Investment Ltd.	DHL-Sinotrans International Air Courier Ltd.	Dongguan Container Terminals Co., Ltd	New Land Bridge (Lianyungang) Dock Co., Ltd.	Chengdu Bonded Logistics Investment Ltd.
Current assets	3,940,308,666.53	147,123,609.53	174,598,688.76	42,326,369.84	3,577,079,414.12	198,014,973.24	151,871,295.07	42,775,252.75
Non-current assets	730,992,292.24	1,295,454,293.26	355,192,986.95	193,474,974.60	734,655,045.56	1,347,875,964.89	383,710,033.68	191,466,121.81
Total assets	4,671,300,958.77	1,442,577,902.79	529,791,675.71	235,801,344.44	4,311,734,459.68	1,545,890,938.13	535,581,328.75	234,241,374.56
Current liabilities	2,015,939,894.23	185,671,392.90	44,227,833.03	15,502,243.98	1,923,796,945.43	190,608,972.62	32,098,956.48	28,031,631.31
Non-current liabilities	57,993,451.10	729,822,223.46	10,029,826.02	-	76,199,809.29	831,775,271.98	13,104,824.70	-
Total liabilities	2,073,933,345.33	915,493,616.36	54,257,659.05	15,502,243.98	1,999,996,854.72	1,022,384,244.60	45,203,781.18	28,031,631.31
Net assets	2,597,367,613.44	527,084,286.43	475,534,016.66	220,299,100.46	2,311,737,604.96	523,506,693.53	490,377,547.57	206,209,743.25
Share of net assets calculated at the shareholding ratio	1,298,683,806.72	258,271,300.35	199,724,287.01	119,600,381.64	1,155,868,802.48	256,518,279.83	205,958,569.98	111,951,269.61
Adjustments	-	-	-	-	-	-	-	865,894.61
Carrying amounts of equity investments in joint ventures	1,298,683,806.72	347,324,792.27	199,724,287.01	119,600,381.64	1,155,868,802.48	346,745,162.30	205,958,569.98	112,817,164.22
Fair value of equity Investments with public offer	-	-	-	-	-	-	-	-
Operating revenue	12,715,763,932.26	252,992,416.81	241,120,196.81	40,785,578.35	11,926,245,473.28	220,607,490.59	258,758,193.56	37,714,333.41
Finance costs	-35,586,274.27	44,427,462.05	-2,231,605.31	-326,747.44	-25,554,133.76	45,577,811.57	-569,352.01	-370,009.76
Income tax expenses	679,016,800.34	-	4,464,302.61	4,637,198.55	599,856,386.55	-	8,950,305.91	4,227,079.31
Net profit	2,101,340,930.26	5,860,505.68	13,143,366.64	14,089,357.21	1,786,309,802.18	5,467,054.05	31,096,552.81	12,886,915.68
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	2,101,340,930.26	5,860,505.68	13,143,366.64	14,089,357.21	1,786,309,802.18	5,467,054.05	31,096,552.81	12,886,915.68
Dividends from joint ventures for the year	907,855,460.89	-	-	-	811,129,969.54	-	8,950,217.75	-

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(6) Investments in associates

Name of invested entities	Place of registration	Principal place of business	Registered capital	Shareholding ratio(%)	Voting ratio(%)	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total operating revenue for the year	Net profit for the year	Net profit of the invested entity attributable to the parent company for the year
Associate	—	—	—	—	—	—	—	—	—	—	—
China Merchants Lukai International Holdings Co., Ltd.	BVI	Container lease	USD101	45.00	45.00	6,069,309,055.15	3,066,147,955.17	3,003,161,099.98	1,508,443,898.47	231,089,398.32	231,089,398.32
Shenzhen Haixing Harbor Development Co., Ltd.	Shenzhen	Warehouse and port services	RMB530M	33.00	33.00	790,114,769.70	133,429,898.34	656,684,871.36	28,408,228.71	-39,601,244.37	-39,601,244.37
Weihai Weidong Shipping Co., Ltd.	Weihai	Shipping	USD15M	30.00	30.00	920,185,201.01	243,816,753.53	676,368,447.48	771,077,774.72	38,526,559.57	38,526,559.57
China Merchants Logistics Group Nanjing Co. LTD	Nanjing	Logistic	RMB50M	45.00	45.00	176,185,395.55	86,220,332.51	89,965,063.04	394,675,690.94	32,026,748.32	32,026,748.32
Wuhan Port Container Co., Ltd.	Wuhan	Containers handling and freight forwarding	RMB400M	30.00	30.00	900,087,701.77	352,728,007.53	547,359,694.24	131,301,140.02	68,581,028.14	68,581,028.14
Total	—	—	—	—	—	8,855,882,123.18	3,882,342,947.08	4,973,539,176.10	2,833,906,732.86	330,622,489.98	330,622,489.98

(7) Main financial information of important associates

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Chapter 13 Financial Report

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(8) Summary information of other unimportant joint ventures and associates

Items	Amount of current year	Amount of last year
Joint ventures:		
Total carrying amounts of investments	1,298,288,110.47	1,499,975,595.70
Total amount of the following items calculated at the shareholding ratio	–	–
Net profit	34,856,767.46	60,287,088.70
Other comprehensive income	–	-1,796,360.99
Total comprehensive income	34,856,767.46	58,490,727.71
Associates:		
Total carrying amounts of investments	768,172,453.94	348,004,651.22
Total amount of the following items calculated at the shareholding ratio	–	–
Net profit	42,890,032.95	30,048,980.51
Other comprehensive income	–	-562,771.31
Total comprehensive income	42,890,032.95	29,486,209.20

(9) The Group had no restriction of transfer funds from the long-term equity investments.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. OTHER EQUITY INSTRUMENT INVESTMENTS

Items	Reasons for designation as other equity instrument investments	Ending balance	Beginning balance	Dividend income
Other equity instrument investments	—	—	—	—
Including: The Group in Air China Limited	Non-sale of non-transactional equity instruments in the foreseeable future	22,038,321.08	35,538,235.04	331,642.12
BOE Technology Group Co., Ltd	Non-sale of non-transactional equity instruments in the foreseeable future	132,420,500.00	291,526,500.00	2,517,500.00
Total	—	154,458,821.08	327,064,735.04	2,849,142.12

Note: On 31 December 2018, other equity instrument investments were the listed equity investments of 2,884,597 shares held by the Group in Air China Limited and the listed equity investments of 50,350,000 shares in BOE Technology Group Co., Ltd., and their fair value at the end of the period was RMB22,038,321.08 and RMB132,420,500.00 respectively.

These investments are non-transactional equity instruments and are not expected by the Group to be sold in the foreseeable future, and the Group irrevocably designates the above financial assets as financial assets that are measured at fair value and whose changes are included in other comprehensive income.

The dividend income of RMB2,849,142.12 was received during the period from 1 January 2018 to 31 December 2018.

13. OTHER NON-CURRENT FINANCIAL ASSETS

Items	Ending balance	Beginning balance
Financial assets classified as measured at fair value whose changes are included in current profits and losses	493,936,852.61	226,192,723.59
Including: debt investments (i)	493,936,852.61	226,192,723.59
Total	493,936,852.61	226,192,723.59

- (i) As at 31 December 2018, other non-current financial assets were invested in equity instruments held by the Group. The equity instruments mainly include: the carrying amount of the Group's investment in Nanjing Port Longtan Containers was RMB184,626,449.99, the carrying amount of the investment at China Merchants Logistics Synergy Limited Partnership was RMB159,619,125.00, and the carrying amount of the investment of China United Tally was RMB91,441,143.61. The carrying amount of investment at Shenyang Airport Logistics Co., Ltd. at the end of the period was RMB33,730,000.00, and the carrying amount of investment for China-Belarus Industrial Investment Fund was RMB16,777,930.74.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENT PROPERTIES

(1) Investment properties measured at cost

Items	Houses and buildings	Land use rights	Total
I. Original value			
Beginning balance	971,706,533.45	58,876,962.75	1,030,583,496.20
Effects of changes in the scope of consolidation	—	—	—
Acquisition for the year	6,764,954.91	—	6,764,954.91
Conversion of inventories to Investment properties	—	—	—
Conversion of fixed assets to Investment properties	157,943,263.62	—	157,943,263.62
Conversion of construction in process to Investment properties	1,552,998,412.68	—	1,552,998,412.68
Conversion of intangible assets to investment properties	—	18,614,642.63	18,614,642.63
Disposal for the year	12,888,246.14	—	12,888,246.14
Transfer from Investment properties to fixed assets	184,601,467.38	—	184,601,467.38
Other transfer-out	—	37,241,401.71	37,241,401.71
Effects from translation in foreign currency statements	29,404,146.35	—	29,404,146.35
Ending balance	2,521,327,597.49	40,250,203.67	2,561,577,801.16
II. Accumulated depreciation and accumulated amortization			
Beginning balance	55,683,117.50	7,256,941.12	62,940,058.62
Effects of changes in the scope of consolidation	—	—	—
Accrued amount for the year	35,453,980.50	248,927.76	35,702,908.26
Conversion of inventories to Investment properties	—	—	—
Conversion of fixed assets to Investment properties	21,292,264.68	—	21,292,264.68
Reclassified from intangible assets	—	3,473,253.61	3,473,253.61
Conversion of construction in process to Investment properties	—	—	—
Disposal for the year	3,970,936.96	—	3,970,936.96
Transfer from Investment properties to fixed assets	34,794,930.56	—	34,794,930.56
Other transfer-out	—	3,778,789.92	3,778,789.92
Effects from translation in foreign currency statements	1,100,845.54	—	1,100,845.54
Ending balance	74,764,340.70	7,200,332.57	81,964,673.27
III. Impairment provision			
Beginning balance	3,979,377.02	—	3,979,377.02
Provisions	—	—	—
Due from exchange lossess	88,287.19	—	88,287.19
Other additions	—	—	—
Recover for write-off	—	—	—
Due from exchange fluctuation	157,504.86	—	157,504.86
Other deductions	2,303,368.82	—	2,303,368.82
Ending balance	1,606,790.53	—	1,606,790.53
IV. Net amount			
Beginning balance	912,044,038.93	51,620,021.63	963,664,060.56
Ending balance	2,444,956,466.26	33,049,871.10	2,478,006,337.36

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENT PROPERTIES (CONTINUED)

(2) Year-end value of Investment properties without certificate of title and reasons

Items	Carrying amounts	Reasons for failure to receive the certificate of title	Expected time of receiving the certificate of title
China Merchants Logistics Center (Hong Kong No181 Project)	2,161,867,835.00	under processing	Within 2019
Tianzhu Airport Logistics Center	145,911,111.00	under processing	Within 2019
Pudong International Airport Warehousing Project	59,603,003.90	under processing	Within 2019
10 th floor, 3rd Building, Visioral and Radio Culture Square, Sightseeing Tower Block C, Chengdu 339 Building, Sichuan	33,152,166.53	under processing except fire system	Within 2019
Total	2,400,534,117.00	—	—

15. FIXED ASSETS

Items	Ending balance	Beginning balance
Fixed assets	11,938,678,124.66	13,742,446,806.12
Clearance of fixed assets	3,421,608.05	—
Total	11,942,099,732.71	13,742,446,806.12

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. FIXED ASSETS (CONTINUED)

(1) Fixed Assets

1) Details of fixed assets classification

Items	Houses and buildings	Port and terminal facilities	Motor vehicles and vessels	Machinery equipment, furniture, appliances and other equipment	Total
I. Original value					
Beginning balance	10,224,457,632.68	1,305,837,461.11	1,664,128,991.14	7,948,919,828.25	21,143,343,913.18
Effects of changes in the scope of consolidation	-105,239,045.28	—	-400,300.00	-3,533,928,035.53	-3,639,567,380.81
Acquisition for the year	105,154,189.41	1,238,123.66	92,377,918.96	1,088,869,368.65	1,287,639,600.68
Increment through revaluation	—	—	—	—	—
Transfer of construction in process for the year	616,550,075.19	445,257.57	—	385,332,539.65	1,002,327,872.41
Transfer of inventories for the year	—	—	—	—	—
Transfer of Investment properties for the year	184,601,467.38	—	—	—	184,601,467.38
Other decrease	31,979,301.79	—	91,721.94	19,173,042.28	51,244,066.01
Disposal for the year	60,920,866.95	—	190,228,248.64	569,050,603.15	820,199,718.74
Reclassification	—	—	—	-2,153,793.12	-2,153,793.12
Conversion to Investment properties for the year	157,943,263.62	—	—	—	157,943,263.62
Effects from translation in foreign currency statements	1,310,936.57	—	63,748.36	29,663,352.60	31,038,037.53
Other increase	6,024,825.05	—	20,481,166.68	74,228,425.36	100,734,417.09
Ending balance	10,833,925,602.12	1,307,520,842.34	1,545,552,665.08	5,292,597,274.27	18,979,596,383.81
II. Accumulated depreciation					
Beginning balance	2,330,468,808.76	499,517,693.65	1,026,808,988.02	3,386,107,586.72	7,242,903,077.15
Effects of changes in the scope of consolidation	-14,272,139.77	—	-289,134.00	-885,473,966.96	-900,035,240.73
Accrued amount for the year	349,852,513.49	22,649,613.69	122,390,638.77	684,952,633.77	1,179,845,399.72
Transfer of construction in process for the year	—	—	—	—	—
Transfer of inventories for the year	—	—	—	—	—
Transfer of Investment properties for the year	34,794,930.56	—	—	—	34,794,930.56
Other transfer-out	1,995,409.54	—	-798,629.68	49,550,214.01	50,746,993.87
Disposal for the year	37,498,884.01	—	152,115,754.06	393,446,778.81	583,061,416.88
Reclassification	—	—	—	—	—
Conversion to Investment properties for the year	21,292,264.68	—	—	—	21,292,264.68
Effects from translation in foreign currency statements	712,562.63	—	58,494.43	17,797,489.91	18,568,546.97
Ending balance	2,640,770,117.44	522,167,307.34	997,651,862.84	2,760,386,750.62	6,920,976,038.24
III. Impairment provision					
Beginning balance	6,953,177.54	—	111,309,862.07	39,730,990.30	157,994,029.91
Ending balance	4,761,674.17	—	111,309,862.07	3,870,684.67	119,942,220.91
IV. Net amount					
Beginning balance	7,887,035,646.38	806,319,767.46	526,010,141.05	4,523,081,251.23	13,742,446,806.12
Ending balance	8,188,393,810.51	785,353,535.00	436,590,940.17	2,528,339,838.98	11,938,678,124.66
Net mortgaged assets at the end of the year	316,373,517.79	—	—	16,472,415.91	332,845,933.70

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (continued)

1) Details of fixed assets classification (continued)

Note 1: The effects of changes in the scope of consolidation is due to the disposed of CM Loscam's equity.

Note 2: The changes in the impairment provision for the year ended 2018 include (1) The disposal of the fixed assets in "Wide Sine" that have been provisioned for impairment. (2) The disposal of CM Loscam's equity and the write-off impairment provision of fixed assets. (3) The provision of impairment for the risk demolition due to the illegal construction of China Merchants Logistics Huizhou Company.

2) Fixed assets fully depreciated at the end of the year but still in use and temporary idleness, disposal and retirement of fixed assets for the year:

Items	Amount	Remark
1. Original value of fixed assets fully depreciated at the end of the year but still in use	1,200,344,220.62	—
2. Original value of temporarily idle fixed assets at the end of the year	389,796.00	—
3. Disposal and retirement of fixed assets for the year		—
(1) Original value of disposal and retirement of fixed assets for the year	820,199,718.74	—
(2) Net value of disposal and retirement of fixed assets for the year	237,138,301.86	—
(3) Gains and losses from disposal and retirement of fixed assets for the year	139,391,911.69	—

3) There had no temporarily idle fixed assets during the year

4) There had no fixed assets rented through financial lease during the year.

5) Fixed assets rented through operating lease

Items	Carrying amounts
Houses and buildings	—
Port and terminal facilities	—
Machinery equipment, furniture, appliances and other equipment	590,570,119.79
Motor vehicles and vessels	3,634,280.70
Total	594,204,400.49

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (continued)

6) Fixed assets under the land certificate handling

Entity name	Items	Ending balance	Reasons for under the land certificate handling
China Merchants Logistics	North east distribution center (Phase 1&2)	124,467,863.48	Temporary buildings occupied other lands
China Merchants Logistics	Kunming distribution center (Phase 1)	106,228,321.97	Completion inspection is under processing
China Merchants Logistics	Nanchang distribution center	96,221,893.60	The land was levied by governments
China Merchants Logistics	Code warehouse phase II	93,600,196.81	The completion of the land inspection haven't completed due to greening problem
China Merchants Logistics	Harbin distribution center phase II	85,202,410.66	Original land development graph was not complied with the regulations, is under processing
China Merchants Logistics	Turnover warehouse phase II	70,618,523.28	The completion of the land inspection haven't completed due to greening problem
Sinotrans Hubei Company Limited	Caidian Logistics Base	67,295,452.77	Under processing
Sinotrans Air Transportation Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. office center	60,366,111.27	Completion inspection is under processing
Sinotrans Air Transportation Development Co.	Pudong International Airport warehouse	59,603,003.90	Under processing
Sinotrans Air Transportation Development Co.	Wuhan supply chain export bases	54,323,728.61	The land still under completion inspection and environmental inspection
Sinotrans Air Transportation Development Co.	Sinotrans logistics office center, No.1, No.2, warehouse and security room	46,754,197.49	Waiting for field survey to be completed
Sinotrans Air Transportation Development Co.	Zhengzhou airport office center	43,189,287.61	Not yet completed
Sinotrans Air Transportation Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. warehouse no.1	42,116,052.14	Completion inspection is under processing
China Merchants Logistics	Changchun distribution center warehouse no.7	39,778,647.90	Under processing
China Merchants Logistics	Changchun distribution center warehouse no.1	39,696,039.61	Under processing
Sinotrans Air Transportation Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. warehouse no.7	36,374,897.57	Completion inspection is under processing
China Merchants Logistics	Changchun distribution center warehouse no.3	33,893,907.83	Under processing
Sinotrans North China Co., Limited	Stations	33,367,601.35	Due to submission already lasting for a long time, there are some miss of submission required documents
Sinotrans Air Transportation Development Co.	20 Tianzhu Road, Tianzhu Airport Industrial Zone	32,643,797.88	Under processing
Sinotrans Chongqing Co., Ltd	Office center 339	32,005,393.47	Fire system completion inspection failed
China Merchants Logistics	Changchun distribution center warehouse no.15	31,681,132.18	Under processing
Sinotrans Air Transportation Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. warehouse no.72	25,508,467.10	Completion inspection is under processing

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (continued)

6) Fixed assets under the land certificate handling (continued)

Entity name	Items	Ending balance	Reasons for under the land certificate handling
Sinotrans Liaoning Co., Ltd	No.701001-7 warehouse, factory 2	20,822,964.70	Under processing, would be completed during 2019
Sinotrans Liaoning Co., Ltd	No.701011-13warehouse, factory 2	20,758,051.16	Under processing, would be completed during 2019
China Merchants Logistics	Zhangzhou distribution center – warehouse 1	19,321,796.28	Due to some obstacles on completion stage, the construction is under communication with different parties
Sinotrans Liaoning Co., Ltd	No 701010-12 warehouse, factory 2	18,405,616.15	Under processing, would be completed during 2019
Sinotrans Liaoning Co., Ltd	No 701002-8 warehouse, factory 2	15,949,713.94	Under processing, would be completed during 2019
Sinotrans Air Transportation Development Co.	Zhangzhou airport warehouse 2	14,890,011.00	Not yet completed
China Merchants Logistics	North east distribution center	14,060,654.41	Problem on temporary buildings
China Merchants Logistics	Zhangzhou distribution center – warehouse 2	14,024,766.50	Due to some obstacles on completion stage, the construction is under communication with different parties
Sinotrans Air Transportation Development Co.	Zhangzhou airport warehouse 3	13,801,592.64	Not yet completed
Sinotrans South China Co., Limited	Xiwanhuating office center	13,107,797.14	Development parties haven't completed the acquiring process
China Merchants Logistics	Integration center phase 2	11,903,235.71	The completion of the land inspection haven't completed due to greening problem
Trade Sky International Limited	Fuzhou Dayu Mawei Comprehensive Building and No.1 and No.2 Treasury	5,693,465.79	Fire system completion inspection failed
China Merchants Logistics	Integration center	5,395,079.35	Under processing
Total		1,443,071,673.25	

(2) Clearance of fixed assets

Items	Ending balance	Beginning balance
Clearance of fixed assets	3,421,608.05	–
Total	3,421,608.05	–

Chapter 13 Financial Report

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CONSTRUCTION IN PROCESS

(1) Details of construction in process

Items	Ending balance			Beginning balance		
	Book balance	Impairment provision	Carrying amounts	Book balance	Impairment provision	Carrying amounts
Jiangmen Distribution High-tech Zone Public Terminal	542,777,025.31	-	542,777,025.31	372,900,964.45	-	372,900,964.45
Shaanxi Company Distribution Center	201,355,419.46	-	201,355,419.46	85,167,830.08	-	85,167,830.08
Anhui Hefei Distribution Center	175,114,467.44	-	175,114,467.44	122,881,884.20	-	122,881,884.20
Sinotrans Western Logistics Park Logistics Center	137,274,549.97	-	137,274,549.97	118,162,770.36	-	118,162,770.36
Guangxi Nanning Distribution Center	115,566,374.08	-	115,566,374.08	43,170,602.96	-	43,170,602.96
Qingdao Logistics Center Project	96,295,676.04	-	96,295,676.04	43,625,061.47	-	43,625,061.47
Ningbo Distribution Center	84,930,936.43	-	84,930,936.43	72,277,359.32	-	72,277,359.32
Sinotrans Changchun Logistics Center	76,855,544.14	-	76,855,544.14	133,686,225.20	-	133,686,225.20
Yangzhou Distribution Center	52,890,479.84	-	52,890,479.84	52,002,490.96	-	52,002,490.96
Hefei Airport Logistics Center Project Comprehensive Bonded Area Warehousing Project	50,107,956.04	-	50,107,956.04	48,299,251.85	-	48,299,251.85
Sinotrans Tianjin Airport Integrated Logistics Base Project	48,558,637.74	-	48,558,637.74	23,416,055.80	-	23,416,055.80
Zhenjiang Distribution Center	43,620,761.25	-	43,620,761.25	28,076,853.35	-	28,076,853.35
Changchun Xinglong Distribution Center	37,797,284.32	-	37,797,284.32	3,950,669.21	-	3,950,669.21
Hengxi Warehouse	25,680,982.30	-	25,680,982.30	54,855,593.12	-	54,855,593.12
Zhengzhou Airport Logistics Park Warehouse No.1	25,216,841.95	-	25,216,841.95	3,736,610.70	-	3,736,610.70
Fangchenggang Dongwan Phase II	23,497,612.62	-	23,497,612.62	23,497,612.62	-	23,497,612.62
Yunnan Company Distribution Center	21,032,130.68	-	21,032,130.68	20,232,130.68	-	20,232,130.68
China Merchants Logistics Center 13A office building renovation	17,685,474.91	-	17,685,474.91	74,608,393.97	-	74,608,393.97
Tianjin Weiyi Distribution Center	17,430,958.07	-	17,430,958.07	-	-	-
Logistic Center (Northeast)	15,377,093.99	-	15,377,093.99	15,349,263.80	-	15,349,263.80
Wuhan Supply Chain Logistics Export Processing Base	35,124,921.29	20,722,000.00	14,402,921.29	35,124,921.29	-	35,124,921.29
Xinjiang Ganquanbao Distribution Center	13,764,899.70	-	13,764,899.70	10,075,473.98	-	10,075,473.98
Warehouse	11,682,357.81	-	11,682,357.81	11,289,035.41	-	11,289,035.41
China Merchants Logistics Center	10,835,582.14	-	10,835,582.14	292,615.72	-	292,615.72
Shanghai Cold Chain Logistics Center Phase II	-	-	-	1,380,545,859.16	-	1,380,545,859.16
Nanchang Distribution Center	-	-	-	79,905,722.96	-	79,905,722.96
Qichun Port Pipe Kiln Port Area Kiln Operation Area Logistics Integrated Terminal (land area))	-	-	-	40,788,973.96	-	40,788,973.96
Others	-	-	-	26,228,784.47	-	26,228,784.47
	137,697,562.01	100,000.00	137,597,562.01	571,507,983.24	100,000.00	571,407,983.24
Total	2,018,171,529.53	20,822,000.00	1,997,349,529.53	3,495,656,994.29	100,000.00	3,495,556,994.29

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CONSTRUCTION IN PROCESS (CONTINUED)

(2) Construction in process with the top 10 largest book balance at the end of the year.

Items	Budget amount	Beginning balance	Increase of the year	Effects of changes in the scope of consolidation	Transfer to fixed assets	Other decreases	Ending balance	Proportion of project investment to budget amount (%)	Project progress (%)	Accumulated amount of interest capitalization	Including: Amount of interest capitalization for the year	Interest capitalization rate for the year	Sources of funds
Gaoxin Region Public Pier	1,189,000,000.00	372,900,964.45	169,876,060.86	-	-	-	542,777,025.31	45.65	45.00	-	-	-	Company capital
Shaanxi Company													
Distribution Center	460,000,000.00	85,167,830.08	116,187,589.38	-	-	-	201,355,419.46	43.77	43.77	7,856,671.86	3,914,549.04	3.92	Bank loan
Merchants Anhui Hefei													
Distribution Center Phase II	231,800,000.00	122,881,884.20	52,232,583.24	-	-	-	175,114,467.44	75.55	84.00	14,857,425.02	7,047,000.01	3.92	Bank loan
Sinotrans Western Logistics													
Park Logistics Center	260,000,000.00	118,162,770.36	19,111,779.61	-	-	-	137,274,549.97	52.80	85.00	1,638,603.07	1,638,603.07	9.38	Bank loan
Guangxi Nanning													
Distribution Center	300,000,000.00	43,170,602.96	72,395,771.12	-	-	-	115,566,374.08	38.52	38.52	3,936,749.92	1,957,499.96	3.92	Bank loan
Qingdao Logistics Center	173,750,000.00	43,625,061.47	52,670,614.57	-	-	-	96,295,676.04	55.42	58.00	3,931,312.42	1,957,499.96	3.92	Bank loan
Ningbo Distribution Center	164,381,847.60	72,277,359.32	15,220,178.85	-	2,566,601.74	-	84,930,936.43	36.86	36.86	6,298,800.02	3,132,000.01	3.92	Bank loan
Sinotrans Changchun													
Logistics Center	208,504,956.00	64,399,259.54	12,456,284.60	-	-	-	76,855,544.14	95.00	95.00	-	-	-	Company capital
Yangzhou Distribution Center	96,320,000.00	52,002,490.96	1,889,755.93	-	1,001,767.05	-	52,890,479.84	55.95	55.95	-	-	-	Company capital
Hefei Airport Logistics													
Center Project	99,430,000.00	48,299,251.85	25,443,655.59	-	23,634,951.40	-	50,107,956.04	74.17	50.00	-	-	-	Company capital
Total	3,183,186,803.60	1,022,887,475.19	537,484,273.75	-	27,203,320.19	-	1,533,168,428.75	--	--	38,519,562.31	19,647,152.05	--	--

(3) Provision for impairment of construction in process for the year

Items	Accrued amount for the year	Accrual reason
Logistic center (Northeast)	20,722,000.00	No land use rights, have demolition risk
Total	20,722,000.00	—

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. INTANGIBLE ASSETS

1) Intangible assets

Items	Beginning balance	Effects of changes in the scope of consolidation	Increase of the year	Decrease of the year	Reclassification	Effects from translation in foreign currency statements	Ending balance
I. Total original value	6,579,400,938.06	-308,146,559.49	242,313,500.31	39,360,411.73	-	35,835,860.68	6,510,043,327.83
Including: Land use rights (note)	5,801,008,727.59	-16,648,057.21	164,903,779.88	28,332,308.71	-	51,083,514.98	5,972,015,656.53
Trademark rights	281,426,400.00	-255,725,000.00	-	1,208,000.00	-	-14,193,400.00	10,300,000.00
Software	415,242,148.08	-35,773,502.28	77,231,753.73	5,436,491.64	-	-1,026,777.41	450,237,130.48
Others	81,723,662.39	-	177,966.70	4,383,611.38	-	-27,476.89	77,490,540.82
II. Total accumulated amortization	1,109,876,412.10	-34,784,099.10	162,281,434.20	13,733,822.44	-	-849,681.38	1,222,790,243.38
Including: Land use rights	770,019,921.55	-1,513,459.85	123,928,132.84	5,437,298.96	-	263,077.71	887,260,373.29
Trademark rights	6,508,000.00	-	-	1,208,000.00	-	-	5,300,000.00
Software	304,191,700.39	-33,270,639.25	38,086,942.35	3,780,882.10	-	-1,111,658.19	304,115,463.20
Others	29,156,790.16	-	266,359.01	3,307,641.38	-	-1,100.90	26,114,406.89
III. Total impairment provision	58,913,956.77	-	-	-	-	-	58,913,956.77
Including: Land use rights	3,887,400.00	-	-	-	-	-	3,887,400.00
Trademark rights	5,000,000.00	-	-	-	-	-	5,000,000.00
Software	-	-	-	-	-	-	-
Others	50,026,556.77	-	-	-	-	-	50,026,556.77
IV. Total carrying amounts	5,410,610,569.19	-	-	-	-	-	5,228,339,127.68
Including: land use rights	5,027,101,406.04	-	-	-	-	-	5,080,867,883.24
Trademark rights	269,918,400.00	-	-	-	-	-	-
Software	111,050,447.69	-	-	-	-	-	146,121,667.28
Others	2,540,315.46	-	-	-	-	-	1,349,577.16

2) Land use rights for which no certificate of title

Entity name	Project name	Year ended carrying amounts	Reasons for no certificates of land use rights
Sinotrans Liaoning Co., Ltd.	Preparid land leased	8,146,326.00	Under processing
China Merchants Logistics Group Co., Ltd	Hefei Distribution Center Phase II	2,898,719.95	Waiting for completion inspection
Total	—	11,045,045.95	—

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. DEVELOPMENT EXPENDITURES

Items	Beginning balances	Effects of changes in the scope of consolidation	Increase of the year		Decrease of the year		Effects from translation in foreign currency statements	Ending balance
			Internal development expenditures	Others	Transfer to intangible assets	Inclusion in current profits and losses		
ABCDT digital technology application and research and development projects	-	-	1,692,254.84	18,611,692.56	6,923,947.57	3,179,257.95	-	10,200,741.88
Marine system optimization and operation project	-	-	-	12,143,604.76	3,792,452.82	2,619,283.51	-	5,731,868.43
Company strategic key customer logistics control tower construction project	-	-	-	2,075,471.70	-	-	-	2,075,471.70
Container O2O project	-	-	1,439,354.72	1,644,839.62	-	1,439,354.72	-	1,644,839.62
Master data platform construction and implementation projects	-	-	-	1,609,040.13	268,867.93	19,417.48	-	1,320,754.72
Logistics system optimization and operation project	-	-	1,324,198.08	7,568,917.87	1,097,239.06	6,512,798.03	-	1,283,078.86
Customs cloud construction project	-	-	-	1,148,584.88	-	-	-	1,148,584.88
Unified settlement item	-	-	-	2,466,942.48	1,429,716.99	-	-	1,037,225.49
No vehicle carrier platform	-	-	-	2,808,505.42	2,126,429.95	-	-	682,075.47
Easy access platform	-	-	566,037.74	534,905.66	-	566,037.74	-	534,905.66
Commodity platform	-	-	1,770,412.01	-	-	1,770,412.01	-	-
Others	-	-	4,027,619.61	11,720,033.28	3,076,886.78	7,818,476.66	-	4,852,289.45
Total	-	-	10,819,877.00	62,332,538.36	18,715,541.10	23,925,038.10	-	30,511,836.16

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. GOODWILL

The details of goodwill are as follows:

Invested Entities	Formed from	Beginning balance	Increase of the year		Derecognition of disposal of subsidiaries	Decrease of the year		Effects from translation in foreign currency statements	Ending balance
			Business combination	Other increases		Other decreases			
China Merchants Loscam (Note 1)	Not under the same business combination control	2,204,068,268.50		0.01	2,204,068,268.51	-		-	-
Kangxin Logistics (Tianjin) Co., Ltd.	Not under the same business combination control	215,048,533.68	-	-	-			-	215,048,533.68
Shenzhen Henglu Logistics Co., Ltd.	Not under the same business combination control	134,843,091.03	-	-	-			-	134,843,091.03
Kangxin Logistics (Harbin) Co., Ltd.	Not under the same business combination control	29,621,441.17	-	-	-	0.50		-	29,621,440.67
Others	Not under the same business combination control	41,623,933.17	-	0.17	-	0.25		-	41,623,993.09
Total	—	2,625,205,327.55	-	0.18	2,204,068,268.51	0.75		-	421,137,058.47

The details of the goodwill impairment provision are as follows:

Invested Entities	Beginning balance	Effects of changes in the scope of consolidation	Accrual for the year	Effects from translation in foreign currency statements	Decrease of the year	Ending balance
Kangxin Logistics (Tianjin) Limited Company (Note 2 Assert group A)	11,840,176.67				0.32	11,840,176.35
Shenzhen Heng Road Logistics Limited Company (Note 2 Assert group B)	-		134,843,091.03			134,843,091.03
Kangxin Logistics (Harbin) Co., Ltd. (Note 2 Assert group C)	104,783,721.31					104,783,721.31
Total	116,623,897.98	-	134,843,091.03	-	0.32	251,466,988.69

Note 1: At the end of 2018, the Group disposed of Lukai International's equity and no longer included the above companies in the scope of consolidation, accordingly, the balance of asset group goodwill of China Merchants Loscam (Asia Pacific) Co., Ltd will be transferred.

Note 2: The Group conducts a goodwill impairment test at the end of each year. The Group's goodwill is assigned to certain independent cash generating units, each of which is one asset group, in which the main asset group is tested as follows:

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. GOODWILL (CONTINUED)

Asset group A (Kangxin Logistics (Tianjin) Co., Ltd.)

The goodwill was formed by the acquisition of Kangxin Logistics (Tianjin) Co., Ltd. under the same control of China Merchants Meilong (Hong Kong) Holdings Co., Ltd. "China Merchants Mei Leng". The recoverable amount of asset group A is determined based on its value in use, which is determined based on the five-year financial budget approved by management and uses a discount rate of 14.92% (2017: 11.90%). The cash flow of asset group A over 5 years is calculated based on the growth rate of 3.55%. This incremental growth rate is based on growth forecasts for relevant industries in the region and does not exceed the industry's long-term average growth rate. Other key assumptions used in estimating future cash flows are: estimated sales and gross profit based on past performance of the asset group and management's expected estimates of market development. Management believes that any reasonable change in the above assumptions will not result in the total carrying amounts of Asset Group A exceeding its recoverable amount.

The goodwill impairment in the asset group A was evaluated by Guangdong Guozhong Lianhang Asset Evaluation and Land and Real Estate Valuation Planning Consulting Co., Ltd. (hereinafter referred to as "Guangdong Guozhong Lianhang"), which issued an evaluation advisory report GZLZB Zi [2019] No. 52-01003. According to the advisory report as of 31 December 2018, the recoverable value of the asset group A was higher than the book value of the asset group A.

Asset group B (Shenzhen Henglu Logistics Co., Ltd.)

The goodwill was generated from the business combination not under common control of Shenzhen Henglu Logistics Co., Ltd. (hereinafter referred to as "China Merchants Henglu") in 2015. The management expects that it is difficult to meet expectations in the future because of China Merchants Henglu's poor operating conditions for the year, and the present value of future cash flows estimated based on the adjusted operating budget may be much lower than the asset group's valuation using the asset-based approach.

The goodwill impairment in the asset group B was evaluated by Guangdong Guozhong Lianhang, which issued an evaluation advisory report GZLZB Zi [2019] No. 2-0087. According to the advisory report as of 31 December 2018, the recoverable value of the asset group B evaluated using the asset-based approach was RMB-121,696,800, accordingly, the Group made fully impairment provision for goodwill in the year.

Asset group C (Kangxin Logistics (Harbin) Co., Ltd.)

The goodwill was formed by the acquisition of Kangxin Logistics (Harbin) Co., Ltd. under the same control of China Merchants Meilong (Hong Kong) Holdings Co., Ltd. "China Merchants Mei Leng". The recoverable amount of asset group A is determined based on its value in use, which is determined based on the five-year financial budget approved by management and uses a discount rate of 13.19% (2017: 11.89%). The cash flow of asset group A over 5 years is calculated based on the growth rate of 15.52%. This incremental growth rate is based on growth forecasts for relevant industries in the region and does not exceed the industry's long-term average growth rate. Other key assumptions used in estimating future cash flows are: estimated sales and gross profit based on past performance of the asset group and management's expected estimates of market development. Management believes that any reasonable change in the above assumptions will not result in the total carrying amounts of Asset Group C exceeding its recoverable amount.

The goodwill impairment in the asset group C was evaluated by Guangdong Guozhong Lianhang Asset Evaluation and Land and Real Estate Valuation Planning Consulting Co., Ltd. (hereinafter referred to as "Guangdong Guozhong Lianhang"), which issued an evaluation advisory report GZLZB Zi [2019] No. 52-01001. According to the advisory report as of 31 December 2018, the recoverable value of the asset group C was higher than the book value of the asset group C.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. LONG-TERM PREPAYMENTS

Long-term deferred expenses are shown by item as follows:

Items	Beginning balance	Effects of changes in the scope of consolidation	Transfer of fixed assets	Increase of the year	Amortization for the year	Effects from translation in foreign currency statements	Other decreases	Ending balance	Reasons for others decreases
Prepayment for lease items	71,319,819.23	-	-	42,943,528.13	6,706,300.26	-	58,774.96	107,498,272.14	—
Modification of leased assets	109,429,373.50	-	-	41,241,290.91	37,885,585.77	-	1,758,377.51	111,026,701.13	Disposal cost did not include the loan expenses
Software expenses	15,438,992.11	-	-	850,182.20	4,183,471.49	-	-	12,105,702.82	—
Others	32,852,523.45	-	-	2,648,101.70	2,135,446.72	-	-	33,365,178.43	—
Total	229,040,708.29	-	-	87,683,102.94	50,910,804.24	-	1,817,152.47	263,995,854.52	—

21. DEFERRED INCOME TAX

(1) Unoffset deferred income tax assets

Items	Ending balance		Beginning balance	
	Deferred income tax assets	Deductible temporary differences and deductible losses	Deferred income tax assets	Deductible temporary differences and deductible losses
Unrealized profit from internal purchase and sale of the group	65,864,871.95	270,810,240.29	69,071,903.54	276,287,614.16
Asset impairment provision	48,998,865.70	196,134,562.70	57,718,275.13	230,873,100.52
Depreciation of fixed assets	31,254,426.54	125,017,706.14	72,446,634.34	289,786,537.37
Deductible losses	14,826,153.08	59,304,612.32	82,171,908.41	328,687,633.64
Withholding land value increment tax	5,648,196.64	22,592,786.58	5,648,196.64	22,592,786.58
Organization costs	2,134,947.25	8,539,788.97	1,858,960.37	7,435,841.48
Other	54,079,499.06	229,468,292.01	87,176,974.47	348,707,897.85
Total	222,806,960.22	911,867,989.01	376,092,852.90	1,504,371,411.60

1) Deductible temporary differences and deductible losses of unrecognized deferred income tax assets

Items	Ending balance	Beginning balance
Deductible temporary differences	641,160,622.03	307,948,300.89
Deductible losses	823,665,959.64	1,993,118,197.17
Total	1,464,826,581.67	2,301,066,498.06

Note: The Group's recognizes deferred income 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 recognized as deferred income tax assets.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. DEFERRED INCOME TAX (CONTINUED)

(1) Unoffset deferred income tax assets (continued)

- 2) The deductible losses of unrecognized deferred income tax assets will mature in the following year:

Year	Ending balance	Beginning balance
2018	–	313,369,992.98
2019	124,157,306.62	431,418,763.56
2020	112,324,547.15	313,036,968.71
2021	135,946,648.14	416,582,074.45
2022	95,376,429.26	425,087,458.32
2023	355,861,028.47	–
Deductible losses without maturity date (i)	–	93,622,939.15
Total	823,665,959.64	1,993,118,197.17

- (i) The deductible loss without maturity was generated from the subsidiaries of China Merchants Iscom International Holdings Co., Ltd. in Australia and New Zealand.

(2) Unoffset deferred income tax liabilities

Items	Ending balance		Beginning balance	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Valuation of financial assets and derivative financial instruments measured at fair value whose changes are included in current profits and losses	–	–	18,243,487.06	60,811,623.53
Changes in fair value of available-for-sale financial assets included in other comprehensive income	–	–	47,963,528.36	191,854,113.44
Changes in fair value of other debt investments included in other comprehensive income	11,417,415.83	45,669,663.29	203,335,978.27	813,343,913.08
Adjustment of the fair value of assets acquired by business combination	7,639,814.96	30,559,259.84	3,690,852.83	14,763,411.32
Others	2,447,552.77	9,790,211.08	7,292,293.06	33,142,041.96
Total	21,504,783.56	86,019,134.21	280,526,139.58	1,113,915,103.33

Note 1: As stated in XV, in view of the fact that the Sinotrans Development will be absorbed by the Company after the merger, the deferred income tax assets previously recognized by Sinotrans Development at RMB 51,724,500 and the deferred income tax liabilities at RMB 5.2094 million will be transferred to the Company. After the absorption, it will not be able to generate sufficient taxable income. Therefore, the Group has not recognised this part of deferred income tax assets and deferred income tax liabilities at the end of the year

(3) Deferred income tax assets or liabilities shown in the net amount after offset

Items	Amount of the offset of deferred income tax assets against deferred income tax liabilities at the end of the year	Ending balance of deferred income tax assets or deferred income tax liabilities after offset	Amount of the offset of deferred income tax assets against deferred income tax liabilities at the beginning of the year	Beginning balance of deferred income tax assets or deferred income tax liabilities after offset
Deferred income tax assets	-9,914,324.82	212,892,635.40	-47,963,528.36	328,129,324.54
Deferred income tax liabilities	9,914,324.82	11,590,458.74	47,963,528.36	232,562,611.22

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. OTHER NON-CURRENT ASSETS

Items	Ending balance	Beginning balance
Prepayments for land use rights	38,513,050.27	38,513,050.27
Advanced investment funds	–	22,626,855.31
Contract assets (i)	–	224,302,824.00
Total	38,513,050.27	285,442,729.58

- (i) In October 2006, the shareholders of the Company and Sinotrans Air (A share listed company) passed an equity separation reform plan respectively. In accordance with this plan, the Company, as a shareholder holding non-tradable shares of Sinotrans Air, shall deliver 2.9 shares for every 10 outstanding shares of all registered shareholders holding outstanding shares of Sinotrans Air on the date of registration of the shares under this plan. Prior to the implementation of this plan, the Company held about 70.35% of the shares of Sinotrans Air. Ended the date of completion of the implementation of this plan, the Company transferred 62,427,204 unlisted shares of Sinotrans Development to A share shareholders of Sinotrans Air, accounting for about 6.9% of the total issued shares of Sinotrans Air and about 9.8% of the unlisted shares of Sinotrans Air held by the Company. After the completion of the transfer, the Company held about 63.46% of the shares of Sinotrans Air. During the above transfer, the Group's recognized the circulation right for equity separation of RMB224,302,824.00, which was presented in other non-current assets.

On 21 December 2018, as described in Note XVI, Shanghai Stock Exchange ("SSE") agreed to the delisting of the shares of Sinotrans Air from 28 December 2018. As the shares of Sinotrans Air are no longer listed, the Company offset the capital reserve against the circulation right for equity separation of Sinotrans Air at the end of the period.

23. ASSETS WITH RESTRICTED OWNERSHIP

Assets with restricted ownership	Ending balance	Beginning balance	Remark
I. Assets used for security			
Monetary capital	210,607,844.23	197,887,373.08	Note 1
Bills receivable and accounts receivable	–	40,961,301.76	Note 2
Investment properties	2,161,867,835.26	608,868,251.86	Note 3
Fixed assets	332,845,933.70	93,361,868.99	Note 4 & 5
Intangible assets	1,178,947,976.22	1,155,653,177.64	Note 3 & 4
Construction in process	–	1,380,545,829.16	Note 3
II. Other reasons	–	–	
Including: Monetary capital		19,866,530.00	Litigation restriction
Total	3,884,269,589.41	3,497,144,332.49	

Note 1: The restricted assets at the year ended mainly were guarantee bonds and performance bonds, as detailed in Note X.1.

Note 2: Sinotrans Logistics Development Co., Ltd. "Logistics Development", a subsidiary of the Group's, has signed a reconcilable accounts receivable factoring contract with China Construction Bank Dalian Branch to meet business development requirements. On September 28, 2017, the logistics development handled the accounts receivable with a carrying amounts of RMB40,961,301.76 for the factoring business and recognized it as a short-term mortgage loan. As at December 31, 2018, the business was closed.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. ASSETS WITH RESTRICTED OWNERSHIP (CONTINUED)

Note 3: In order to build the financing needs of the Hong Kong "Tsing Yi 181 Project" logistics center, the Group's subsidiary, Gangrui Logistics Co., Ltd. "Gangrui Logistics" signed a agreement with the China Development Bank to obtain bank facility of HK\$2.9 billion. China Merchants Group (Hong Kong) Co., Ltd., a related party of the Group, provided full guarantees. At the same time, Gangrui Logistics and China Development Bank signed a debenture on June 26, 2015, and Gangrui Logistics was the chargee (i) pledged the real estate rights and interests of 181 plots owned by Gangrui Logistics by the first charge; (ii) pledged the existing or future business, property, assets, goodwill, rights and income of Hong Kong Gangrui Logistics with floating charges, (iii) pledged of 181 land parcels by the form of construction mortgage; (iv) secured of the equipment of Gangrui Logistics with the first fixed charge and its rights, interests, ownership and rights and interests under the relevant contract A mortgage for long-term loans. As of December 31, 2018, the construction in progress with limited ownership and use rights at the beginning of the year has been completed and transferred to investment real estate.

Note 4: The subsidiary – Sinotrans Shanghai Cold Chain Logistics Co., Ltd., borrowed from the Construction Bank in accordance with the contract "Shanghai Fangdi Zhenjiazi (2009) No. 018811", the company secured fixed assets of RMB208,940,062.63 and land use rights and other intangible assets of RMB39,327,820.42 with ownership and using rights. At the same time, Shanghai Sinotrans Cold Chain Transportation Co., Ltd., a subsidiary of the Group, provides joint and several liability guarantees.

Note 5: China Shenzhen Foreign Wheel Agency Co., Ltd., a subsidiary of the Group, signed the number with the Bank of China Co., Ltd. Shenzhen Shekou Branch as the collateral for its own property as "2017 China Silver Snake Gaojiao No. 0019" and "2017 Shenzhen Silver Snake" Gao Zhi Zi No. 0020 "The highest amount of mortgage contract, the maximum amount of the secured creditor's credit is a total of RMB53,000,000.00 of credit line.

December, 2018, Sinotrans Chemical International Logistics Co., Ltd., a subsidiary of the Group, secured the Nantong Sinotrans Chemical Logistics Co., Ltd. fixed assets with a book value of RMB55,616,297.98 and intangible assets with a book value of 32,281,093.59 as the long-term and short-term loan collateral; The fixed assets with a book value of RMB54,392,393.23 and the intangible assets with a book value of RMB17,425,317.36 were used as collateral for short-term loans of Sinotrans Chemical International Logistics Co., Ltd.

24. ASSET IMPAIRMENT PROVISION AND EXPECTED CREDIT LOSS PROVISION

Items	Beginning balance	Effects from changes in the scope of consolidation	Accrual for the year	Reversal for the year	Write-off for the year	Other increases for the year	Other decreases for the year	Effects from translation in foreign currency statements	Ending balance
Bad debt provision	379,912,457.10	-25,415,862.23	264,276,332.62	11,371,444.80	34,813,921.24	247,527.83	-	4,081,401.64	576,916,490.82
Inventory falling price reserves	8,566,093.07	-	91,782.26	-	-	50,907.37	454,746.27	-	8,254,036.43
Long-term receivables									
Impairment provision	-	-	-	-	-	-	-	-	-
Provision for impairment of long-term equity investments	26,889,927.45	-	-	-	-	-	14,842,000.00	387,025.32	12,434,952.77
Investment properties									
Impairment provision	3,979,377.02	-	-	-	-	88,287.19	2,460,873.69	-	1,606,790.53
Fixed assets Impairment provision	157,994,029.91	-33,855,985.56	1,096,385.98	-	2,058,296.14	235,847.95	3,469,761.23	-	119,942,220.91
Provision for impairment of construction in process	100,000.00	-	20,722,000.00	-	-	-	-	-	20,822,000.00
Provision for impairment of intangible assets	58,913,956.77	-	-	-	-	-	-	-	58,913,956.77
Goodwill impairment provision	116,623,897.98	-	134,843,091.03	-	-	-	0.32	-	251,466,988.69
Other impairment provisions	3,458,218.86	-	-	-	-	-	-	-	3,458,218.86
Total	756,437,958.16	-59,271,847.89	421,029,591.89	11,371,444.80	36,872,217.38	622,570.34	21,227,381.50	4,468,426.96	1,053,815,655.78

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. SHORT-TERM BORROWINGS

(1) Classification of short-term borrowings

Category	Ending balance	Beginning balance
Credit loans	1,883,436,000.00	955,377,983.66
Guaranteed loans (Note 1)	341,879,658.90	497,909,163.55
Mortgage loans (Note 2)	6,427,891.01	45,961,301.76
Pledge loans	–	–
Total	2,231,743,549.91	1,499,248,448.97

Note 1: On December 31, 2018, the Group's short-term guaranteed loans included: the loan from DBS Bank was HK\$390,184,500.00 (equivalent to RMB341,879,658.90), the loan period was 6 months to 12 months, and the interest rate was 1.81%.

Note 2: On December 31, 2018, the Group's short-term secured loans included: the loan from Bank of China was RMB6,427,891.01, the loan period was 12 months, and the interest rate was 4.53%-4.75%. The collateral was the group's subsidiaries. The fixed assets with a net value of RMB54,392,393.23 and the net value of RMB17,425,317.36 are intangible assets.

(2) There had no outstanding matured short-term borrowings during the year ended 2018.

26. NOTES PAYABLE AND ACCOUNTS PAYABLE

	Ending balance	Beginning balance
Notes payable	–	206,592,371.99
Accounts payable	9,056,129,695.54	9,724,625,475.00
Total	9,056,129,695.54	9,931,217,846.99

(1) Notes payable

Category	Ending balance	Beginning balance
Banker's acceptance bills	–	206,592,371.99
Commercial acceptance bills	–	–
Total	–	206,592,371.99

Note: The aging of the Group's notes payable at the end of the year is less than 360 days.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. NOTES PAYABLE AND ACCOUNTS PAYABLE (CONTINUED)

(2) Accounts payable

1) Details of accounts payable

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,551,932,413.88	94.43	9,243,743,167.28	95.06
1 to 2 years	259,504,939.56	2.87	270,137,243.37	2.78
2 to 3 years	122,963,874.49	1.36	108,033,849.05	1.11
Over 3 years	121,728,467.61	1.34	102,711,215.30	1.05
Total	9,056,129,695.54	100.00	9,724,625,475.00	100.00

2) Large accounts payable with the aging of more than one year

Entity name	Amount owed	Aging	Reasons for non-repayment
Unit I	27,597,683.03	Over 1 year	Unsettlement
Unit II	17,710,601.26	1-2 year	Business occupancy
Unit III	17,213,228.63	Over 1 year	Business occupancy
Unit IV	13,001,480.23	Over 1 year	Unsettlement
Unit V	10,901,305.70	Over 1 year	Unsettlement
Unit VI	8,730,814.89	Over 1 year	Unsettlement
Unit VII	7,235,617.51	Over 2 years	Unsettlement
Unit VIII	6,441,194.97	Over 1 year	Business occupancy
Unit IX	5,671,022.19	Under 2 years	Unsettlement
Unit X	5,430,893.86	1-3 years	Unsettlement
Total	119,933,842.27		

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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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. CONTRACT LIABILITIES

Items	Ending balance	Beginning balance
Logistics received in advance	2,576,275,224.01	2,316,876,930.43
Subtotal	2,576,275,224.01	2,316,876,930.43
Less: contract liabilities included in other non-current liabilities	—	—
Total	2,576,275,224.01	2,316,876,930.43

28. EMPLOYEE COMPENSATION PAYABLE

(1) Classification of employee compensation payable

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
I. Short-term compensation	1,266,208,777.91	5,361,498,722.90	5,328,519,664.81	1,299,187,836.00
II. Impost-employment benefits-defined contribution plans	99,129,111.78	527,771,031.69	586,227,234.08	40,672,909.39
III. Termination benefits	35,387,313.65	96,813,540.67	51,073,451.02	81,127,403.30
IV. Other benefits due within one year	—	—	—	—
V. Others	—	62,180,735.73	12,677,737.12	49,502,998.61
Total	1,400,725,203.34	6,048,264,030.99	5,978,498,087.03	1,470,491,147.30

(2) Short-term compensation

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
I. Wages, bonuses, allowances and subsidies	1,149,190,192.89	3,986,215,580.91	3,946,877,981.43	1,188,527,792.37
II. Employee welfare benefits	16,334,709.62	263,053,296.01	274,308,520.37	5,079,485.26
III. Social insurance premiums	4,028,207.46	251,071,933.33	248,946,374.55	6,153,766.24
Including: medical insurance premiums	3,156,565.29	214,738,895.39	212,560,962.73	5,334,497.95
Industrial injury insurance premiums	428,410.46	15,960,417.72	16,077,031.89	311,796.29
Maternity insurance premiums	443,231.71	18,605,080.49	18,540,840.20	507,472.00
Others	—	1,767,539.73	1,767,539.73	—
IV. Housing provident fund	2,965,739.85	254,211,132.73	254,531,864.57	2,645,008.01
V. Trade union funds and staff education funds	50,343,562.65	79,686,684.90	77,236,138.48	52,794,109.07
VI. Short-term paid absences	—	—	—	—
VII. Short-term profit sharing scheme	—	—	—	—
VIII. Other short-term compensation	43,346,365.44	527,260,095.02	526,618,785.41	43,987,675.05
Total	1,266,208,777.91	5,361,498,722.90	5,328,519,664.81	1,299,187,836.00

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. EMPLOYEE COMPENSATION PAYABLE (CONTINUED)

(3) Defined contribution plan

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
1. Basic endowment insurance premiums	9,461,677.92	424,426,855.08	424,654,494.62	9,234,038.38
2. Unemployment insurance premiums	510,166.32	12,669,187.71	12,652,738.02	526,616.01
3. Enterprise annuity contributions	89,157,267.54	90,674,988.90	148,920,001.44	30,912,255.00
Total	99,129,111.78	527,771,031.69	586,227,234.08	40,672,909.39

Note 1: The Group participated in endowment insurance and unemployment insurance plans established by government agencies according to regulations, and 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 according to such plans. In addition to the monthly contribution mentioned above, the Group shall no longer undertake any further payment obligations. The corresponding expenses are included in the current profits and losses or the cost of underlying assets when they are incurred.

Note 2: The enterprise annuity contribution of the Group is borne jointly by the entity and its employees. The total annual contribution of the entity is 5% of the total wages of the previous year, 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 withheld 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.

29. TAXES AND LEVIES PAYABLE

Items	Beginning balance	Effects of changes in the scope of consolidation	Accrual for the year	Amount paid for the year	Effects from translation in foreign currency statements	Ending balance
Enterprise income tax	339,917,596.36	-40,368,018.93	782,392,715.92	703,456,135.26	-2,677,851.09	375,808,307.00
Value-added tax	142,347,023.78	-4,986,218.72	448,452,081.56	539,724,294.48	196,408.25	46,285,000.39
Individual income tax	22,905,610.17	-	232,923,742.73	234,296,259.56	-	21,533,093.34
House property tax	14,146,142.70	-155,406.91	82,114,894.46	84,822,400.07	-	11,283,230.18
Land use tax	14,163,576.12	-101,037.26	39,226,632.14	43,885,539.74	-	9,403,631.26
Consumption tax	2,869,471.55	-3,714,293.65	27,097,030.93	26,038,556.14	-213,652.69	-
Urban maintenance & construction tax	5,580,339.83	-19,596.24	23,619,185.66	26,199,067.85	-	2,980,861.40
Education surcharge	3,759,131.44	-31,211.72	17,071,078.24	18,723,989.30	-	2,075,008.66
Land value added tax	65,143,402.61	-	5,912,518.79	67,635,900.50	-	3,420,020.90
Other taxes	13,290,669.04	-332,470.42	48,526,511.87	52,298,048.85	-666.12	9,185,995.52
Total	624,122,963.60	-49,708,253.85	1,707,336,392.30	1,797,080,191.75	-2,695,761.65	481,975,148.65

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OTHER PAYABLES

Items	Ending balance	Beginning balance
Interests payable	134,333,264.70	165,640,720.97
Dividends payable	106,507,405.73	252,079,064.58
Other payables	2,804,848,820.33	5,774,204,738.26
Total	3,045,689,490.76	6,191,924,523.81

(1) Interests payable

Items	Ending balance	Beginning balance
Interest on long-term borrowings paid in installments	52,871,817.04	73,502,930.41
Interest on corporate bonds	69,007,758.83	69,010,958.86
Interest on short-term borrowings	9,906,272.77	22,357,078.86
Others	2,547,416.06	769,752.84
Total	134,333,264.70	165,640,720.97

The Group's had no overdue interest at the end of the year.

(2) Dividends payable

Items	Entity name	Ending balance	Beginning balance
Ordinary share dividends	Sinotrans & CSC Holdings Co.,Ltd.	97,000,000.00	103,534,200.00
	Guangdong Nanhai Foodstuffs Import & Export Co.,Ltd.	5,241,747.61	4,186,613.34
	Guangdong Foodstuffs Imp.&Exp. (Group) Corporation	4,193,398.26	3,349,290.85
	Sinotrans Jiangxi Co., Ltd	72,259.86	72,259.86
	China Merchants Group Co., Limited	-	115,097,530.26
	Shanghai Chemical Industrial Zone Fengxian Branch Area Development Co., Ltd.	-	8,436,820.69
	China Merchants Zhangzhou	-	6,650,393.68
	Golden Fortune Enterprising (HK) Company Limited	-	5,273,012.93
	Shenzhen Haishijie Transportation Co., Ltd.	-	4,838,591.16
	Chengli Trading Co., Ltd.	-	353,500.22
	East Shipping Corporation	-	286,851.59
	Total	106,507,405.73	252,079,064.58

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OTHER PAYABLES (CONTINUED)

(3) Other payables

1) Other payables shown by nature

Items	Ending balance	Beginning balance
Other payable received on behalf	804,343,868.96	893,643,105.23
Non-related party capital transactions	691,789,965.08	–
Amount due to related parties	661,786,404.40	3,441,072,718.47
Deposit received	311,900,248.38	508,392,811.28
Accrued engagement, equipment and land balances	228,782,346.82	235,452,362.23
Temporary loan from related parties	–	522,639,982.57
Others	106,245,986.69	173,003,758.48
Total	2,804,848,820.33	5,774,204,738.26

2) Aging analysis of other payables

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Less than 1 year (including 1 year)	2,364,656,468.75	84.31	5,343,228,790.01	92.54
1 to 2 years (including 2 years)	210,170,945.66	7.49	199,806,281.66	3.46
2 to 3 years (including 3 years)	111,542,175.26	3.98	41,985,132.64	0.73
More than 3 years	118,479,230.66	4.22	189,184,533.95	3.27
Total	2,804,848,820.33	100.00	5,774,204,738.26	100.00

3) Important other payables with the aging of more than one year

Entity name	Amount owed	Aging	Reasons for non-repayment
Sinotrans&CSC Holdings Co.,Ltd.	45,803,163.87	Within/over 3 years	Unscheduled repayment date
Shanghai Tongyun International Logistics Co.,Ltd.	14,000,000.00	2-3 years	Unreached settlement period
Demolition relocation expenses	11,630,678.08	1-2 years	Movement incompleted
China Ocean Shipping Agency Fuzhou	7,560,000.00	1-2 years	Received in advance
Longhai No.3 Construction Engineering Co.,Ltd.	6,540,195.00	1-2 years	Unsettlement of loan projects
Shandong Sinotrans Co.,Ltd	6,104,034.44	Within/over 3 years	Unscheduled repayment date
Hubei Sinotrans Cangma Logistics Co.,Ltd.	5,860,000.00	1-2 years	Deposits
Xinghan Shipping Agency Co.,Ltd.	5,850,000.00	1-2 years	Temporary deposits
Fuzhou Development Zone State-owned Assets Operation Co.,Ltd.	5,377,743.74	Over 3 years	Waiting for settlement
Total	108,725,815.13		

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OTHER PAYABLES (CONTINUED)

(3) Other payables (continued)

4) Other payables with larger ending balance

Entity name	Amount owed	Aging	Nature or content
Xiamen International Trust Co., Ltd.	355,386,549.37	Within 1 year	Payment by agency
China Merchants Securities Asset Management Co., Ltd.	260,562,302.79	Within 1 year	Payment by agency
Tibet Trust Corporation Limited	456,330,788.87	Within 1 year	Current payments – outside the group
China Enterprise Cloud Chain (Shenzhen) Commercial Factoring Co., Ltd.	235,459,176.21	Within 1 year	Current payments – outside the group
Qingdao New Binhai Real Estate	121,200,000.00	Within 1 year	Outside group transactions
Red Braves Finance Ltd.	115,193,998.39	Within 1 year	Intra-group transactions
China Merchants Logistics Group Nanjing Co. Ltd.	58,655,855.93	Within 1 year	Intra-group transactions
Sinotrans&CSC Holdings Co., Ltd.	45,803,163.87	Within/over 3 years	Intra-group transactions
Nantong No.5 Construction & Engineering Co., Ltd.	41,388,962.63	Within 1 year	Outside group transactions
Sinotrans Shanghai(Group)Co., Ltd.	40,294,278.59	Within 1 year	Equipment and Engineering fee
Sichuan Sinotrans Storage Service Co., Ltd.	19,940,149.92	Within 1 year	Intra-group transactions
Winsor Properties(China)Limited	19,565,201.35	Within 1 year	Outside group transactions
Sinotrans Hu'Nan Jiuling Company	15,130,880.00	Within 2 years	Intra-group transactions
Total	1,784,911,307.92		

5) Other payables to shareholders holding more than 5% (including 5%) of the voting shares of the Company

Entity name	Ending balance	Beginning balance
Sinotrans & CSC Holdings Co., Ltd.	45,803,163.87	742,397,017.93
Total	45,803,163.87	742,397,017.93

31. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Items	Ending balance	Beginning balance
Long-term borrowings due within one year	1,166,302,753.40	1,978,614,663.22
Including: credit loans	1,050,000,000.00	–
Guaranteed loans	53,312,496.44	1,956,926,138.22
Mortgage loans	62,990,256.96	21,688,525.00
Other non-current liabilities due within one year	–	450,406,896.80
Others	–	12,501,831.52
Total	1,166,302,753.40	2,441,523,391.54

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER CURRENT LIABILITIES

Items	Ending balance	Beginning balance
Output tax pending for transferring	161,493,736.77	157,800,893.87
Others	5,777,474.13	10,807,060.50
Total	167,271,210.90	168,607,954.37

33. LONG-TERM BORROWINGS

Borrowing category	Ending balance	Beginning balance	Year-end interest rate range (%)
Pledge loans	—	—	—
Credit loans	6,297,621,482.00	4,113,358,410.00	1.20-4.04
Guaranteed loans	54,276,051.11	2,525,404,445.86	4.75-8.30
Mortgage loans	3,287,534,856.82	1,949,144,246.86	4.41-4.98
Total	9,639,432,389.93	8,587,907,102.72	—
Less: Long-term borrowings due within one year	1,166,302,753.40	1,978,614,663.22	—
Including: Credit loans	1,050,000,000.00	—	—
Guaranteed loans	53,312,496.44	1,956,926,138.22	—
Mortgage loans	62,990,256.96	21,688,525.00	—
Long-term borrowings due after one year	8,473,129,636.53	6,609,292,439.50	—

(1) Long-term borrowings with the top five amount at the end of the year

Lending Entity	Starting date of borrowing	End date of borrowing	Currency	Interest rate (%)	Ending balance		Beginning balance	
					Foreign currency	Local currency	Foreign currency	Local currency
Bank of China	2018-06-27	2021-06-26	HKD	2.95	2,423,650,000.00	2,123,602,130.00	—	—
China Development bank	2015-06-30	2030-06-29	HKD	5.05	2,258,891,409.35	1,291,557,005.68	2,258,891,409.35	1,291,557,005.68
DBS	2017-12-22	2020-12-21	HKD	2.89	1,427,940,000.00	1,251,161,028.00	1,427,940,000.00	1,251,161,028.00
DBS	2017-12-22	2020-12-21	HKD	2.89	951,960,000.00	834,107,352.00	951,960,000.00	834,107,352.00
China Merchant's Finance Co., Limited	2017-04-01	2019-11-07	RMB	3.03	700,000,000.00	700,000,000.00	700,000,000.00	700,000,000.00

(2) The maturity date of long-term borrowings is analyzed as follows:

Items	Ending balance	Beginning balance
1 to 2 years	1,170,289,426.11	2,500,000.00
2 to 5 years	6,160,337,888.57	2,375,735,618.13
Over 5 years	1,142,502,321.85	4,231,056,821.37
Total	8,473,129,636.53	6,609,292,439.50

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. BONDS PAYABLE

(1) Bonds payable

Items	Ending balance	Beginning balance
2016 phase I – RMB2,000M corporate bond	1,998,266,301.39	1,997,466,301.38
2016 phase II – RMB1,500M corporate bond	1,498,810,273.97	1,498,360,273.96
Total	3,497,076,575.36	3,495,826,575.34

Note: The Group's corporate bonds include:

On 24 August 2016, with the approval of China Securities Regulatory Commission, the Company was approved to issue unsecured corporate bonds with a face value of RMB100 and a total amount of RMB1,500 million (the second issue of 1.5 billion corporate bonds in 2016). The term of issue of such bonds is 5 years, and the fixed nominal interest rate and the effective annual interest rate are 2.94% and 2.98% respectively, and the principal shall be repaid on a lump sum basis, and the interest shall be paid in installments.

On 2 March 2016, with the approval of China Securities Regulatory Commission, the Company was approved to issue unsecured corporate bonds with a face value of RMB100 and a total amount of RMB2,000 million (the first issue of 2 billion corporate bonds in 2016). The term of issue of such bonds is 5 years, and the fixed nominal interest rate and the effective annual interest rate are 3.20% and 3.24% respectively, and the principal shall be repaid on a lump sum basis, and the interest shall be paid in installments.

(2) The maturity date of bonds payable is analyzed as follows:

Items	Ending balance	Beginning balance
1 to 2 years	—	—
2 to 5 years	3,497,076,575.36	3,495,826,575.34
Over 5 years	—	—
Total	3,497,076,575.36	3,495,826,575.34

(3) Statement of changes in bonds payable (excluding preferred shares, perpetual debts and other financial instruments classified as financial liabilities)

Name of bonds	Face value	Date of issue	Bond term	Amount issued	Beginning balance	Effects of changes in the scope of consolidation	Issue for the year	Interest accrued by face value	Premium or discount amortization	Repayment for the year	Effects from translation in foreign currency statements	Ending balance
2016 phase I – RMB2,000M corporate bond	2,000,000,000.00	2016-03-02	5 years	2,000,000,000.00	1,997,466,301.38	—	—	—	800,000.01	—	—	1,998,266,301.39
2016 phase II – RMB1,500M corporate bond	1,500,000,000.00	2016-08-31	5 years	1,500,000,000.00	1,498,360,273.96	—	—	—	450,000.01	—	—	1,498,810,273.97
Total	3,500,000,000.00			3,500,000,000.00	3,495,826,575.34	—	—	—	1,250,000.02	—	—	3,497,076,575.36
Less: Bonds payable due within one year	—	—	—	—	—	—	—	—	—	—	—	—
Bonds payable due after one year	3,500,000,000.00	—	—	3,500,000,000.00	3,495,826,575.34	—	—	—	1,250,000.02	—	—	3,497,076,575.36

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. LONG-TERM PAYABLES

Items	Ending balance	Beginning balance
Payables to non-controlling interests	292,104,012.24	304,104,012.24
Loan from related parties	360,805,628.79	951,943,494.82
Others	3,321,938.76	3,784,446.33
Total	656,231,579.79	1,259,831,953.39
Less: long-term payables due within one year	–	450,406,896.80
Long-term payables due after one year	656,231,579.79	809,425,056.59

(1) Top five long-term payables with the larger ending balance

Items	Ending balance	Beginning balance
Americold Logistics Hong Kong Limited (Note 1)	292,104,012.24	292,104,012.22
Sinotrans Shipping INC. (Note 2)	168,148,400.00	160,087,900.00
Sinotrans & CSC Holdings Co., Ltd. (Note 3)	100,718,773.77	179,917,140.00
Sinotrans Guangdong Import & Export Co., Ltd (Note 4)	91,938,455.02	91,938,455.02
Guangdong Shilong Port Authority	3,321,938.76	–
China Merchants Steam Navigation Company Limited	–	50,000,000.00

Note 1: The Group's affiliated investment, Mei Leng, obtained an investment loan of RMB292.1 million from the shareholder Americold Logistics Hong Kong Limited. The loan is interest free and no repayment term.

Note 2: The Group's affiliated company, Chengchuang Co., Ltd., borrowed US\$24.5 million from related parties SINOTRANS SHIPPING INC. in 2013 and 2014, equivalent to RMB168.1 million at the end of the year. The loan has a term of 5 years and has been renewed this year. The loan interest rate is 3.5%-4%.

Note 3: The Group borrowed RMB179.92 million from Sinotrans Changhang Group in 2014. The loan period is 5 years and the loan interest rate is the bank market loan interest rate for the same period. The Group and Sinotrans Changhang Group repaid RMB99.2 million during 2018. The remaining loan balance at the end of the year was RMB80.72 million.

Sinotrans Logistics Investment Holdings Co., Ltd., a subsidiary of the Group, borrowed RMB20 million from Sinotrans Changhang in 2016 with a loan term of 18 years. The loan interest rate was calculated with reference to the bank loan interest rate for the same period.

Note 4: In 2012, the Group borrowed RMB91.94 million from Guangdong Sinotrans Co., Ltd., and the loan period was 10 years. The loan interest rate was referred to the bank market loan interest rate for the same period

(2) Analysis on the maturity date of long-term payables

Items	Ending balance	Beginning balance
1 to 2 years	–	122,476,430.78
2 to 5 years	115,450,255.12	182,927,473.57
Over 5 years	540,781,324.67	504,021,152.24
Total	656,231,579.79	809,425,056.59

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. LONG-TERM EMPLOYEE COMPENSATION PAYABLE

Items	Beginning balance	Accrual for the year	Payment for the year	Actuarial adjustment	Interest adjustment	Converted difference in foreign currency statements	Changes in the scope of consolidation	Ending balance
I. Net liabilities of post-employment benefits-defined benefit plans	985,393.65	—	23,388.00	—	32,679.49	—	—	994,685.14
II. Termination benefits	958,534.63	—	343,760.07	—	25,651.32	—	—	640,425.88
III. Other long-term benefits	43,474,960.22	7,490,776.87	820,055.56	—	—	-490,564.03	-48,247,208.84	1,407,908.66
Total	45,418,888.50	7,490,776.87	1,187,203.63	—	58,330.81	-490,564.03	-48,247,208.84	3,043,019.68

37. PROVISIONS

Items	Beginning balance	Effects of changes in the scope of consolidation	Increase of the year	Decrease of the year	Effects from translation in foreign currency statements	Ending balance
Litigation under process (Note 1)	289,786,537.37	-723,750.00	114,384,846.64	114,648,942.94	-508,820.00	288,289,871.07
Accidental damage (Note 2)	—	—	70,000,000.00	—	—	70,000,000.00
One time building reimbursement (Note 3)	22,592,786.58	—	—	—	—	22,592,786.58
Disposal cost (Note 4)	18,250,000.00	—	—	2,659,079.60	—	15,590,920.40
Litigation under process	1,985,304.23	-4,366,900.85	15,818,925.39	1,985,304.22	—	11,452,024.55
Total	332,614,628.18	-5,090,650.85	200,203,772.03	119,293,326.76	-508,820.00	407,925,602.60

Note 1: The management of the Group estimates the risk of any action against disputes arising from the Group's day-to-day operations in accordance with the relevant laws and regulations, and the amount of accrued liabilities accrued for such pending action that may result in losses ended 31 December 2018 is RMB288,289,871.07 (31 December 2017: RMB289,786,537.37).

Note 2: The Group's preliminary estimate of accident loss due to accidental safety accident this year is about RMB70,000,000.00.

Note 3: The term "one-time cash housing subsidy" refers to the accrued liabilities of the Group prior to its restructuring in 2002. The Group is not expected to implement a new one-time housing subsidy scheme in the foreseeable future. The cause of formation and progress of the pending action and loss contracts to be executed shall be specified item by item.

Note 4: The disposal cost was the cold storage renovation of the leased warehouse by Kangxin Logistics (Tianjin) Co., Ltd. and China Merchants International Cold Chain (China) Co., Ltd. The contract stated that after the expire date, the lessee shall bear the expenses incurred in restoring the warehouse to its original condition. The decrease during 2018 due is to the reduces of the disposal cost from retreatment of the warehouse of Kangxin Logistics (Tianjin).

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. DEFERRED INCOME

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Government grants	391,756,593.89	55,664,240.01	51,515,248.89	395,905,585.01
Total	391,756,593.89	55,664,240.01	51,515,248.89	395,905,585.01

(1) Government grants

Type of Government grants	Amount included in other non current liabilities	Amount included in current profits and losses	Amount refunded for the year	Refund reason
Logistics Infrastructure Subsidy	192,666,361.52	7,743,168.32	—	—
Relocation Compensation	72,749,384.38	4,483,958.33	—	—
Land repayment	60,260,620.09	1,401,175.80	—	—
Logistics Special project Subsidy	37,326,500.96	21,666,619.14	—	—
Others	32,902,718.06	10,294,908.07	—	—
Total	395,905,585.01	45,589,829.66	—	—

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. SHARE CAPITAL

Items	Beginning balance		Increase of the year	Decrease of the year	Ending balance	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Total share capital	6,049,166,644.00	100.00	-	-	6,049,166,644.00	100.00
Total	6,049,166,644.00	100.00	-	-	6,049,166,644.00	100.00

40. CAPITAL RESERVE

2018:

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
I. Capital (or share capital) premium	3,993,586,673.99	353,150,170.58	224,302,824.00	4,122,434,020.57
1. Capital invested by investors	3,103,350,547.94	-	-	3,103,350,547.94
2. Difference formed by the acquisition of non-controlling interests	-	-	-	-
3. Others (Note)	890,236,126.05	353,150,170.58	224,302,824.00	1,019,083,472.63
II. Other capital reserves	-	2,052,645.11	-	2,052,645.11
1. Other changes in owners' equity of invested entities other than net profits and losses, other comprehensive income and profit distribution	-	2,052,645.11	-	2,052,645.11
2. Others	-	-	-	-
Total	3,993,586,673.99	355,202,815.69	224,302,824.00	4,124,486,665.68
Including: State-owned exclusive capital reserve	-	-	-	-

Note 1: Due to the delisting of Sinotrans Air on 28 December 2018, the Company offset the capital reserve against the circulation right for equity separation of RMB224,302,824.00 of Sinotrans Air which was originally included in "other non-current assets" at the end of the period, the details are stated in Note X. 22 "other non-current assets".

Note 2: On December 31, 2018, the Group no longer included CM LOSCAM in the scope of consolidation due to the disposal of equity. In the previous year, when the Group obtained the control of CM LOSCAM, according to the principle of business combination under the same control, the capital reserve will restore the other comprehensive income (the foreign currency statement translation difference) between the merger date and the control date of the company under the ultimate control party. RMB349,803,173.26. In the current period due to disposal of the company, the Group reversed this capital reserve.

Note 3: Other capital reserves represented the capital injection by non-controlling intends of Chemical Logistics, a subsidiary of the Company, as well as the changes in the owner's equity of the Group's joint ventures and associates other than the current profit and loss and other comprehensive income. The capital reserve of the Group increased by the proportion of shares held.

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. CAPITAL RESERVE (CONTINUED)

2017:

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
I. Capital (or share capital) premium	5,454,815,065.89	14,831,246.21	1,476,059,638.11	3,993,586,673.99
1. Capital invested by investors (Note 1)	3,088,519,301.73	14,831,246.21	–	3,103,350,547.94
2. Difference formed by the acquisition of minority equity	–	–	–	–
3. Others (Note 2)	2,366,295,764.16	–	1,476,059,638.11	890,236,126.05
II. Other capital reserves	–	–	–	–
Total	5,454,815,065.89	14,831,246.21	1,476,059,638.11	3,993,586,673.99
Including: State-owned exclusive capital reserve	–	–	–	–

Note 1: In 2017, the capital injection by non-controlling interests of Chemical Logistics, a subsidiary of the Company caused the capital reserve to increase by RMB13,919,425.80.

Note 2: In 2017, the Company issued 1,442,683,444 new domestic shares, which caused the amount of the effects of business combination under the same control recorded in the capital reserve to reduce by RMB1,442,683,444.00, and the handling charges, commissions and other expenses in the amount of RMB33,376,194.11 arising from the issuance of equity securities were offset against the capital reserve.

41. SPECIAL RESERVE

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Safety production costs	33,687,174.45	46,206,768.89	38,357,737.53	41,536,205.81
Total	33,687,174.45	46,206,768.89	38,357,737.53	41,536,205.81

In accordance with the Measures for the Withdrawal and Use of Safety Production Costs of Enterprises CQ [2012] No. 16 issued jointly by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, the companies that are engaged in ordinary freight transport or special freight transport of dangerous goods shall withdraw safety production costs using the operating revenue as the basis for withdrawal, include them in the cost of related products or current profits and losses and transfer them to the special reserve.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. SURPLUS RESERVES

2018:

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Statutory surplus reserves	699,577,957.51	112,267,353.00	–	811,845,310.51
Total	699,577,957.51	112,267,353.00	–	811,845,310.51

2017:

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
Statutory surplus reserves	619,645,844.16	79,932,113.35	–	699,577,957.51
Total	619,645,844.16	79,932,113.35	–	699,577,957.51

According to the articles of association of the Company, the statutory surplus reserves shall be withdrawn at 10% of the net profit. Where the cumulative amount of the Company's statutory surplus reserves reaches more than 50% of the Company's registered capital, they may no longer be withdrawn.

43. UNDISTRIBUTED PROFITS

Items	Amount of current year	Amount of last year
Ending balance of the previous year	10,376,503,880.96	8,799,499,500.44
Add: adjustments of undistributed profit at the beginning of the year	–	–
Beginning balance	10,376,503,880.96	8,799,499,500.44
Increase of the year	2,704,106,404.93	2,304,190,975.71
Including: net profit attributable to the company during the year	2,704,106,404.93	2,304,190,975.71
Decrease of the year	596,241,429.98	727,186,595.19
Including: statutory surplus reserves withdrawn during the year	112,267,353.00	79,932,113.35
Profit distribution	483,933,331.52	644,843,098.26
Other decreases	40,745.46	2,411,383.58
Ending balance of the year	12,484,368,855.91	10,376,503,880.96

Note 1: Cash dividends to be approved at a general meeting of shareholders during the year

On 25 March 2019, the Board of Directors of the Company declared that the year-end dividends for the year ended 31 December 2018 would be distributed on RMB0.13 per share (2017: RMB0.08 per share) basis in respect of 7,400,803.75 shares issued ended 25 March 2019, Total RMB962,104,503.75;

Note 2: Cash dividends approved at a general meeting of shareholders during the year

On 26 March 2018, the Board of Directors of the Company declared that the year-end dividends for the year ended 31 December 2017 would be distributed on RMB0.08 per share (2017: RMB0.075 per share) basis in respect of 6,049,166,644 shares issued ended 26 March 2018, amounting to RMB483,933,331.52 (2017: RMB345,486,240.00).

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. UNDISTRIBUTED PROFIT (CONTINUED)

Note 3: Special dividends payable

On 22 August 2017, the Company and China Merchants Group signed the <Agreement on the Issuance of Shares to Purchase Assets>. The Company agreed to acquire all the shares of China Merchants Logistics held by China Merchants Group. According to the purchase agreement, from 31 December 2016 (base date) to (asset delivery date), the profit and loss of some subsidiaries of China Merchants Logistics listed in the agreement will be covered by China Merchants, end. others will be covered by the Company. According to this agreement, in 2017, China Merchants Logistics will be allocated of RMB115,097,530.26 from China Merchants Group and included in profit and losses. As of 31 December 2018, the Group has paid the above special dividend.

44. OPERATING REVENUE AND OPERATING COST

(1) Operating revenue and Cost classification

Items	Amount of current year		Amount of last year	
	Revenue	Cost	Revenue	Cost
Main business	76,580,592,432.73	71,158,208,163.12	72,567,177,726.29	67,134,662,237.30
Other business	731,244,082.10	609,011,649.22	590,334,989.82	473,615,897.17
Total	77,311,836,514.83	71,767,219,812.34	73,157,512,716.11	67,608,278,134.47

(2) Main operating revenue and Cost classification

Items	Amount of current year		Amount of last year	
	Revenue	Cost	Revenue	Cost
Freight forwarding	47,255,482,593.10	44,924,992,930.86	45,718,721,812.46	43,328,184,995.69
Professional logistics	20,148,915,127.63	18,599,140,373.23	18,669,238,387.43	17,083,709,920.91
Storage terminals	2,439,881,972.58	1,764,938,049.96	2,276,297,967.92	1,666,180,644.67
Other services	6,736,312,739.42	5,869,136,809.07	5,902,919,558.48	5,056,586,676.03
Total	76,580,592,432.73	71,158,208,163.12	72,567,177,726.29	67,134,662,237.30

45. TAXES AND SURCHARGES

Items	Amount of current year	Amount of last year
House property tax	74,539,403.28	74,699,562.13
Land use tax	34,887,867.34	47,731,930.85
City maintenance and construction tax	16,788,985.98	27,727,898.47
Education surcharge	13,371,712.21	21,733,031.49
Stamp duty	23,865,777.34	22,743,241.74
Others	27,540,033.43	20,561,517.33
Total	190,993,779.58	215,197,182.01

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. SELLING EXPENSES

Items	Amount of current year	Amount of last year
Employee salaries	676,988,121.66	618,237,474.46
Rent and rates, water and electricity fee	49,102,587.85	47,892,819.56
Business hospitality	43,238,122.23	42,928,170.16
Transportation fee	34,912,093.10	40,248,040.99
Motor vehicle	26,222,413.92	22,552,233.41
Depreciation and Amortisation	18,864,438.99	19,327,573.60
Communication fee	14,189,118.23	14,598,888.27
Office expenses	10,996,210.77	12,677,288.59
Others	56,547,853.82	18,479,192.19
Total	931,060,960.57	836,941,681.23

47. MANAGEMENT EXPENSES

Items	Amount of current year	Amount of last year
Employee salaries	1,844,412,703.19	1,626,990,289.32
Rent and rates, water and electricity fee	195,553,203.19	190,294,214.50
Depreciation and Amortisation	157,631,609.22	159,720,830.00
Assets valuation consultation fee	137,416,890.80	87,536,239.64
Communication fee	95,709,002.68	109,141,351.40
Transportation fee	60,781,262.63	61,774,912.32
Hospitality	57,328,470.46	65,899,322.87
Motor vehicle	50,652,200.85	56,379,129.78
Office expenses	31,958,140.02	28,336,289.05
Audit fee	24,459,484.45	10,005,000.00
Repair and maintenance	20,296,619.75	15,785,051.31
Insurance fee	18,738,062.41	19,529,435.65
Legal and professional fee	8,089,115.24	6,273,290.31
Training cost	7,990,817.20	7,004,507.61
Advertising fee	3,338,123.10	7,331,883.06
Others	97,724,429.95	45,082,641.65
Total	2,812,080,135.14	2,497,084,388.47

48. RESEARCH AND DEVELOPMENT EXPENSES

Items	Amount of current year	Amount of last year
Communication system development fee	23,925,038.10	1,294,905.02
Total	23,925,038.10	1,294,905.02

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. FINANCIAL COSTS

Items	Amount of current year	Amount of last year
Interest expenses	643,920,991.41	526,322,031.75
Including: bank and other borrowings	515,805,262.23	387,327,070.90
Bond interests and discounts on notes	109,349,999.99	130,419,808.77
Others	18,765,729.19	8,575,152.08
Less: capitalized interest expenses	88,202,405.94	110,648,497.14
Less: interest income	181,001,747.60	207,602,185.64
Exchange net income	37,382,323.28	—
Exchange net losses	—	202,198,691.15
Others	121,255,536.79	32,408,638.50
Total	458,590,051.38	434,103,526.54

50. ASSETS IMPAIRMENT LOSSES

Items	Amount of current year	Amount of last year
Loss on bad debt	—	112,862,481.92
Inventory falling price loss	91,782.26	2,156,248.00
Goodwill important loss Impairment loss of long-term equity investments	—	14,842,000.00
Impairment loss of fixed assets	1,096,385.98	6,262,289.43
Impairment loss of projects under construction	—	—
Impairment loss of fixed assets	20,722,000.00	—
Goodwill important loss Impairment loss of projects under construction	134,843,091.03	—
Total	156,753,259.27	136,123,019.35

51. EXPECTED CREDIT LOSSES

Items	Amount of current year	Amount of last year
Loss on bad debts of bills receivable and accounts receivable	170,891,049.50	—
Impairment losses of other receivables	82,013,838.32	—
Total	252,904,887.82	—

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. OTHER INCOME

Items	Amount of current year	Amount of last year
International Train freight government subsidy	501,640,420.01	98,102,069.00
Container shipping subsidy	17,655,007.74	22,241,456.80
Logistics standardization project subsidy	14,533,481.37	14,557,977.43
National Road Transportation Trailer Project Subsidy	7,076,500.00	1,120,000.00
Logistics Special Project subsidy	3,752,000.00	–
China Central Government special subsidy for Financial Service Industry (Cold Chain Logistics)	1,947,765.12	–
Regional Government Financial Return	1,371,224.71	6,612,465.01
Export LCL special subsidy	1,247,400.00	–
Customs Inspection special Subsidy	1,186,925.95	–
Others	81,285,664.37	92,255,089.80
Total	631,696,389.27	234,889,058.04

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. INCOME FROM INVESTMENTS (CONTINUED)

Items	Amount of current year	Amount of last year
Income from long-term equity investments	2,387,584,037.91	1,303,376,027.67
Including: income from investments recognized under the equity method	1,170,771,434.70	1,021,668,429.17
Income from disposal of equity (Note 1)	556,213,718.31	281,707,598.50
Proceeds resulting from the measurement of fair value of residual equity after loss of control (Note 1)	660,598,884.90	—
Held for trading financial assets	202,735,197.23	—
Including: income from investments acquired during the holding period	28,865,492.90	—
Income from disposal (Note 2)	173,869,704.33	—
Financial assets measured at fair value whose changes are included in the current profits and losses	—	25,572,841.26
Including: income from investments acquired during the holding period	—	25,572,841.26
Held-for-sale investments	—	617,893,189.24
Including: income from investments acquired during the holding period	—	39,373,654.23
Income from disposal	—	578,519,535.01
Available-for-sale financial assets, etc.	4,098,542.12	—
Including: income from investments acquired during the holding period	4,098,542.12	—
Total	2,594,417,777.26	1,946,842,058.17

Note 1: On October 25, 2018, China Merchants Shipbuilding Co., Ltd., CITIC Capital Maneuver Holdings Limited and FV Pallet Leasing Holding Ltd. signed an agreement on sale and purchase of 55% equity of CM Loscam. The agreement stipulates that the consideration for equity transfer is RMB2,475.00 million, which is paid in US dollars and agreed exchange rate. On December 20, 2018, China Merchants Shipbuilding Co., Ltd. received an equity transfer amount of USD358.36 million. The two parties have completed equity transfer, re-election of the board of directors and revised the charter by December 31, 2018.

After the Group disposed of the equity and carried forward other comprehensive income, it generated an income from the disposal of equity of RMB543.68 million. The remaining equity of the Group was determined at the fair value of the equity transfer transaction price of RMB2,012.02 million, and the difference between the fair value of the remaining equity and the fair value of the identifiable net assets was RMB660.60 million, which was included in the investment income for the period.

The Group obtained RMB8.78 million and RMB3.76 million gains from disposal of equity for disposal of Zhengzhou Company and others.

Note 2: The Group converts the preferred shares of Americold Company into ordinary shares in 2018 and sells them after the end of the restricted period. The disposal proceeds from the disposal of the shares amounted to RMB173.87 million.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. GAINS (LOSSES) FROM CHANGES IN FAIR VALUE

Items	Amount of current year	Amount of last year
Trading financial assets (Note 1)	236,004,338.46	-14,794,631.75
Others	–	-81,425.76
Total	236,004,338.46	-14,876,057.51

Note 1: The gains from changes in fair value are mainly the preferred shares of Americold Company held by the Group. The Group uses the guidance of the market comparison method to calculate the fair value. In 2018, the fair value change income recognized by the stock was RMB236.00 million.

55. INCOME FROM DISPOSAL OF ASSETS

Items	Amount of current year	Amount of last year	Amount included in non-recurring profits and losses for the year
Income from disposal of non-current assets	137,572,742.62	169,637,257.87	137,572,742.62
Including: Income from disposal of fixed assets	135,546,831.86	161,609,509.64	135,546,831.86
Income from disposal of intangible assets	731,999.13	8,027,748.23	731,999.13
Income from disposal of construction in progress	1,236,496.40	–	1,236,496.40
Others	57,415.23	–	57,415.23
Total	137,572,742.62	169,637,257.87	137,572,742.62

56. NON-OPERATING INCOME

Items	Amount of current year	Amount of last year	Amount included in current non-recurring profits and losses
Government grants	39,704,161.55	37,218,582.00	39,704,161.55
Income from scrapped of non current assets	33,050,943.09	1,864,817.68	33,050,943.09
Demolition compensation income	5,344,835.35		5,344,835.35
Default penalty, compensation income	4,927,522.02	23,403,676.47	4,927,522.02
Inability to paid trade payables	2,508,495.00	25,848,732.95	2,508,495.00
Other operating income	2,106,250.73		2,106,250.73
Others	3,563,731.22	23,106,693.41	3,563,731.22
Total	91,205,938.96	111,442,502.51	91,205,938.96

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. GOVERNMENT GRANTS

Schedule of Government grants:

Items	Amount of current year	Amount of last year
Income-related government grants		
International train transportation Subsidy	501,640,420.01	98,102,069.00
Containers quantity subsidy for ocean freights	17,655,007.74	30,186,456.80
Logistics standardisation Subsidy	14,533,481.37	14,557,977.43
National Highway Transportation and Trailer Pilot Project Subsidy	7,076,500.00	1,120,000.00
Others (Note)	133,355,649.85	123,436,075.80
Subtotal	674,261,058.97	267,402,579.03
Assets-related government grants		
Investment on fixed-assets Subsidy	32,591,895.37	80,907,339.71
Customs Clearance Platform development subsidy	1,576,625.29	–
Land Purchasing Subsidy	80,000.00	14,020,000.00
Chongqing Western Logistics Park Center Project	–	48,520,491.69
Infrastructure Subsidy	–	6,513,200.00
Others	–	8,739,759.36
Subtotal	34,248,520.66	158,700,790.76
Total	708,509,579.63	426,103,369.79
Less: government grants included in deferred income	51,819,687.84	187,085,135.12
Add: government grants recognized of profit or loss and other comprehensive income statement transferred from deferred income	45,108,059.03	35,392,320.16
Less: government grants related expenses	30,397,400.00	2,302,914.79
Government grants recognized of profit or loss and other comprehensive income statement	671,400,550.82	272,107,640.04
Including: Government grants included in other income	631,696,389.27	234,889,058.04
Government grants included in non operating income	39,704,161.55	37,218,582.00

Note: Other items consist of several government subsidy items that are not material would not be disclosed separately.

58. NON-OPERATING EXPENSES

Items	Amount of current year	Amount of last year	Amount included in current non-recurring profits and losses
Pending litigation losses (Note 1)	171,787,821.19	95,461,821.87	171,787,821.19
Indemnity, Contract default and penalty expenses	30,215,387.26	10,741,965.34	30,215,387.26
Donations	11,275,718.70	409,297.35	11,275,718.70
Assets disposal and damage	10,219,155.02	10,303,100.99	10,219,155.02
penalty cost	–	12,020,735.33	–
Collateral damage(Note 2)	–	-27,700,650.00	–
Other losses (Note 3)	77,266,809.27	8,102,684.15	77,266,809.27
Total	300,764,891.44	109,338,955.03	300,764,891.44

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. NON-OPERATING EXPENSES

- Note 1: The outstanding litigation losses mainly include the estimated losses according to the Group's litigation and accidents in the ordinary course of business. Refer to Note X, 37 for details.
- Note 2: Sinotrans Air, a subsidiary of the Group, provided unconditional and pay-as-you-go joint liability guarantees to the original joint venture loans in accordance with the proportion of capital contribution. The previous year's provision for guarantee losses was RMB27,700,650.00. As the original joint venture in 2017 repaid the principal and interest of the loan, the above-mentioned joint liability guarantee obligation of Sinotrans Air was released, so the estimated liabilities were reversed.
- Note 3: Other losses mainly include losses caused by the subordinate subsidiaries of the Group not carrying out bulk product logistics and transportation business in accordance with the relevant requirements of the Company.

59. INCOME TAX EXPENSES

(1) Table of income tax expenses

Items	Amount of current year	Amount of last year
Current income tax	803,737,092.84	800,257,955.55
Deferred income tax adjustment	105,735,463.34	-14,558,757.71
Total	909,472,556.18	785,699,197.84

(2) Adjustment process of accounting profit and income tax expenses

Items	Amount of current year
Accounting profit	4,108,440,885.76
Income tax expenses at the tax rate of 25% (last year: 25%)	1,027,110,221.44
Tax impacts of non-deductible expenses	44,435,214.29
Tax impacts of tax-exempt income	-340,676,795.15
Tax impacts of unrecognized deductible losses and deductible temporary differences	308,748,686.48
Tax impacts of utilization of unrecognized deductible losses and deductible temporary differences in the previous year	-25,440,371.66
Effects of inconsistent tax rates for subsidiaries in other regions	-95,272,519.28
Withholding income tax based on current profit estimates of subsidiaries, joint ventures and associates established outside the company's registered address	-
Impact of tax reliefs of subsidiaries	-1,875,952.42
Changes resulting from tax rate adjustments in the beginning balance of deferred income tax assets/liabilities	-
Tax impacts of unrecognized taxable temporary differences	-18,098,530.16
Taxes supplemented (refunded) for prior years	10,542,602.64
Others	-
Income tax expenses	909,472,556.18

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. BORROWING COSTS

Items	Capitalization rate	Capitalized amount
Construction in process	1%-5%	88,202,405.94
Subtotal	—	88,202,405.94
Financial expenses included in current profits and losses	—	555,718,585.47
Total interest expenses	—	643,920,991.41

61. FOREIGN EXCHANGE TRANSLATION

Items	Amount of current year
Exchange differences included in current profits and losses	-37,382,323.28
Differences from translation in foreign currency financial statements for the transfer of disposal of overseas business to current profits and losses	-263,717,703.09
Total	-301,100,026.37

62. LEASES

(1) Operating leases (lessors)

Category of assets leased under operating leases	Ending balance	Beginning balance
Houses and buildings	2,444,956,466.26	912,044,038.93
Lands	33,049,871.10	51,620,021.63
Pallets	—	2,289,265,514.38
Equipment and motor vehicles	594,204,400.49	556,274,318.81
Others	—	3,718,931.19
Total	3,072,210,737.85	3,812,922,824.94

(2) Operating leases (lessees)

Residual lease term	Minimum lease payments
Less than 1 year (including 1 year)	331,533,268.40
1 to 2 years (including 2 year)	177,089,816.64
2 to 3 years (including 3 year)	126,519,546.83
More than 3 years	485,554,589.81
Total	1,120,697,221.68

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

- (1) Other comprehensive income items and their income tax effects and transfers to profits and losses

Items	Amount of current year			Amount of last year		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
I. Other comprehensive income not reclassified to profits and losses	-75,969,534.02	-	-75,969,534.02	-	-	-
Changes in fair value of other equity instruments investment	-75,969,534.02	-	-75,969,534.02	—	—	—
II. Other comprehensive income not reclassified to profits and losses	-126,678,896.22	-	-126,678,896.22	226,283,602.89	-26,688,765.06	252,972,367.95
1. Other comprehensive income transferable to profits and losses under the equity method	461,537.45	-	461,537.45	-10,100,995.96	-	-10,100,995.96
Less: Other comprehensive income included in the previous period and transferred to profits and losses in the current period	-	-	-	-	-	-
Subtotal	461,537.45	-	461,537.45	-10,100,995.96	-	-10,100,995.96
2. Changes in fair value of other debt investments	-	-	-	257,599,190.27	-26,688,765.06	284,287,955.33
Less: Other comprehensive income included in the previous period and transferred to profits and losses in the current period	-	-	-	369,026,672.63	-	369,026,672.63
Subtotal	-	-	-	-111,427,482.36	-26,688,765.06	-84,738,717.30
3. Differences from translation in foreign currency financial statements	-390,858,136.76	-	-390,858,136.76	347,812,081.21	-	347,812,081.21
Less: Other comprehensive income included in the previous period and transferred to profits and losses in the current period	-263,717,703.09	-	-263,717,703.09	-	-	-
Subtotal	-127,140,433.67	-	-127,140,433.67	347,812,081.21	-	347,812,081.21
Total other comprehensive income	-202,648,430.24	-	-202,648,430.24	226,283,602.89	-26,688,765.06	252,972,367.95

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

(2) Adjustments to other comprehensive income items

2018

Items	Beginning balance	Add: increases or decreases of the year (negative number filled with "-")	Ending balance
Other comprehensive income not transferred to profits and losses under the equity method	1,707,132.75	–	1,707,132.75
Changes in fair value of other equity instrument investments	101,308,736.24	-75,969,534.02	25,339,202.22
Other comprehensive income transferable to profits and losses under the equity method	24,626,744.93	461,537.45	25,088,282.38
Differences from translation in foreign currency financial statements	149,807,679.29	-476,943,606.93	-327,135,927.64
Subtotal	277,450,293.21	-552,451,603.50	-275,001,310.29

2017

Items	Beginning balance	Add: increases or decreases of the year (negative number filled with "-")	Ending balance
Share of other comprehensive income of invested entities not reclassified to profits and losses under the equity method	1,707,132.75	–	1,707,132.75
Share of other comprehensive income of invested entities to be reclassified to profits and losses under the equity method	34,727,740.89	-10,100,995.96	24,626,744.93
Gains and losses from changes in fair value of available-for-sale financial assets	186,047,453.54	-84,738,717.30	101,308,736.24
Differences from translation in foreign currency financial statements	-198,004,401.92	347,812,081.21	149,807,679.29
Subtotal	24,477,925.26	252,972,367.95	277,450,293.21

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

(1) Other cash received/paid relating to operating/investing/financing activities

1) Other cash received relating to operating activities

Items	Amount of current year
Cash received on behalf of factoring companies	615,948,852.16
Government grants received related to the business operating	491,013,945.61
Cash received from advanced payment, pledged deposits and deposits	18,835,037.60
Income received from contract default and indemnity	4,927,522.02
Others	26,274,178.59
Total	1,156,999,535.98

2) Other cash paid relating to operating activities

Items	Amount of current year
Paid ledged deposits and custom taxation received in advanced	528,111,703.80
Paid rental expenses and building management fee	343,381,618.25
Paid consultation and audit fee	188,237,585.33
Paid business hospitality	182,475,544.70
Paid travelling expenses	147,659,023.25
Paid transactions indemnity	128,090,410.30
Paid communication network fee	88,833,284.16
Paid office expense	83,080,794.13
Paid communication fee	81,756,377.22
Paid motor vehicle expenses	76,874,614.77
Paid water and electricity fee	68,943,963.32
Paid insurance fee	56,295,036.25
Paid safe production fee	41,436,436.50
Paid management fee	29,302,450.75
Paid decoration fee	26,022,800.10
Paid gas expenses	24,856,868.92
Paid transportation fee	24,045,250.92
Paid land rental fee	16,156,539.92
Paid conference expenses	9,438,007.24
Paid advertising fee	8,366,594.27
Paid insurance deposits	7,146,058.85
Others	43,411,479.27
Total	2,203,922,442.22

3) Other cash received relating to investing activities

Items	Amount of current year
Interest on financial products	226,989,953.10
Settlement from Shanghai Yunxing International Shipping Agency Co., Ltd.	5,000,000.00
Shanghai Pu'an Warehouse Co., Ltd.	3,840,000.00
Total	235,829,953.10

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(1) Other cash received/paid relating to operating/investing/financing activities (continued)

4) Other cash paid relating to investing activities

Items	Amount of current year
Intra-group long-term borrowings	70,197,467.02
Net proceeds from disposal of subsidiary (Disposal price is lower than the subsidiary's net book value)	4,713,263.78
Total	74,910,730.80

5) Other cash received relating to financing activities

Items	Amount of current year
Outside group transaction	691,789,965.08
Total	691,789,965.08

6) Other cash paid relating to financing activities

Items	Amount of current year
Payment of China Merchants Group (Hong Kong) Co., Ltd. CM LOSCAM Project Advance Payment	2,309,849,591.18
Payment of the transfer of equity of Sinotrans & CSC Holdings Co., Ltd	881,201,699.68
Repayment of SINOTRANS SHIPPING INC	450,000,000.00
Payment of Tengda Phase I Intermediary Fee	56,440,391.01
Total	3,697,491,681.87

Note: On 31 December 2016, China Merchants Logistics acquired from SINOTRANS & CSC the full equity of Shenyang Sinotrans Jiuling Logistics Development Co., Ltd., Sinotrans Jiuling Storage and Transportation Co., Ltd., Sinotrans Logistics Investment Holdings Co., Ltd., Hebei Jifa Logistics Co., Ltd., Beijing Sinotrans Transportation Co., Ltd., Zhejiang Zhoushan Sinotrans Customs Declaration Co., Ltd., Guangxi Sinotrans Logistics Co., Ltd., Sinotrans (Tianjin) Storage and Transportation Co., Ltd. at a total consideration of RMB881,201,699.68, and the consideration was not paid in full in 2016, and the remaining consideration of RMB881,201,699.68 was paid in 2018.

On 31 December 2015, China Merchants Logistics acquired from China Merchants Group (Hong Kong) Co., Ltd. its full equity in China Merchants Loscam at a total consideration of RMB2,737,112,917.62, and the consideration was not paid in full in 2015, and the remaining consideration of RMB2,309,849,591.18 was paid in 2018.

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(2) Supplementary information in the cash flow statement

Items	Amount of current year	Amount of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,198,968,329.58	2,981,386,545.23
Add: Asset impairment losses	156,753,259.27	136,123,019.35
Expected credit losses	252,904,887.82	—
Depreciation of fixed assets and Investment properties	1,215,548,307.98	1,145,990,972.78
Amortization of intangible assets	156,913,220.65	132,598,954.20
Amortization of long-term deferred expenses	50,910,804.24	52,192,626.76
Losses from disposal of assets (gains expressed with "-")	-137,572,742.62	-169,637,257.87
Losses from damage and scrapping of non-current assets (gains expressed with "-")	-22,831,788.07	8,438,283.31
Losses from changes in fair value (gains expressed with "-")	-236,004,338.46	14,876,057.51
Financial expenses (income expressed with "-")	510,106,941.19	252,798,337.99
Losses on investments (income expressed with "-")	-2,594,417,777.26	-1,946,842,058.17
Reduction in deferred income tax assets (increase expressed with "-")	109,010,874.98	-43,591,006.60
Increase in deferred income tax liabilities (reduction expressed with "-")	-4,215,359.82	29,032,248.89
Reduction in inventories (increase expressed with "-")	30,064,664.52	-139,557,481.96
Decrease in operating receivables (reduction expressed with "-")	-638,773,637.76	-919,630,203.33
Increase in operating payables (reduction expressed with "-")	-33,972,311.65	1,471,548,326.82
Net cash flows from operating activities	2,013,393,334.59	3,005,727,364.91
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	—	—
Business combination under the same control	—	5,450,000,000.00
3. Net changes in cash and cash equivalents:		
Ending balance of cash	15,317,824,974.56	9,709,382,226.84
Less: beginning balance of cash	9,709,382,226.84	9,323,955,049.68
Add: adjustments to the classification of account settlement reserves at the beginning of the year	—	—
Net increase in cash and cash equivalents	5,608,442,747.72	385,427,177.16

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(3) Net cash from acquisition and disposal of subsidiaries for the year

Items	Amount of current year
I. Information on acquisition of subsidiaries	
II. Information on disposal of subsidiaries	
1. Prices of disposal of subsidiaries	2,372,899,643.59
2. Cash or cash equivalents received from disposal of subsidiaries for the year	2,372,899,643.59
Less: Cash and cash equivalents held by the company on the date of loss of control	596,754,037.93
Add: cash or cash equivalents received from disposal of subsidiaries for the previous periods	–
3. Net cash received from disposal of subsidiaries	1,776,145,605.66
3. Net assets for disposal of subsidiaries	3,003,161,099.98
Current assets	1,024,611,223.20
Non-current assets	5,044,697,831.95
Current liabilities	857,086,259.97
Non-current liabilities	2,209,061,695.20

(4) Cash from interests, handling charges and commissions

Items	Amount of current year	Amount of last year
Cash received from interests	47,187,697.38	48,127,683.90
Total	47,187,697.38	48,127,683.90

(5) Cash paid for distribution of dividends and profits or interest payments

Items	Amount of current year	Amount of last year
Dividends and profits paid by subsidiaries to non-controlling interests	356,340,566.04	300,285,775.07
Cash paid for interest payments	751,004,854.48	390,599,807.08
Profits delivered	605,565,061.78	529,745,568.00
Total	1,712,910,482.30	1,220,631,150.15

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. CASH AND CASH EQUIVALENTS

Items	Ending balance	Beginning balance
I. Cash	15,317,824,974.56	9,709,382,226.84
Including: cash on hand	10,396,081.65	16,203,545.93
Bank deposit available for payment at any time	15,307,428,892.91	9,678,492,114.81
Other monetary capital available for payment at any time	—	14,686,566.10
II. Cash equivalents	—	—
III. Balance of cash and cash equivalents at the end of the year	15,317,824,974.56	9,709,382,226.84
IV. Restricted monetary capital	210,607,844.23	2,442,936,829.63
Cash and cash equivalents with restrictions on use by the company or intra-group subsidiaries	210,607,844.23	2,442,936,829.63
V. Total monetary capital and provision for settlement funds	15,528,432,818.79	12,152,319,056.47

66. FOREIGN CURRENCY MONETARY ITEMS

Items	Foreign currency balance at the end of the year	Translation exchange rate	Translated RMB balance at the end of the year
Monetary capital	—	—	5,503,736,434.34
Including: USD	696,122,535.99	6.8632	4,777,628,189.01
HKD	652,165,827.21	0.8762	571,427,697.80
JPY	915,831,675.28	0.0619	56,689,980.70
EURO	3,483,455.00	7.8473	27,335,716.42
AUD	3,719,044.89	4.8250	17,944,391.59
Others	—	—	52,710,458.82
Accounts receivable	—	—	2,122,062,530.04
Including: USD	278,393,085.87	6.8632	1,910,667,426.94
HKD	23,410,815.17	0.8762	20,512,556.25
JPY	695,011,565.00	0.0619	43,021,215.87
EURO	1,160,351.03	7.8473	9,105,622.64
AUD	519,638.05	4.8250	2,507,253.59
Others	—	—	136,248,454.75
Long-term receivable	—	—	31,408,501.48
Including: HKD	35,846,269.66	0.8762	31,408,501.48
Non-current assets within 1 year	—	—	18,586,996.26
Including: HKD	21,213,189.07	0.8762	18,586,996.26
Account payable	—	—	1,355,569,341.65
Including: USD	161,862,201.18	6.8632	1,110,892,659.14
HKD	71,653,420.00	0.8762	62,782,726.60
JPY	1,199,005,136.99	0.0619	74,218,417.98
EURO	2,550,230.46	7.8473	20,012,423.49
AUD	736,651.04	4.8250	3,554,341.27
Others	—	—	84,108,773.17
Short-term borrowings	—	—	1,025,315,658.90
Including: HKD	1,170,184,500.00	0.8762	1,025,315,658.90
Long-term borrowings	—	—	6,911,156,338.81
Including: USD	87,579,580.24	6.8632	601,076,175.10
HKD	7,201,643,647.24	0.8762	6,310,080,163.71
Long-term payables	—	—	460,252,412.24
Including: USD	63,139,385.32	6.8632	433,338,229.33
HKD	30,716,940.09	0.8762	26,914,182.91

X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. SEGMENT REPORTING

(1) Basis for determining reporting segments and accounting policies

In accordance with the Group's internal organizational 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 four reporting segments, which are freight forwarding, professional logistics, storage terminals, and other services respectively. These reporting segments are based on the revenue type of the Group.

The operating segments and reporting segments of the Group are analyzed as follows:

- Freight forwarding: it mainly includes any delivery of the goods to the designated consignees in other places within the specified time limit in accordance with the instructions and arrangements of customers, including any shipping agency services provided to shipping companies in relation to freight forwarding.
- Professional logistics: it mainly includes any provision of customized and specialized entire logistics services to customers.
- Warehousing and terminal services: they mainly include any provision of warehousing, yard, container terminal and terminal services.
- Other services: they mainly include any provision of automotive transport services, shipping services and express delivery services.

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.

(2) Financial information of reporting segments

2018:

Items	Freight forwarding	Professional logistics	Storage terminals	Other services	Undistributed items	Inter-segment offset	Total
Operating revenue							
External transaction income	47,553,831,299.79	20,492,611,010.80	2,504,287,088.31	6,761,107,115.93	-	-	77,311,836,514.83
Inter-segment transaction income	1,353,253,081.97	114,895,051.26	306,182,780.00	688,267,777.24	-	-2,462,598,690.47	-
Total operating revenue from segments	48,907,084,381.76	20,607,506,062.06	2,810,469,868.31	7,449,374,893.17	-	-2,462,598,690.47	77,311,836,514.83
Operating expenses	46,654,317,185.07	19,986,758,780.85	2,157,943,915.68	6,411,913,807.65	972,936,087.86	-	76,183,869,777.11
Asset impairment losses	-	91,782.26	-	-	156,661,477.01	-	156,753,259.27
Expected credit losses	86,635,915.58	67,377,283.43	4,815,218.08	23,530,396.46	70,546,074.27	-	252,904,887.82
Gains (losses) from changes in fair value	-	-	-	-	236,004,338.46	-	236,004,338.46
Income from investments	14,974,617.72	4,718,040.44	30,059,595.66	1,061,497,605.93	1,483,167,917.51	-	2,594,417,777.26
Including: income from investments in associates and joint ventures	14,974,617.72	1,933,738.49	30,059,595.66	1,061,446,063.88	62,357,418.95	-	1,170,771,434.70
Income from disposal of assets	-	-	-	-	137,572,742.62	-	137,572,742.62
Other income	290,670,314.28	277,460,987.11	33,602,344.31	28,982,743.57	980,000.00	-	631,696,389.27
Operating profit	1,118,523,131.14	720,562,191.81	405,189,894.52	1,416,143,261.32	657,581,359.45	-	4,317,999,838.24
Non-operating income	18,989,085.76	4,323,679.03	576,318.15	19,638,040.19	47,678,815.83	-	91,205,938.96
Non-operating expenses	8,673,896.98	25,663,936.41	168,099.47	4,202,296.62	262,056,661.96	-	300,764,891.44
Total profit	1,128,838,319.92	699,221,934.43	405,598,113.20	1,431,579,004.89	443,203,513.32	-	4,108,440,885.76
Income tax	249,887,366.26	154,784,546.67	89,785,970.65	316,904,113.54	98,110,559.06	-	909,472,556.18
Net profit	878,950,953.66	544,437,387.76	315,812,142.55	1,114,674,891.35	345,092,954.26	-	3,198,968,329.58
Total assets	19,311,783,293.50	22,760,893,509.71	6,597,248,820.01	7,264,977,598.01	5,559,318,362.71	-	61,494,221,583.94
Total liabilities	8,816,119,917.49	6,277,323,342.29	563,311,393.64	1,296,142,178.30	16,687,883,846.46	-	33,640,780,678.18

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X. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. SEGMENT REPORTING (CONTINUED)

(2) Financial information of reporting segments (continued)

2017:

Items	Freight forwarding	Professional logistics	Storage terminals	Other services	Undistributed items	Inter-segment offset	Total
Operating revenue							
External transaction income	46,056,177,801.02	18,843,442,758.94	2,324,722,233.31	5,933,169,922.84	-	-	73,157,512,716.11
Inter-segment transaction income	939,269,480.48	97,364,300.82	319,150,620.65	551,692,492.50	-	-1,907,476,894.45	-
Total operating revenue from segments	46,995,447,281.50	18,940,807,059.76	2,643,872,853.96	6,484,862,415.34	-	-1,907,476,894.45	73,157,512,716.11
Operating expenses	45,055,615,008.60	18,233,639,400.75	2,035,066,081.86	5,579,560,630.77	689,018,695.76	-	71,592,899,817.74
Asset impairment losses	61,949,431.85	41,434,004.48	146,007.17	11,489,286.42	21,104,289.43	-	136,123,019.35
Expected credit losses	-	-	-	-	-	-	-
Gains (losses) from changes in fair value	-	-	-	-	-14,876,057.51	-	-14,876,057.51
Income from investments	39,451,448.03	-1,822,237.40	78,822,561.99	896,806,028.34	933,584,257.21	-	1,946,842,058.17
Including: income from investments in associates and joint ventures	30,379,094.86	-1,822,237.40	48,521,260.93	896,806,028.34	47,784,282.44	-	1,021,668,429.17
Income from disposal of assets	-	-	-	-	169,637,257.87	-	169,637,257.87
Other income	118,867,991.55	51,347,359.43	18,265,848.06	46,407,859.00	-	-	234,889,058.04
Operating profit	1,096,932,800.15	617,894,475.74	386,598,554.33	1,285,333,892.99	378,222,472.38	-	3,764,982,195.59
Non-operating income	44,570,146.67	38,936,281.71	15,522,321.05	10,548,933.24	1,864,819.84	-	111,442,502.51
Non-operating expenses	9,265,157.47	8,998,792.64	7,419,087.52	6,011,229.07	77,644,688.33	-	109,338,955.03
Total profit	1,132,237,789.35	647,831,964.81	394,701,787.86	1,289,871,597.16	302,442,603.89	-	3,767,085,743.07
Income tax	236,150,272.00	135,117,990.34	82,322,755.38	269,027,876.81	63,080,303.31	-	785,699,197.84
Net profit	896,087,517.35	512,713,974.47	312,379,032.48	1,020,843,720.35	239,362,300.58	-	2,981,386,545.23
Total assets	19,671,931,916.86	22,278,377,292.99	6,355,322,859.04	6,498,292,520.18	7,522,279,871.02	-	62,326,204,460.09
Total liabilities	10,191,632,824.91	8,308,015,917.29	663,164,549.22	1,444,698,939.46	15,883,631,825.39	-	36,491,144,056.27

2018

Items	Freight forwarding	Professional logistics	Storage terminals	Other services	Undistributed items	Inter-segment offset	Total
Supplementary information							
Depreciation and amortization expenses	183,068,481.00	462,510,568.59	252,173,484.24	449,091,673.61	25,617,321.19	-	1,372,461,528.63
Capital expenditures	565,731,715.00	652,947,805.12	375,876,067.18	789,519,698.05	244,662,403.79	-	2,628,737,689.14
Non-cash expenses other than depreciation and amortization	86,635,915.58	109,265,724.69	4,815,218.08	47,060,396.46	299,453,634.90	-	547,230,889.71
Increase in long-term equity investments in associates and joint ventures under the equity method	-25,940,368.82	397,741.02	2,253,590.15	152,031,467.75	62,361,140.24	-	191,103,570.34

2017

Items	Freight forwarding	Professional logistics	Storage terminals	Other services	Undistributed items	Inter-segment offset	Total
Supplementary information							
Depreciation and amortization expenses	169,310,635.88	389,522,735.67	266,792,710.30	413,556,391.87	36,393,167.77	-	1,275,575,641.49
Capital expenditures	298,863,375.09	2,258,161,109.05	287,329,590.70	255,926,097.32	134,475,483.31	-	3,234,755,655.47
Non-cash expenses other than depreciation and amortization	72,788,937.74	29,067,380.37	233,529.36	12,928,882.45	299,035,504.44	-	414,054,234.36
Increase in long-term equity investments in associates and joint ventures under the equity method	-11,707,785.37	-10,491,858.47	21,358,558.96	83,853,915.21	15,817,015.51	-	98,829,845.84

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. RELATED PARTIES WITH CONTROL RELATIONSHIP

Name of controlling shareholders and ultimate controller	Registered address/ place of business	Business nature	Registered capital (RMB)	Shareholding ratio (%)	Voting ratio (%)
China Merchants Group Co., Ltd.	Beijing	Transportation	RMB16,700 million	—	—

2. THE INFORMATION ABOUT SUBSIDIARIES IS DESCRIBED IN NOTE 8.

3. THE COMPANY'S IMPORTANT JOINT VENTURES OR ASSOCIATES ARE DESCRIBED IN NOTE X. II

4. OTHER MAJOR RELATED PARTIES

Name of other related parties	Relationship with the Company
Sinotrans & CSC Group Limited	Fellow subsidiary
Sinotrans Container Lines Co., Ltd.	Fellow subsidiary
Sinotrans Sunny Express Co., Ltd.	Fellow subsidiary
Shanghai Changhang Shipping Co., Ltd.	Fellow subsidiary
Nanjing Tanker Corporation	Fellow subsidiary
China Merchants Group Finance Co., Ltd.	Fellow subsidiary
China Merchants Shipping Co., Ltd.	Fellow subsidiary
RED BRAVES FINANCE LTD.	Fellow subsidiary
SINOTRANS SHIPPING INC.	Fellow subsidiary
Sinotrans Zhujiqiao Storage Transport Co., Ltd.	Fellow subsidiary
Sinotrans Anhui Direct Storage And Transport Co., Ltd.	Fellow subsidiary
Beijing Aocheng Wuhe Real Estate Co., Ltd.	Fellow subsidiary
Sinotrans Beijing Automobile Transportation Co., Ltd.	Fellow subsidiary
Beijing Sinotrans Land Transportation Co., Ltd.	Fellow subsidiary
Beijing Sinotrans Auto Service Co., LTD.	Fellow subsidiary
Sinotrans Beijing Automobile Transportation Co., Ltd.	Fellow subsidiary
Sinotrans Beijing Sanjianfang Warehouse Ltd	Fellow subsidiary
Beijing Sinotrans Logistics Center Co., Ltd.	Fellow subsidiary
Sinotrans Fujian Hexi Warehousing And Transportation Co., Ltd.	Fellow subsidiary
Sinotrans Fujian Majiang Storage And Transportation Co., Ltd.	Fellow subsidiary
Sinotrans Guangdong Huizhou Company	Fellow subsidiary
Guangdong Sinotrans Co., Ltd.	Fellow subsidiary
Guangxi Laibin Sinotrans Logistics Co., Ltd.	Fellow subsidiary
Guangxi Liuzhou Sinotrans Co., Ltd.	Fellow subsidiary
Guangxi Sinotrans Nanning Container Motor Transport Company	Fellow subsidiary
Guangxi Sinotrans Pingxiang Co., Ltd.	Fellow subsidiary
Guangxi Sinotrans Jiuling Storage and Transportation Company	Fellow subsidiary
Hebei Sinotrans Jiuling Storage and Transportation Company	Fellow subsidiary
Henan Sinotrans Bonded Logistics Co., Ltd.	Fellow subsidiary
Henan Sinotrans Jiuling Storage and Transportation Company	Fellow subsidiary
Hubei Sinotrans Cangma Logistics Co., Ltd.	Fellow subsidiary
Sinotrans Hu'nan Jiuling Company	Fellow subsidiary
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Fellow subsidiary
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Fellow subsidiary
Sinotrans Jiangsu C.F.S. Co., Ltd.	Fellow subsidiary
Sinotrans Jiangsu Logistics Co., Ltd.	Fellow subsidiary
Jiujiang Changwei International Shipping Agency Co., Ltd.	Fellow subsidiary
Sinotrans Liaoning Limited	Fellow subsidiary

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. OTHER MAJOR RELATED PARTIES (CONTINUED)

Name of other related parties	Relationship with the Company
Nanjing YangYang Chemicals Transport & Trade Co., Ltd.	Fellow subsidiary
Sinotrans Nantong Port Container Logistics Co., Ltd	Fellow subsidiary
Ningbo Daxie Merchants International Terminal Co., Ltd.	Fellow subsidiary
Ningbo Sinotrans Logistics Co., Ltd.	Fellow subsidiary
Xiamen Sinotrans Co., Ltd.	Fellow subsidiary
Sinotrans Shandong Co., Ltd.	Fellow subsidiary
Shandong Sinotrans Yantai Co., Ltd.	Fellow subsidiary
Shanghai Xinyangshan Container Lines Co., Ltd.	Fellow subsidiary
Sinotrans & CSC International Merchant & Shipping (Hong Kong) Company Limited	Fellow subsidiary
Sinotrans & Csc Shanghai Qiantang Co., Ltd	Fellow subsidiary
Shanghai Zhongwaiyunzhanghuabang Storage & Transportation Co., Ltd.	Fellow subsidiary
Shekou Container Terminals Ltd.	Fellow subsidiary
Shenzhen Chiwan Shipping & Transportation Co Ltd	Fellow subsidiary
Shenzhen Lianda Tug Co., Ltd	Fellow subsidiary
Shenzhen Shekou New Era Management Co., Ltd	Fellow subsidiary
CSS RORO Logistics Co., Ltd	Fellow subsidiary
Shenzhen Merchants Construction Co., Ltd.	Fellow subsidiary
Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	Fellow subsidiary
Nanyou Group Limited	Fellow subsidiary
Sichuan Sinotrans Storage Service Co., Ltd.	Fellow subsidiary
Sinotrans Suzhou Storage Co., Ltd	Fellow subsidiary
Sinotrans Suifenhe Logistics Co., Ltd	Fellow subsidiary
Tianjin Outbound Co., Ltd.	Fellow subsidiary
Sinotrans Wuxi Xihui Storage Co., Ltd.	Fellow subsidiary
Wuhan Changjiang Shipping Co. Ltd	Fellow subsidiary
Yantai Anshun Automobile Transportation Co., Ltd.	Fellow subsidiary
Sinotrans Yinchuan Inland Portlogistics Co., Ltd	Fellow subsidiary
Far rise Co., Ltd	Fellow subsidiary
Zhangzhou China Merchants Port Co., Ltd.	Fellow subsidiary
Changhanghuoyun Co., Limited	Fellow subsidiary
Changjiang International Freight Forwarding Co., Ltd.	Fellow subsidiary
China Merchants Bonded Logistics Co., Ltd.	Fellow subsidiary
China Merchants International Terminal (Qingdao) Company Ltd	Fellow subsidiary
China Merchants Holdings (International) Information Technology Company Limited	Fellow subsidiary
China Merchants Container Services Limited	Fellow subsidiary
China Merchants Holdings (Hong Kong) Company Limited	Fellow subsidiary
China Merchants Food (Shenzhen) Co., Ltd.	Fellow subsidiary
China Merchants Zhangzhou Development Co., Ltd.	Fellow subsidiary
China Merchants Shekou Industrial Zone Holdings Co., Ltd	Fellow subsidiary
Chine Merchants Heavy Industry (Jiangsu) Co., Ltd	Fellow subsidiary
CMS Asset Management (HK) Co., Limited	Fellow subsidiary
Zhejiang Zhoushan Sinotrans Logistics Co., Ltd.	Fellow subsidiary
Sinotrans (Hong Kong) Investment Company Limited	Fellow subsidiary
Sinotrans (Shenzhen) Co., Ltd	Fellow subsidiary
Sinotrans Alashankou Company	Fellow subsidiary
Sinotrans Beijing Co., Ltd	Fellow subsidiary
Sinotrans Jinling Company	Fellow subsidiary
Sinotrans Lianyungang Co., Ltd.	Fellow subsidiary
Sinotrans&Csc Gansu Company	Fellow subsidiary
China Sinotrans Guangdong Zhanjiang Co. Ltd	Fellow subsidiary
Sinotrans Guangxi Beibu Gulf Logistics Co., Ltd	Fellow subsidiary
Sinotrans Guangxi Company	Fellow subsidiary
Sinotrans Guangxi Guigang Company	Fellow subsidiary
Sinotrans Guangxi Wuzhou Co., Ltd.	Fellow subsidiary
Sinotrans Hannan Company	Fellow subsidiary
Sinotrans Hebei Tangshan Company	Fellow subsidiary

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. OTHER MAJOR RELATED PARTIES (CONTINUED)

Name of other related parties	Relationship with the Company
Sinotrans Hebei Co. Ltd	Fellow subsidiary
Sinotrans Hunan Co., Ltd.	Fellow subsidiary
Sinotrans Jiangsu Co., Ltd.	Fellow subsidiary
Sinotrans Jiangxi Co., Ltd	Fellow subsidiary
Sinotrans Nantong Co., Ltd	Fellow subsidiary
Sinotrans Neimenggu Co., Ltd	Fellow subsidiary
Sinotrans Qinhuangdao Company	Fellow subsidiary
Sinotrans Shaanxi Co., Ltd.	Fellow subsidiary
Sinotrans Sichuan Co., Ltd.	Fellow subsidiary
China Yangtze River Shipping Co., Ltd.	Fellow subsidiary
China Changjiang Bunker(Sinopec) Co., Ltd.	Fellow subsidiary
Sinotrans (Jiaxing) International Freight Forwarding Co., Ltd.	Fellow subsidiary
Sinotrans International Trade Co., Ltd.	Fellow subsidiary
Sinotrans Container Lines (Hong Kong) Company Limited	Fellow subsidiary
Sinotrans Shanghai (Group) Co., Ltd.	Fellow subsidiary
Chongqing Wanqiao Communication-Tech Co., Ltd	Fellow subsidiary
Chongqing Changhang Yihua Shipping Co., Ltd.	Fellow subsidiary
Chongqing Changjinag Shipping Co., Ltd	Fellow subsidiary
Guangxi Yunyu Port Service Co. Ltd	Joint venture
Ams Global Transportation Co., Ltd.	Joint venture
Sinotrans Liaoning Constant Transportation Service Co., Ltd.	Joint venture
China Merchants Lukai International Holdings Co., Ltd.	Joint venture
Lukai Packaging Equipment Leasing (Shanghai) Co., Ltd.	Joint venture
Lukai Supply Chain Management (Jiaxing) Co., Ltd.	Joint venture
Ma'Anshan Tianshun Port Co., Ltd.	Joint venture
Nanjing Huaxing Loading And Unloading Service Co. Ltd	Joint venture
Qingdao Huasheng Airport Logistics Co. Ltd	Joint venture
Qingdao Yujiachang Container Storage And Transportation Co. Ltd	Joint venture
Shanghai Pu 'An Storage Co. Ltd	Joint venture
Shenzhen Haixing Harbor Development Co., Ltd.	Joint venture
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	Joint venture
Tianjin Runfeng Logistics Co. Ltd	Joint venture
Tianjin Shiyun Logistics Co. Ltd	Joint venture
Weihai Weidong Shipping Co., Ltd.	Joint venture
Wuhan Port Container Co., Ltd.	Joint venture
Yangzhou Comprehensive Protection Supply Chain Management Co. Ltd	Joint venture
China Merchants Logistics Group Nanjing Co. Ltd	Joint venture
China International Exhibition Transportation Co., Ltd.	Joint venture
Sinotrans Huajie International Logistics (Beijing) Co. Ltd	Joint venture
Zhongxin Southbound Channel (Chongqing) Logistics Development Co. Ltd	Joint venture
MAXX LOGISTICS LTD.	Joint venture
Beijing Sinotrans Huali Logistics Co., Ltd.	Joint venture
Dalian Jd Cargo International Co., Ltd.	Joint venture
Nittsu Sinotrans Logistic Dalian Co., Ltd.	Joint venture
Dongguan Container Terminals Co., Ltd	Joint venture
Dongguan(Humen) Container Terminals Co., Ltd	Joint venture
Dongguan Zhongwaiyun Chuansheng E-Commerce Co., Ltd	Joint venture
Nanjing Rixin Waiyun International Transport Co., Ltd.	Joint venture
Ningbo Taiping Int'L Trade Transportation Co., Ltd	Joint venture
Ningbo Zhongwai Yun'alian Ship Agency Limited Company	Joint venture
Rongyun (Xiamen) Supply Chain Co., Ltd.	Joint venture
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Joint venture
Shanghai Lianhe Cold Chain Logistics Co. Ltd	Joint venture
Shanghai Tongyun International Logistics Co., Ltd.	Joint venture
Shanghai Wai-Hong Yishida International Logistics Co., Ltd.	Joint venture

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. OTHER MAJOR RELATED PARTIES (CONTINUED)

Name of other related parties	Relationship with the Company
Xinghan Shipping Agency Co., Ltd.	Joint venture
Shanghai Yunxing International Shipping Agency Co., Ltd.	Joint venture
Shanghai Sinotrans Arian Shipping Agency Co., Ltd.	Associate
Shenzhen Zhonglian Tally Co., Ltd.	Associate
Shenyang Henglu Logistics Co. Ltd	Associate
Shenyang Jinyun Automobile Logistics Co. Ltd	Associate
Suzhou Sinotrans Zhongli International Freight Co. Ltd	Associate
Tangshan Port Sinotrans Shipping Agency Co. Ltd	Associate
New Land Bridge (Lianyungang) Dock Co., Ltd.	Associate
China Sinotrans (Pakistan) Logistics Co. Ltd	Associate
China Sinotrans Djibouti Co. Ltd	Associate
Sinotrans Hi_Techlogistics (Suzhou) Co. Ltd	Associate
Sinotrans Turkey Co. Ltd	Associate
China Sinotrans India Logistics Co. Ltd	Associate
China Sinotrans Vietnam Co. Ltd	Associate
Shenzhen Zhonglian Tally Co., Ltd.	Associate
Sinotrans Anmaishi(Shanghai)International Aviation Express Delivery Co., Ltd.	Associate
Dhl-Sinotrans International Air Courier Ltd.	Associate
Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	Associate
Sinotrans Air transportation France Co., Ltd	Associate
Sinotrans Luzhou Port Bonded Logistics Co. Ltd	Associate
Sinotrans Pufis Logistics (Shanghai) Co., Ltd.	Associate
Nissan-Sinotrans International Logistics Co., Ltd	Associate
Sinotrans Sharon Logistics Co. Ltd	Associate
China Merchants Bank Co., Ltd.	Control by ultimate controlling parties associates
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Control by ultimate controlling parties associates
Ocean Network Express Pte. Ltd.	Other related parties

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS

(1) Pricing policy and accordance

Note 1: In the process of providing freight forwarding and professional logistics services to customers, the Group has a large number of procurement services such as various types of transportation services and terminal services. However, as the related parties are domestic large-scale shipping and port operators, the Group have a need to purchase related transportation services and terminal services such as shipping, container transportation and special equipment transportation from related parties in daily operation. At the same time, due to the geographical distribution of the business between the Group and the Sinotrans Changhang's related companies, some of the associate and joint ventures, it created the need for the Group to purchase logistics services such as freight forwarders from related parties. As a leading integrated logistics service provider in China, those related parties has the demand for purchasing marine agency services, freight forwarding services, warehousing services and leasing logistics equipment from the Group.

On 10 November, 2017, the Company and China Merchants Group renewed the integrated logistics service agreement for the related parties to provide and accept the transportation logistics service, and is valid from January 1, 2018 to December 31, 2020. Pursuant to the new agreement, the pricing of the Group's connected transactions with China Merchants and its related companies will be priced with reference to the market prices charged by independent third parties in the ordinary course of business for the provision of equivalent or similar services in the same region on normal commercial terms. The Group's limit for providing transportation logistics services to related parties is not more than RMB2.5 billion, RMB3.25 billion and RMB4.225 billion in 2018, 2019 and 2020 respectively; the Group's limit for accepting related party transportation logistics services will not exceed RMB3.5 billion, RMB4.55 billion and RMB5.915 billion in 2018, 2019 and 2020 separately. On 28 December 2017, the new integrated logistics service agreement was approved by the company's shareholders in shareholders meeting.

Note 2: The Group's daily business operations acquired office properties, warehouses, yards, container handling stations and real estate operated from related parties continuously and stably. They are for daily office operation, and leased out of those lands, housing and logistics transportation equipment to related parties. On 10 November 2017, the Company and China Merchants Group renewed the property lease framework agreement that is about to expire. The agreement is valid from 1 January 2018 to 31 December 2020. According to the new agreement, the pricing of related transactions between the Group and China Merchants and its related companies will be based on the market price of similar properties or warehouses in the same period, which can be adjusted each year. The limit for the Group to lease properties to related parties is not more than RMB300 million, RMB330 million and RMB363 million in 2018, 2019, and 2020.

Note 3: The Company entered into a financial service agreement with China Merchants Group Finance Co., Ltd. (hereinafter referred to as the Finance Company), it is a subsidiary of China Merchants Holdings. The finance company provides deposits, loans, notes and other financial services for Sinotrans. The agreement is valid from 2018. From 1 January to 31 December 2020. According to the Financial Services Agreement, the balance of the company's end-of-day deposits in the financial company in 2018 shall not exceed RMB4 billion, and the development of foreign transportation shall not exceed RMB2 billion. The balance of the day-end deposits of the finance company from 2019 to 2020 shall not exceed RMB5 billion, and the development of foreign transportation shall not exceed RMB2.5 billion.

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions for the purchase and sale of goods and the provision and acceptance of services

1) Purchase goods, Acceptance of services

Name of related parties	Content of related party transactions	Amount of current year	Amount of last year
Fellow Subsidiary	—	2,045,476,333.71	2,183,464,601.87
Sinotrans Container Lines Co., Ltd.	Transportation and related service	865,860,843.32	758,897,414.42
Sinotrans Sunny Express Co., Ltd.	Transportation and related service	366,644,407.38	478,822,577.23
Nanjing Tanker Corporation	Transportation and related service	174,404,772.54	175,623,996.79
Shanghai Changhang Shipping Co., Ltd.	Transportation and related service	93,532,812.04	208,011,547.51
Sinotrans Beijing Automobile Transportation Co., Ltd.	Transportation and related service	34,859,605.85	—
Sinotrans Qinhuangdao Company	Transportation and related service	32,859,039.98	7,515,667.67
Sinotrans&Csc Shanghai Qiantang Co., Ltd.	Transportation and related service	32,431,850.05	92,187,965.36
Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	Transportation and related service	29,855,745.00	—
Shenzhen Investment Promotion Real Estate Management Co., Ltd.	the Purchase of goods	19,105,900.00	—
Guangxi Sinotrans Nanning Container Motor Transport Company	Transportation and related service	16,110,124.92	12,510,149.82
Guangxi Sinotrans Pingxiang Co., Ltd.	Transportation and related service	15,429,686.92	17,707,220.34
Xiamen Sinotrans Co., Ltd.	Transportation and related service	15,345,388.51	—
Sinotrans Hebei Tangshan	Transportation and related service	12,461,583.69	8,805,218.90
China Changjiang Bunker (Sinopec) Co., Ltd.	Transportation and related service	11,021,161.54	13,936,931.30
Henan Sinotrans Bonded Logistics Co., Ltd.	Transportation and related service	10,104,325.94	11,398,330.45
Sinotrans Hannan Company	Transportation and related service	9,827,994.67	12,620,759.04
Chongqing Changjinag Shipping Co., Ltd.	Transportation and related service	8,184,654.23	—
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	7,950,249.36	7,053,459.55
Shanghai Zhongwaiyunzhanghuabang Storage&Transportation Co., Ltd.	Transportation and related service	6,844,259.26	—
Hebei Sinotrans Jiuling Storage And Transportation Company	Transportation and related service	6,442,048.14	7,025,084.24
China Yangtze River Shipping Co., Ltd.	Transportation and related service	6,271,569.17	—
Sinotrans Neimenggu Co., Ltd.	Transportation and related service	5,999,971.36	2,846,483.24
Sinotrans Guangxi Wuzhou Co., Ltd.	Transportation and related service	5,573,691.89	3,764,738.99
Fujian Sinotrans Hexi storage and Transportation Co., Ltd.	Transportation and related service	5,523,391.47	—
Sinotrans Suzhou Storage Co., Ltd.	Transportation and related service	5,193,777.41	—
China Merchants Container Services Limited	Transportation and related service	5,054,873.42	2,805,865.33
Sinotrans Alashankou Company	Transportation and related service	5,035,834.97	8,440,988.84
China Merchants International Terminal (Qingdao) Company Ltd	Transportation and related service	4,921,179.26	—
Sinotrans Nantong Co., Ltd.	Transportation and related service	4,788,766.74	—
Scsc International Merchant & Shipping (Hong Kong) Company Limited	Transportation and related service	4,495,829.30	—
Sinotrans (Jiaxing) International Freight Forwarding Co., Ltd.	Transportation and related service	4,200,809.63	—
Henan Sinotrans Jiuling Storage And Transportation Company	Transportation and related service	4,178,334.23	—
Sinotrans Jiangsu Logistics Co., Ltd.	Transportation and related service	3,793,024.13	6,876,104.26
Sinotrans Jiangsu container terminals Co., Ltd.	Transportation and related service	3,691,840.94	—
Beijing Sinotrans Land Transportation Co., Ltd.	Transportation and related service	3,144,580.48	—
Sinotrans Hu'Nan Jiuling Company	Transportation and related service	3,124,725.39	9,864,930.93
Sinotrans&Csc Gansu Company	Transportation and related service	3,097,497.43	48,109,178.00
Sinotrans Jiangsu Co., Ltd.	Transportation and related service	3,071,994.73	8,957,761.94
Sinotrans Guangxi Guigang Company	Transportation and related service	2,930,523.05	1,225,756.58

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions for the purchase and sale of goods and the provision and acceptance of services (continued)

1) Purchase goods, Acceptance of services (continued)

Name of related parties	Content of related party transactions	Amount of current year	Amount of last year
Fellow Subsidiary			
Shanghai Xinyangshan Container Lines Co., Ltd.	Transportation and related service	2,704,324.03	6,376,119.98
Sinotrans Shaanxi Co., Ltd	Transportation and related service	2,692,542.75	3,787,469.26
Changjiang International Freight Forwarding Co., Ltd.	Transportation and related service	2,643,404.82	–
Sinotrans Yinchuan Inland Portlogistics Co., Ltd	Transportation and related service	2,606,335.59	–
Sinotrans Hebei Co., Ltd.	Transportation and related service	2,565,499.28	4,351,517.92
Sinotrans Suifenhe Logistics Co., Ltd.	Transportation and related service	2,385,093.24	–
Sinotrans Nantong Port Container Logistics Co., Ltd	Transportation and related service	2,322,404.97	2,290,614.19
Sinotrans Nantong Co., Ltd.	Transportation and related service	2,302,440.13	–
Sinotrans Wuhu Anhui Zhujiqiao storage and Transportation Co., Ltd.	Transportation and related service	2,239,037.28	–
Yantai Anshun Automobile Transportation Co., Ltd.	Transportation and related service	2,118,777.73	–
Sinotrans Hunan Company Limited.	Transportation and related service	2,102,701.79	2,234,510.42
Hubei Sinotrans Cangma Logistics Co., Ltd.	Transportation and related service	465,548.23	11,723,387.34
Far rise Co., Ltd.	Transportation and related service	362,513.64	8,392,085.06
Shenzhen Chiwan Shipping&Transportation Co Ltd	Transportation and related service	–	20,492,361.31
China Merchants Bonded Logistics Co., Ltd.	Transportation and related service	–	8,750,544.91
Sinotrans Fujian Majiang Storage And Transportation Co., Ltd.	Transportation and related service	–	6,571,038.98
Shenzhen Lianda Tug Co., Ltd	Transportation and related service	–	5,114,471.32
China Merchants Holdings (International) Information Technology Company Limited	Transportation and related service	–	4,693,578.97
Beijing Aocheng Wuhe Real Estate Co., Ltd	Transportation and related service	–	4,693,331.04
Shenzhen Shekou New Times Real Estate Management Co., Ltd.	Transportation and related service	–	3,400,198.00
China Merchants Group Finance Co.,Ltd	Interest expenses	138,896,760.97	113,638,976.25
Other	—	25,700,280.92	71,946,266.19
Associate			
Weihai Weidong Shipping Co., Ltd.	Transportation and related service	166,498,872.32	86,839,826.74
Sinotrans Huajie International Logistics (Beijing) Co. Ltd	Transportation and related service	39,131,618.42	66,747,756.00
Sinotrans Liaoning HJ Logistics Co., Ltd	Transportation and related service	33,523,324.71	891,072.15
Nanjing Huaxing Loading And Unloading Service Co. Ltd	Transportation and related service	28,875,159.10	–
Ma'Anshan Tianshun Port Co., Ltd.	Transportation and related service	19,848,546.21	–
China Merchants Logistics Group Nanjing Co., Ltd.	Transportation and related service	12,365,339.48	14,226,615.15
Qingdao Huasheng Airport Logistics Co. Ltd	Transportation and related service	10,596,268.07	–
Wuhan Port Container Co., Ltd.	Transportation and related service	8,201,723.79	–
Qingdao Yujiachang Container Storage And Transportation Co. Ltd	Transportation and related service	4,746,063.20	–
China International Exhibition Transportation Co., Ltd.	Transportation and related service	2,320,137.05	4,252,946.41
Others	Transportation and related service	2,082,355.66	–
		4,808,336.63	721,437.03

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions for the purchase and sale of goods and the provision and acceptance of services (continued)

1) Purchase goods, Acceptance of services (continued)

Name of related parties	Content of related party transactions	Amount of current year	Amount of last year
Joint ventures	—	365,480,348.95	348,696,171.16
Sinotrans Air transportation France Co., Ltd	Transportation and related service	126,507,782.61	—
DHL-Sinotrans International Air Courier Ltd.	Transportation and related service	88,017,015.69	30,692,152.02
Sinotrans Anmaishi(Shanghai)International Aviation Express Delivery Co., Ltd.	Transportation and related service	32,970,610.19	15,707,310.54
New Land Bridge(Lianyungang)Dock Co., Ltd.	Transportation and related service	32,199,530.44	32,348,665.92
China Sinotrans (Pakistan) Logistics Co. Ltd	Transportation and related service	12,097,280.11	6,141,330.53
Shenzhen Zhonglian Tally Co., Ltd.	Transportation and related service	11,220,274.04	—
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Transportation and related service	10,617,056.82	11,926,365.93
Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	Transportation and related service	8,448,128.15	—
Sinotrans Hi_Techlogistics (Suzhou) Co. Ltd	Transportation and related service	7,632,169.51	—
Dongguan Zhongwaiyun Chuansheng E-Commerce Co., Ltd	Transportation and related service	6,562,865.18	14,729,880.98
Sinotrans Sharon Logistics Co. Ltd	Transportation and related service	4,100,957.24	24,129,394.19
Beijing Sinotrans Huali Logistics Co., Ltd.	Transportation and related service	4,022,428.76	1,861,615.29
Shanghai Tongyun International Logistics Co., Ltd.	Transportation and related service	2,778,719.44	—
Tangshan Port Sinotrans Shipping Agency Co. Ltd	Transportation and related service	2,688,864.39	—
China Sinotrans India Logistics Co. Ltd	Transportation and related service	2,447,427.59	—
Ningbo Sinotrans Arian Shipping Agency Co., Ltd.	Transportation and related service	—	147,692,852.80
Shanghai Sinotrans Arian Shipping Agency Co., Ltd.	Transportation and related service	—	28,350,549.28
Rongyun (Xiamen) Supply Chain Co. Ltd	Transportation and related service	—	5,347,813.70
Others	Transportation and related service	13,169,238.79	29,768,239.98
Ultimat control party associates	—	15,236,599.16	7,271,052.23
China Merchants Bank Co., Ltd.	Interest expense	15,236,599.16	7,271,052.23
Total		2,592,692,154.14	2,626,271,652.00

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

- (2) Related party transactions for the purchase and sale of goods and the provision and acceptance of services (continued)

2) Provision of services

Name of related parties	Content of related party transactions	Amount of current year	Amount of last year
Fellow Subsidiary	—	851,916,831.46	850,748,722.49
Other enterprises controlled by the same parent company and ultimate controller			
Sinotrans Container Lines Co., Ltd.	Transportation and related service	207,201,228.58	211,168,030.57
Sinotrans Sunny Express Co., Ltd.	Transportation and related service	142,168,087.09	220,772,940.58
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	111,403,626.71	106,044,854.57
Sinotrans&Csc Shanghai Qiantang Co., Ltd.	Transportation and related service	50,154,216.63	25,987,073.69
Beijing Sinotrans Logistics Center Co., Ltd.	Transportation and related service	34,340,753.44	—
Chongqing Changhang Yihua Shipping Co., Ltd.	Transportation and related service	30,164,904.69	—
Beijing Sinotrans Land Transportation Co., Ltd.	Transportation and related service	21,291,051.67	—
Sinotrans Container Lines (Hong Kong) Company Limited	Transportation and related service	19,002,791.21	9,701,847.72
Sinotrans Guangxi Wuzhou Co., Ltd.	Transportation and related service	18,507,896.47	25,604,524.01
Sinotrans&Csc Gansu Company	Transportation and related service	17,593,969.48	62,338,606.06
Jiujiang Changwei International Shipping Agency Co., Ltd.	Transportation and related service	13,056,276.10	4,092,368.40
China Merchants Heavy Industry(Jiangsu)Co., Ltd.	Transportation and related service	11,221,172.23	—
Tianjin Outbound Co., Ltd.	Transportation and related service	10,259,198.29	9,428,686.44
Hubei Sinotrans Cangma Logistics Co., Ltd.	Transportation and related service	10,152,133.13	21,847,388.95
Sinotrans Beijing Sanjianfang Warehouse Ltd	Transportation and related service	8,546,866.74	—
Wuhan Changjiang Shipping Co. Ltd	Transportation and related service	8,300,997.45	—
Sinotrans Hannan Company	Transportation and related service	6,295,470.48	6,339,987.80
Henan Sinotrans Bonded Logistics Co., Ltd.	Transportation and related service	5,563,570.59	6,992,710.04
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Transportation and related service	5,425,426.80	—
Hebei Sinotrans Jiuling Storage And Transportation Company	Transportation and related service	4,775,392.62	—
Nanjing Jinling Shipyard Co., Ltd.	Transportation and related service	4,095,528.17	—
Sinotrans Shaanxi Co., Ltd.	Transportation and related service	3,691,190.18	2,140,387.10
Sinotrans International Trade Co., Ltd.	Transportation and related service	3,678,681.10	9,025,001.91
Sinotrans Neimenggu Co., Ltd.	Transportation and related service	3,543,152.40	2,143,992.93
Sinotrans Alashankou Company	Transportation and related service	3,132,777.72	2,344,657.99
Nanjing Tanker Corporation	Transportation and related service	2,847,157.74	15,511,726.25
Sinotrans Hunan Co., Ltd.	Transportation and related service	2,801,468.00	9,668,711.35
China Yangtze River Shipping Co., Ltd.	Transportation and related service	2,799,528.08	2,767,993.93
China Merchants Food (Shenzhen) Co., Ltd.	Transportation and related service	2,710,862.07	—
Guangxi Sinotrans Pingxiang Co.Ltd	Transportation and related service	2,343,781.00	602,801.40
Shanghai Xinyangshan Container Lines Co., Ltd.	Transportation and related service	2,060,855.21	653,453.08
Shanghai Changhang Shipping Co., Ltd.	Transportation and related service	2,055,399.90	5,163,034.67
Nanjing Yangyang Chemicals Transport&Trade Co., Ltd.	Transportation and related service	1,014,482.85	4,270,975.68
Sinotrans Hebei Co., Ltd.	Transportation and related service	128,807.32	2,233,397.28
Shekou Container Terminals Ltd.	Transportation and related service	—	6,892,671.04
Zhangzhou China Merchants Port Co., Ltd.	Transportation and related service	—	4,386,792.48
China Merchants Group Finance Co.,Ltd	Interest income	43,121,855.32	7,322,362.54
Sinotrans Hi_Techlogistics (Suzhou) Co. Ltd	Interest income	693,500.00	520,600.00
Shanghai Pu'An Storage Co. Ltd	Interest income	4,982,887.84	2,014,725.11
Dongguan (Humen) Container Terminals Co., Ltd	Interest income	3,301,909.45	2,352,249.41
Sinotrans Luzhou Port Bonded Logistics Co. Ltd	Interest income	288,000.00	76,000.00
Other	Transportation and related service	27,199,976.71	60,338,219.51

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions for the purchase and sale of goods and the provision and acceptance of services (continued)

2) Provision of services (continued)

Name of related parties	Content of related party transactions	Amount of current year	Amount of last year
Associates	—	83,835,078.64	66,751,852.45
Tianjin Shiyun Logistics Co. Ltd	Transportation and related service	27,822,429.85	20,135,740.82
Tianjin Runfeng Logistics Co. Ltd	Transportation and related service	9,421,515.81	9,351,199.44
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	Transportation and related service	8,095,238.08	—
Weihai Weidong Shipping Co., Ltd.	Transportation and related service	7,942,262.87	15,444,964.84
Sinotrans Huajie International Logistics (Beijing) Co. Ltd	Transportation and related service	7,354,856.73	3,825,059.33
Zhongxin Southbound Channel (Chongqing) Logistics Development Co. Ltd	Transportation and related service	6,036,653.99	—
Qingdao Yujiachang Container Storage And Transportation Co. Ltd	Transportation and related service	5,770,346.10	6,969,943.22
China Merchants Logistics Group Nanjing Co., Ltd.	Transportation and related service	5,546,823.88	—
China International Exhibition Transportation Co., Ltd.	Transportation and related service	2,533,354.28	2,372,465.11
Others		3,311,597.05	8,652,479.69
Joint venture	—	327,979,046.85	436,881,086.41
Ningbo Taiping Int'l Trade Transportation Co., Ltd	Transportation and related service	159,494,195.04	232,937,021.27
Dhl-Sinotrans International Air Courier Ltd.	Transportation and related service	50,181,629.98	42,299,126.93
Nissin-Sinotrans International Logistics Co., Ltd	Transportation and related service	25,735,142.68	2,509,639.35
Beijing Sinotrans Huali Logistics Co., Ltd.	Transportation and related service	18,457,103.26	22,837,255.68
Sinotrans Anmaishi(Shanghai)International Aviation Express Delivery Co., Ltd.	Transportation and related service	15,670,288.19	3,355,724.73
Shanghai Tongyun International Logistics Co., Ltd.	Transportation and related service	10,727,194.27	9,822,369.85
Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	Transportation and related service	10,045,027.31	2,161,453.22
Nissin-Sinotrans (Jiangsu) International Logistics Co., Ltd	Transportation and related service	9,515,746.49	3,592,619.89
Shanghai Lianhe Cold Chain Logistics Co. Ltd	Transportation and related service	9,007,521.64	—
MAXX LOGISTICS LTD.	Transportation and related service	3,962,780.56	—
China Sinotrans (Pakistan) Logistics Co. Ltd	Transportation and related service	2,393,288.29	—
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Transportation and related service	2,272,304.51	8,315,242.67
Rongyun (Xiamen) Supply Chain Co. Ltd	Transportation and related service	2,266,145.60	—
Dongguan Zhongwaiyun Chuansheng E-Commerce Co., Ltd	Transportation and related service	1,617,028.05	4,125,780.56
Sinotrans Pufits Logistics (Shanghai) Co., Ltd.	Transportation and related service	321,409.73	3,947,592.31
Shanghai Sinotrans Arian Shipping Agency Co., Ltd	Transportation and related service	—	52,299,338.62
Nittsu Sinotrans Logistic Dalian Co., Ltd.	Transportation and related service	—	10,355,763.44
Ningbo Sinotrans Arian Shipping Agency Co., Ltd.	Transportation and related service	—	7,505,935.31
Others		6,312,241.25	30,816,222.58
Ultimate control party associates	—	80,843,384.94	29,812,068.01
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Transportation and related service	70,437,751.10	17,797,678.17
China Merchants Bank Co., Ltd.	Interest income	10,405,633.89	12,014,389.84
Total		1,344,574,341.89	1,384,193,779.36

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Entrusted management of related parties

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 28 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.

(4) Related party leases

1) The Group as lessor

Lessee name	Type of leased assets	Rental income recognized for the year	Rental income recognized for the previous year
Sinotrans Container Lines Co., Ltd.	Transportation equipment	56,005,180.62	73,919,770.08
Sinotrans Sunny Express Co., Ltd	Buildings and equipment	28,653,818.08	23,555,950.67
Sinotrans Container Lines (Hong Kong) Company Limited	Transportation equipment	16,356,530.87	—
Sinotrans Shanghai(Group)Co., Ltd.	Furnitures	6,839,085.84	—
China Yangtze River Shipping Co., Ltd.	Transportation equipment	2,020,575.73	—
Chongqing Changjinag Shipping Co., Ltd	Containers	1,362,163.87	—
China Merchants Port Service (Shenzhen) Co., Ltd.	Buildings	972,817.92	937,938.72
Chongqing Csc Tianyi Logistics Co., Ltd.	Transportation equipment	690,699.29	—
Sipg Sinotrans Container Depot Co., Ltd	Buildings	632,475.34	1,275,602.61
Other	Buildings, transportation equipment	1,185,854.30	2,536,496.44
Total	—	114,719,201.86	102,225,758.52

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party leases (continued)

2) The Group as lessee (continued)

Lessor name	Type of leased assets	Rental fees recognized for the year	Rental fees recognized for the previous year
Beijing Aocheng Wuhe Real Estate Co., Ltd.	Buildings	59,587,646.02	38,219,771.74
Sinotrans Shanghai(Group)Co., Ltd.	Buildings	20,020,370.59	1,774,759.88
Shenzhen Shekou New Times Real Estate Management Co., Ltd.	Buildings	6,803,104.76	3,373,440.00
Shandong Sinotrans Co., Ltd	Buildings	6,684,498.64	5,863,845.13
China Merchants Bonded Logistics Co., Ltd.	Buildings	6,378,032.20	5,612,065.36
Sinotrans Liaoning Company	Buildings	4,792,424.87	5,117,790.59
Henan Sinotrans Jiuling Storage And Transportation Company	Buildings	4,132,948.56	—
Sinotrans Jinling Company	Buildings	2,591,220.30	—
Guangdong Sinotrans Huangpu Co., Ltd	Buildings	2,462,227.92	—
Sinotrans Tianjin Tanggu Co., Ltd	Buildings	2,435,589.76	1,087,917.76
China Merchants International Terminal (Qingdao) Co., Ltd.	Buildings	1,710,179.58	—
Shenzhen Investment Promotion Real Estate Management Co., Ltd.	Buildings	1,437,576.48	—
Sinotrans Xiamen Co., Ltd	Buildings	1,430,298.81	—
Ningbo Sinotrans Logistics Co., Ltd.	Buildings	1,200,000.00	—
Sinotrans Lianyungang Co., Ltd.	Buildings	1,147,561.90	1,200,282.98
Qingdao Huasheng Airport Logistics Co. Ltd	Buildings	1,091,235.84	—
Sinotrans (Tianjin) Co., Ltd.	Buildings	1,081,404.56	—
Shenzhen Nanyou (Holdings) Limited	Buildings	1,055,498.19	—
Shandong Sinotrans Yantai Co., Ltd.	Buildings	904,391.11	—
Tianjin Outbound Co., Ltd.	Buildings	722,225.86	1,207,899.68
Sinotrans Shenzhen Co. Ltd	Buildings	717,993.22	—
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Buildings	620,631.35	—
Sinotrans Hebei Co., Ltd.	Buildings	343,849.24	1,500,000.00
Chengdu Bonded Logistics Investment Ltd.	Buildings	—	6,065,272.80
Others	Buildings, transportation equipment	2,301,389.65	1,550,428.61
Total	—	131,652,299.41	72,573,474.53

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party guarantees

1) The Group as guarantor

Guaranteed parties	Guaranteed balance at the end of the year	Guaranteed balance at the beginning of the year	Starting date of guarantee	Guarantee maturity date	Whether the guarantee has been fulfilled
China Merchants Shipping Enterprise Co., Ltd.	2,300,000,000.00	–	2018-6-24	2021-6-24	No
China Assess Investment Limited	1,251,161,028.00	1,193,615,046.00	2017-12-22	2020-12-22	No
China Merchants Shipping Enterprise Co., Ltd.	834,107,352.00	795,743,364.00	2017-12-22	2020-12-22	No
Hongguang Development Co., Ltd.	683,436,000.00	–	2018-6-5	2019-6-6	No
China Merchants Zhongbai Trading Co., Ltd.	601,568,957.74	512,202,230.92	2016-5-31	2031-5-30	No
Jiangmen High-tech Port Development Co., Ltd.	560,000,000.00	–	2018-12-18	2021-12-17	No
Sinotrans (HK) Logistics Co., Ltd.	343,160,000.00	326,155,223.55	2017-6-6	2020-6-6	No
China Merchants Logistics Group Co., Ltd.	130,000,000.00	130,000,000.00	2017-12-25	2020-12-25	No
Shanghai Sinotrans Cold Chain Logistics Co., Ltd.	120,740,648.03	72,083,648.03	2017-03-29	2032-3-26	No
China Merchants Logistics Shenzhen Co., Ltd.	55,000,000.00	55,000,000.00	2017-10-20	2019-10-19	No
Sinotrans Luzhou Port Bonded Logistics Co. Ltd.	19,380,000.00	19,380,000.00	2017-01-10	2022-1-10	No
Dongguan (Humen) Container Terminals Co., Ltd.	17,419,500.00	18,889,500.00	2015-08-27	2023-01-09	No
Sinotrans Sharon Logistics Co. Ltd.	14,937,055.48	16,430,761.03	2016-7-1	2021-6-30	No
Dongguan (Humen) Container Terminals Co., Ltd.	–	28,375,908.85	2012-10-24	2018-5-10	Yes
Sinotrans (HK) Air Transportation Development Co. Limited	–	87,770,550.00	2017-8-21	2018-8-21	Yes
Sinotrans (HK) Air Transportation Development Co. Limited	–	79,411,450.00	2017-11-2	2018-11-1	Yes

2) The Group as guaranteed party

As Guarantor	Guaranteed balance at the end of the year	Guaranteed balance at the beginning of the year	Starting date of guarantee	Guarantee maturity date	Whether the guarantee has been fulfilled
China Merchants Group (Hong Kong) Co., Ltd. (Note)	1,291,557,005.68	3,703,782,430.21	2015-6-25	2030-6-30	No

Note: In order to fulfil the financing needs of Hong Kong's "Tsing Yi 181 Project" logistics center, the company's subsidiary, Gangrui Logistics Co., Ltd., signed a facility with China Development Bank to obtain HK\$2.9 billion (equivalent to RMB2,424.14 million). China Merchants Group (Hong Kong) Co., Ltd., a related party of the Company provided full guarantee.

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Related party fund lending

Related party	Loan amount	Guaranteed balance at the beginning of the year	Starting date	Maturity date	Description
Borrowed					
China Merchants Group Finance Co., Ltd	600,000,000.00	2018-03-26	2019-03-25	Short-term borrowings	
China Merchants Group Finance Co. Ltd	300,000,000.00	2018-05-30	2019-05-29	Short-term borrowings	
China Merchants Group Finance Co. Ltd	300,000,000.00	2018-06-15	2019-06-14	Short-term borrowings	
China Merchants Group Finance Co. Ltd	500,000,000.00	2018-01-02	2020-04-16	Long-term borrowings	
China Merchants Group Finance Co. Ltd	440,000,000.00	2017-04-18	2020-04-16	Long-term borrowings	
China Merchants Group Finance Co. Ltd	322,000,000.00	2017-07-03	2020-04-16	Long-term borrowings	
China Merchants Group Finance Co. Ltd	238,000,000.00	2017-12-29	2020-04-16	Long-term borrowings	
China Merchants Group Finance Co. Ltd	700,000,000.00	2016-11-08	2019-11-07	Non-current liabilities due within 1 year	
China Merchants Group Finance Co. Ltd	300,000,000.00	2017-04-01	2019-11-07	Non-current liabilities due within 1 year	
Sinotrans Changhang Group Limited	100,718,773.77	2014-09-28	2020-09-29	Long-term receivables	
Lend					
Sinotrans Hi_Techlogistics (Suzhou) Co. Ltd	57,000,000.00	2016-08-17	2026-08-17	Long-term receivables	
Shanghai Pu 'An Storage Co. Ltd	39,280,000.00	2017-04-18	2024-12-30	Long-term receivables	
Dongguan Container Terminals Co., Ltd	48,039,215.69	2016-11-16	2019-11-15	Non-current liabilities due within 1 year	
Sinotrans Luzhou Port Bonded Logistics Co. Ltd	4,800,000.00	2017-09-05	2022-09-04	Other receivables	

(7) Remuneration of directors, supervisors, general managers and senior managers

1) Remuneration of directors, supervisors and general managers

Items	Amount of current year	Amount of last year
Directors:		
Emoluments	444,117.65	637,600.00
Other remunerations		
– Wages, allowances and non-cash benefits	3,824,058.13	1,545,000.00
– Discretionary bonuses	3,570,000.00	4,319,000.00
– Contributions under the pension plan	540,304.25	504,000.00
Supervisors:		
Emoluments	166,168.73	107,400.00
Other remunerations		
– Wages, allowances and non-cash benefits	300,322.50	269,000.00
– Discretionary bonuses	381,945.00	383,000.00
– Contributions under the pension plan	83,282.46	76,000.00

Note: the emoluments of directors disclosed above include approximately RMB0.4 million paid to independent non-executive directors (2017: approximately RMB0.6 million).

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. 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	Emoluments of directors	Wages, allowances and non-cash benefits	Discretionary bonuses	Contributions under the pension plan	Total
Current year					
Incumbent directors:					
– Guan Peng Li	–	1,119,574.50	1,050,000.00	140,470.62	2,310,045.12
– De Xing Song	–	–	–	–	–
– Rong Song	–	1,014,574.50	945,000.00	132,199.50	2,091,774.00
– Lin Wang	–	832,834.63	787,500.00	145,235.03	1,765,569.66
– Xue Ming Wu	–	857,074.50	787,500.00	122,399.10	1,766,973.60
– Ke Wei Xu	–	–	–	–	–
– Tai Wen Wang	166,176.47	–	–	–	166,176.47
– Yan Meng	92,647.06	–	–	–	92,647.06
– Hai Qing Song	92,647.06	–	–	–	92,647.06
– Qian Li	92,647.06	–	–	–	92,647.06
Incumbent supervisors:	–	–	–	–	–
– Fang Sheng Zhou	107,352.94	–	–	–	107,352.94
– Qi Ping Fan	58,815.79	–	–	–	58,815.79
– Dong Xiao Ren	–	300,322.50	381,945.00	83,282.46	765,549.96
Last year	–	–	–	–	–
Incumbent directors:	–	–	–	–	–
– Guan Peng Li	–	420,000.00	1,292,000.00	129,000.00	1,841,000.00
– Lin Wang	–	323,000.00	1,145,000.00	151,000.00	1,619,000.00
– Jian Ming Yu	–	401,000.00	987,000.00	114,000.00	1,502,000.00
– Xue Ming Wu	–	401,000.00	895,000.00	110,000.00	1,406,000.00
– Min Jie Guo	166,200.00	–	–	–	166,200.00
– Zheng fei Lu	166,200.00	–	–	–	166,200.00
– Jun Hai Liu	139,000.00	–	–	–	139,000.00
– Xiao Jing Han	166,200.00	–	–	–	166,200.00
Incumbent supervisors:	–	–	–	–	–
– Fang Sheng Zhou	107,400.00	–	–	–	107,400.00
– Dong Xiao Ren	–	269,000.00	383,000.00	76,000.00	728,000.00

Note: the director Guanpeng Li is also the general manager of the Company, and the above salary includes his remuneration as general manager; the director Lin Wang is also the deputy general manager of the Company and the chairman of Sinotrans Eastern Company Limited, a wholly-owned subsidiary of the Company, and the above salary includes his remuneration for the above positions; the directors Jianmin Yu and Xueming Wu also serve as deputy general manager of the Company, and the above salary includes their remuneration as deputy general manager.

- 3) Director of Dexing Song and Kewei Xu clients receive remuneration from the company this year.
- 4) Remuneration of senior managers other than directors, supervisors and general managers

Items	Amount of current year	Amount of last year
Wages and other employee benefits	5,122,676.88	3,061,855.84

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Remuneration of directors, supervisors, general managers and senior managers (continued)

5) Number of senior managers remunerated within the following range other than directors, supervisors and general managers

Items	Current year	Last year
RMB1,000,001 to RMB1,500,000	2	3
Less than RMB1,000,000	–	–

6) Top 5 employees remuneration in the Group

Items	Current year	Last year
Wages, allowances and non-cash benefits	4,357,500.00	1,791,408.00
Discretionary bonuses	4,357,500.00	5,463,303.09
Contributions under the pension plan	622,704.25	624,958.96

(8) Transfer of assets by related parties

Related party	Content of related party transactions	Amount of current year	Amount of last year
Changhang Freight Co., Ltd.	transfer the fixed assets	52,747,074.11	–
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	transfer the fixed assets	7,554,285.85	30,217,142.72

(9) Deposit of related parties

The difference between the Group's deposits and withdrawals in China Merchants Bank in 2018 is the net withdrawals of RMB340,686,073.54, and the difference between deposits and withdrawals in the financial company in 2018 is the net deposits of RMB6,205,146,199.03.

(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 29 February 2025.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Balances of major claims and debts

Items	Name of related parties	Ending balance	Beginning balance
Bank deposit	Fellow subsidiary	3,537,165,838.84	869,185,478.65
	China Merchants Group (Hong Kong) Finance Limited	3,537,165,838.84	869,185,478.65
	Associate of the ultimate controller	306,653,645.36	647,339,718.90
	China Merchants Bank Co., Ltd.	306,653,645.36	647,339,718.90
Accounts receivable	Parent company	79,348,101.20	109,603,504.78
	Sinotrans Container Lines Co., Ltd.	21,148,836.85	29,944,046.18
	Sinotrans Sunny Express Co., Ltd	21,140,421.58	13,741,692.09
	Sinotrans&Csc Gansu Company	6,640,249.97	15,526,006.42
	Sinotrans Container Lines (Hong Kong) Company Limited	6,353,674.71	–
	Chongqing Wanqiao Communication-Tech Co., Ltd	5,410,832.20	14,410,832.20
	Hebei Sinotrans Jiuling Storage And Transportation Company	3,120,471.05	–
	Far rise Co., Ltd.	2,902,664.27	5,150,000.00
	Henan Sinotrans Bonded Logistics Co., Ltd.	1,908,992.33	1,579,416.57
	Nanjing Tanker Corporation	1,292,245.55	–
	Sinotrans International Trade Co., Ltd.	1,273,467.30	2,547,088.11
	Tianjin Outbound Co., Ltd.	1,006,068.37	–
	Shanghai Changhang Shipping Co., Ltd.	21,856.60	3,853,747.99
	Sinotrans Alashankou Company	4,785.00	1,548,013.87
	Jiujiang Changwei International Shipping Agency Co., Ltd.	–	1,417,689.25
	Others	7,123,535.42	19,884,972.10
	Joint ventures and associates	57,485,228.94	30,534,587.01
	Dhl-Sinotrans International Air Courier Ltd.	9,941,732.43	7,548,532.97
	China Merchants Logistics Group Nanjing Co., Ltd.	8,915,805.49	–
	MAXX LOGISTICS LTD.	5,301,707.72	–
	Tianjin Shiyun Logistics Co. Ltd	4,784,947.76	–
	Nissin-Sinotrans International Logistics Ltd	4,187,788.38	4,111,049.33
	Beijing Sinotrans Huali Logistics Co., Ltd.	3,988,629.85	2,541,680.38
	Sinotrans Air Transportation France Co., Limited	3,888,512.88	–
	Nissin-Sinotrans (Jiangsu) International Logistics Ltd	2,475,982.75	–
	Tianjin Runfeng Logistics Co., Ltd.	2,230,057.25	–
	Weihai Weidong Shipping Co., Ltd.	1,981,779.85	5,789,509.06
	Shanghai Lianhe Cold Chain Logistics Co., Ltd.	1,729,644.17	–
	Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	1,373,368.70	–
	China International Exhibition Transportation Co., Ltd.	1,299,189.51	–
	Sinotrans Huajie International Logistics (Beijing) Co. Ltd	1,222,752.08	446,162.85
	Qingdao Yujiachang Container Storage And Transportation Co. Ltd	383,610.74	1,049,515.52
	Sinotrans Sharon Logistics Co. Ltd	58,630.26	2,539,522.12
	Shanghai Huasing International Container Freight Transportation Co., Ltd.	40,083.60	2,968,555.68
	Others	3,681,005.52	3,540,059.10
	Ultimate controlling party associate	7,773,949.46	–
	COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	7,773,949.46	–
	Other related parties	1,539,924.22	–
	Ocean Network Express Pte. Ltd.	1,539,924.22	–
	Total of account receivable	146,147,203.82	140,138,091.79

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Balances of major claims and debts (continued)

Items	Name of related parties	Ending balance	Beginning balance
Other receivables	Parent company	21,804,626.08	240,374,192.76
	Changhang huoyun Co., Limited	18,140,978.54	-
	Sinotrans Guangxi Company	130,979.15	5,016,778.30
	Sinotrans Hu'Nan Jiuling Company	7,765.94	7,759,652.75
	Sinotrans Changhang Group Co., Ltd	-	85,828,192.13
	China Merchants Food (Shenzhen) Co., Ltd.	-	80,300,675.00
	Guangxi Laibin Sinotrans Logistics Co., Ltd.	-	19,494,488.22
	Sinotrans Hebei Co., Ltd.	-	14,203,721.38
	China Sinotrans Guangdong Zhanjiang Co. Ltd	-	7,575,055.62
	Hebei Sinotrans Jiuling Storage And Transportation Company	-	6,874,746.66
	Sinotrans Hebei Tangshan	-	4,137,097.47
	Henan Sinotrans Jiuling Storage And Transportation Company	-	2,309,924.38
	Far rise Co., Ltd.	-	1,944,995.00
	Sinotrans Guangdong Huizhou Company	-	1,436,963.05
	Sinotrans Guangxi Beibu Gulf Logistics Co., Ltd	-	1,327,135.72
	Others	3,524,902.45	2,164,767.08
	Joint Venture and Associate	430,244,956.81	81,387,763.38
	Lukai Packaging Equipment Leasing (Shanghai) Co., Ltd.	340,101,840.13	-
	Lukai Supply Chain Management (Jiaxing) Co., Ltd.	20,014,499.97	-
	MAXX LOGISTICS LTD.	16,246,197.06	15,434,607.40
	Dongguan Container Terminals Co., Ltd	14,817,206.31	26,647,025.97
	China Sinotrans Djibouti Co. Ltd	8,209,463.65	-
	Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	9,406,544.19	5,168,615.51
	Sinotrans Luzhou Port Bonded Logistics Co. Ltd	5,175,172.51	4,814,593.55
	Dalian Jd Cargo International Co., Ltd.	3,717,450.00	3,600,000.00
	Dhl-Sinotrans International Air Courier Ltd.	3,626,802.32	2,749,379.32
	Guangxi Yunyu Port Service Co. Ltd	2,500,000.00	-
	Sinotrans International Supply Chain Management Co., Limited	1,371,105.55	-
	Sinotrans Turkey Co. Ltd	1,321,351.08	-
	China Sinotrans (Pakistan) Logistics Co. Ltd	2,234,797.78	2,982,087.59
	Shenyang Jinyun Automobile Logistics Co. Ltd	-	10,000,000.00
	Shanghai Yunxing International Shipping Agency Co., Ltd.	-	5,000,000.00
	Others	1,502,526.26	4,991,454.04
	Other related parties	9,394,958.06	-
	Ocean Network Express Pte. Ltd.	9,394,958.06	-
	Total of other receivables	461,444,540.95	321,761,956.14

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Balances of major claims and debts (continued)

Items	Name of related parties	Ending balance	Beginning balance
Interest Receivables	Fellow subsidiary	4,318,819.15	–
	China Merchants Group Finance Co., Ltd	4,310,013.86	–
	Sinotrans Sunny Express Co., Ltd	8,805.29	–
Dividend receivables	Joint venture and associate	63,826,982.07	37,866,902.92
	Shenzhen Haixing Harbor Development Co., Ltd.	25,949,781.00	25,949,781.00
	New Land Bridge(Lianyungang)Dock Co., Ltd.	19,718,775.91	8,524,016.91
	Shenzhen Zhonglian Tally Co., Ltd.	10,000,000.00	–
	Wuhan Port Container Co., Ltd.	6,000,000.00	–
	China Sinotrans (Pakistan) Logistics Co. Ltd	1,536,000.00	–
	Ams Global Transportation Co., Ltd.	622,425.16	–
	China Merchants Logistics Group Nanjing Co., Ltd.	–	3,393,105.01
Prepayments	Fellow subsidiary	6,707,243.87	14,558,691.36
	Sinotrans Hebei Tangshan	1,631,055.80	1,281,001.40
	Sinotrans Xiamen Co., Ltd	1,400,000.00	–
	Sinotrans Sunny Express Co., Ltd	30,593.58	1,374,620.00
	Shanghai Changhang International Shipping Co., Ltd.	575.66	3,017,823.79
	China Changjiang Bunker(Sinopec) Co., Ltd.	–	4,717,109.03
	Sinotrans Qinhuangdao Company	–	2,085,906.58
	Others	3,645,018.83	2,082,230.56
	Joint venture and associate	47,587,534.56	28,114,467.98
	Tangshan Port Sinotrans Shipping Agency Co. Ltd	30,195,891.63	25,101,061.63
	Sinotrans Liaoning HJ Logistics Co., Ltd	8,587,851.98	–
	Nanjing Huaxing Loading And Unloading Service Co. Ltd	2,286,676.08	–
	MAXX LOGISTICS LTD.	1,119,310.19	–
	Sinotrans Hi_Techlogistics (Suzhou) Co. Ltd	1,049,168.76	–
	New Land Bridge(Lianyungang)Dock Co., Ltd.	293,274.00	2,111,122.00
	Others	4,055,361.92	902,284.35
	Total of prepayments	54,294,778.43	42,673,159.34
Non current assets due within one year	Joint venture and associate	48,039,215.69	
	Dongguan (Humen) Container Terminals Co., Ltd	48,039,215.69	–
Long-term receivables	Joint venture and associate	96,616,296.80	148,159,215.69
	Sinotrans Hi_Techlogistics (Suzhou) Co. Ltd	57,000,000.00	57,000,000.00
	Shanghai Pu 'An Storage Co. Ltd	39,280,000.00	43,120,000.00
	Dongguan (Humen) Container Terminals Co., Ltd	–	48,039,215.69
	China Sinotrans Vietnam Co. Ltd	336,296.80	–

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Balances of major claims and debts (continued)

Items	Name of related parties	Ending balance	Beginning balance
Trade payables	Fellow subsidiary	241,236,722.46	210,381,910.19
	Sinotrans Container Lines Co., Ltd.	146,862,219.06	97,139,196.82
	Sinotrans Sunny Express Co., Ltd	20,060,060.09	27,142,633.88
	Nanjing Tanker Corporation	18,253,796.77	11,476,478.65
	Sinotrans Beijing Automobile Transportation Co.,Ltd	6,974,056.23	3,439,857.85
	Chongqing Yangtze River Shipping Co., Ltd.	5,311,393.38	-
	Shenzhen Chiwan Shipping&Transportation Co Ltd	4,861,669.00	3,835,391.20
	Henan Sinotrans Jiuling Storage And Transportation Company	4,056,586.60	-
	Shanghai Changhang International Shipping Co., Ltd.	3,961,603.50	30,479,778.93
	Hebei Sinotrans Jiuling Storage And Transportation Company	3,555,875.59	2,049,878.68
	Sinotrans Container Lines (Hong Kong) Company Limited	3,397,964.83	-
	Shanghai Changhang International Merchants Shipping (Hong Kong) Co., Ltd.	3,351,753.09	-
	Sinotrans & Csc Shanghai Qiantang Co., Ltd	2,534,091.15	8,755,038.71
	Sinotrans Wuxi Xihui Storage Co., Ltd.	1,706,971.38	-
	Sinotrans Neimenggu Co., Ltd	1,540,772.08	-
	Shanghai Zhongwaiyunzhanghuabang Storage & Transportation Co., Ltd.	1,210,355.73	-
	Ningbo China Changjiang Bunker (Sinopec) Co., Ltd.	1,047,706.99	-
	Shanghai Xinyangshan Container Lines Co., Ltd.	1,027,014.47	-
	Sinotrans Jiangsu C.F.S. Co., Ltd	1,023,689.96	1,531,920.33
	Henan Sinotrans Bonded Logistics Co., Ltd.	1,003,948.18	-
	Hubei Sinotrans Cangma Logistics Co., Ltd.	805,539.17	2,615,332.21
	Sinotrans Yinchuan Inland Portlogistics Co., Ltd	768,072.60	-
	China Merchants Bonded Logistics Co., Ltd.	681,267.20	1,025,983.39
	Guangxi Sinotrans Pingxiang Co.Ltd	526,650.00	1,034,920.00
	Sinotrans & Csc Gansu Company	511,037.22	10,040,368.30
	Sinotrans Hebei Co., Ltd.	141,680.00	1,069,500.00
	Sinotrans Shaanxi Co., Ltd	36,100.00	1,142,322.00
	Sinotrans Nantong Co., Ltd	3,600.00	1,623,942.00
	Others	6,021,248.19	5,979,367.24
	Joint Venture and associates	62,727,527.85	17,323,586.06
	China Merchants Logistics Group Nanjing Co., Ltd.	31,710,623.64	-
	Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd	5,535,805.93	-
	Weihai Weidong Shipping Co., Ltd.	4,812,223.76	4,455,711.20
	Zhongxin Southbound Channel (Chongqing) Logistics Development Co. Ltd	3,313,551.55	-
	Nanjing Huaxing Loading And Unloading Service Co. Ltd	3,081,247.89	-
	Sinotrans Sharon Logistics Co. Ltd	2,266,865.51	151,391.21
	Wuhan Port Container Co., Ltd.	2,157,474.57	-
	Shenyang Henglu Logistics Co. Ltd	2,123,398.43	-
	Shanghai Tongyun International Logistics Co., Ltd.	1,705,963.00	-
	Shanghai Huasing International Container Freight Transportation Co., Ltd.	992,246.66	2,346,844.89
	Sinotrans Anmaishi (Shanghai) International Aviation Express Delivery Co., Ltd.	431,914.03	1,034,931.63
	Suzhou Sinotrans Zhongli International Freight Co. Ltd	4,020.00	1,125,255.00
	Others	4,592,192.88	8,209,452.13
	Total of trade payables	303,964,250.31	227,705,496.25

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Balances of major claims and debts (continued)

Items	Name of related parties	Ending balance	Beginning balance
Other payables	Fellow subsidiary	570,738,878.54	3,933,009,416.91
	CMS Assets Management Co., Limited	260,562,302.79	–
	RED BRAVES FINANCE LTD.	115,193,998.39	109,672,154.79
	Sinotrans Shanghai (Group) Co., Ltd.	40,294,278.59	1,147,856.07
	Sinotrans Changhang Group Co., Ltd	45,803,163.87	742,397,017.93
	Shandong Sinotrans Co., Ltd	19,985,761.32	6,269,649.05
	Sichuan Sinotrans Storage Service Co., Ltd.	19,940,149.92	–
	Sinotrans Hu'Nan Jiuling Company	15,130,880.00	–
	Sinotrans Guangxi Company	10,150,385.09	29,054,118.22
	Henan Sinotrans Jiuling Storage And Transportation Company	9,481,229.56	–
	Guangxi Sinotrans Jiuling Storage And Transportation Company	7,738,994.03	6,000,000.00
	Hubei Sinotrans Cangma Logistics Co., Ltd.	5,860,000.00	5,860,000.00
	Beijing Sinotrans Auto Service Co., Ltd.	5,535,000.00	5,535,000.00
	Sinotrans Beijing Automobile Transportation Co.,Ltd	5,000,000.00	5,000,000.00
	Guangdong Sinotrans Co., Ltd.	4,328,897.98	11,380,491.26
	Sinotrans Anhui direct storage and Transportation Co., Ltd.	2,635,923.20	2,635,999.40
	Sinotrans Beijing Automobile Transportation Co.,Ltd	1,460,000.00	2,000,000.00
	China Merchants Holdings (Hong Kong) Company Limited	–	2,287,952,687.84
	SINOTRANS SHIPPING INC.	–	450,000,000.00
	Sinotrans Beijing Company	–	89,212,460.32
	Sinotrans (Hong Kong) Investment Company Limited	–	54,464,004.65
	Sinotrans Hebei Co., Ltd.	–	50,830,551.05
	Sinotrans Guangxi Beibu Gulf Logistics Co., Ltd	–	29,543,768.94
	Zhejiang Zhoushan Sinotrans Logistics Co., Ltd.	–	16,109,314.62
	Sinotrans Sichuan Company	–	13,009,158.75
	Sinotrans Container Lines Co., Ltd.	–	5,782,593.70
	Sinotrans Guangxi Guigang Company	–	4,143,456.70
	Shenzhen Merchants Construction Co., Ltd.	–	1,903,968.52
	Guangxi Liuzhou Sinotrans Co., Ltd.	–	1,510,000.00
	Others	1,637,913.80	1,595,165.10
	Joint ventures and Associates	91,047,525.86	25,703,284.13
	Sinotrans International Supply Chain Management Co., Limited	58,655,855.93	–
	Shanghai Tongyun International Logistics Co., Ltd.	14,100,000.00	14,100,000.00
	Shenzhen Zhonglian Tally Co., Ltd.	8,000,000.00	–
	Xinghan Shipping Agency Co., Ltd.	5,850,000.00	5,850,000.00
	Shanghai Wai-Hong Yishida International Logistics Co., Ltd.	2,296,200.00	2,296,200.00
	Rongyun (Xiamen) Supply Chain Co. Ltd	1,000,000.00	–
	Yangzhou Comprehensive Protection Supply Chain Management Co. Ltd	–	2,450,000.00
	Other	1,145,469.93	1,007,084.13
	Total of other payables	661,786,404.40	3,958,712,701.04

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Balances of major claims and debts (continued)

Items	Name of related parties	Ending balance	Beginning balance
Dividend payables	Fellow subsidiary	97,072,259.86	225,354,383.80
	Sinotrans Changhang Group Co., Ltd	97,000,000.00	103,534,200.00
	Sinotrans Jiangxi Co., Ltd	72,259.86	72,259.86
	China Merchants Group Co., Ltd	-	115,097,530.26
	China Merchants Zhangzhou	-	6,650,393.68
	Total of dividend payables	97,072,259.86	225,354,383.80
Interest payables	Fellow subsidiary	29,463,804.48	-
	China Merchants Group Finance Co.,Ltd	29,463,804.48	-
Long-term payables	Fellow subsidiary	360,805,628.79	501,943,494.82
	SINOTRANS SHIPPING INC	168,148,400.00	160,087,900.00
	Sinotrans Changhang Group Co., Ltd	100,718,773.77	199,917,140.00
	Guangdong Sinotrans Co., Ltd.	91,938,455.02	91,938,454.82
	China Merchants Steamship Co., Ltd	-	50,000,000.00
Short-term borrowings	Fellow subsidiary	1,200,000,000.00	750,000,000.00
	China Merchants Group Finance Co.,Ltd	1,200,000,000.00	750,000,000.00
Long-term borrowings	Fellow subsidiary	1,688,148,400.00	2,000,000,000.00
	China Merchants Group Finance Co.,Ltd	1,500,000,000.00	2,000,000,000.00
	SINOTRANS SHIPPING INC	168,148,400.00	-
	Sinotrans Changhang Group Co., Ltd	20,000,000.00	-
Non-current liabilities within 1 year	Fellow subsidiary	1,050,000,000.00	450,000,000.00
	China Merchants Group Finance Co., Ltd	1,000,000,000.00	450,000,000.00
	China Merchants Steamship Co., Ltd.	50,000,000.00	-

(12) Related party commitments

Items	Ending balance	Beginning balance
Related party commitments	177,108,674.36	174,926,145.79

Note: the above commitments are related party lease commitments.

XII. 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 the above-mentioned items. 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 above risks 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 minimize the negative impact of the risks on the Group's operating performance and to maximize 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 analyze 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 analyze the reasonableness of risk variables and the possible impact of possible changes on current profits and losses or shareholders' equity. Because any risk variable rarely changes in isolation, and the correlation between variables will have a 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.

(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 and HKD, in addition to any purchases and sales in the local currency in the place of registration of the companies established by the Group in Hong Kong Special Administrative Region and abroad, any other main business activities of the Group are denominated and settled in RMB. Ended 31 December 2018, the assets and liabilities with the USD and HKD 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	Ending balance	Beginning balance
Cash and Bank balances		
Include: USD	4,777,628,189.02	2,642,244,082.27
HKD	571,427,697.80	402,606,394.19
Accounts receivable		
Include: USD	1,910,667,426.94	1,682,359,559.28
HKD	20,512,556.25	287,271,762.47
Short-term borrowings		
Include: USD		27,951,923.66
HKD	1,025,315,658.90	492,225,223.55
Long-term receivables		
Include: HKD	31,408,501.48	
Non-current liabilities due within 1 year		
Include: HKD	18,586,996.26	
Accounts payable		
Include: USD	1,110,892,659.14	970,304,250.68
HKD	62,782,726.60	204,065,474.09
Long-term borrowings		
Include: USD	601,076,175.11	512,202,230.95
HKD	6,310,080,163.71	3,836,797,665.02
Long-term payables		
Include: USD	433,338,229.33	425,277,729.33
HKD	26,914,182.91	26,914,182.91
Total	16,900,631,163.43	11,510,220,478.40

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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XII. 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 profits and losses and shareholders' equity are as follows:

Unit: RMB

Exchange rate changes	Current year		Last year	
	Effects on total profit	Effects on shareholders' equity	Effects on total profit	Effects on shareholders' equity
USD appreciation by 5% against RMB	215,212,900.08	215,212,900.08	41,842,153.49	41,842,153.49
USD devaluation by 5% against RMB	-215,212,900.08	-215,212,900.08	-41,842,153.49	-41,842,153.49
HKD appreciation by 5% against RMB	-358,730,472.89	-358,730,472.89	-196,131,097.29	-196,131,097.29
HKD devaluation by 5% against RMB	358,730,472.89	358,730,472.89	196,131,097.29	196,131,097.29

2) Interest rate change risk

The Group's interest rate risks arise mainly from long-term bank borrowings, bonds payable and other long-term interest-bearing debts. The financial liabilities with floating interest rates expose the Group to cash flow interest rate risks, and the financial liabilities with fixed interest rates expose the Group to fair value interest rate risks.

The Group's risk of changes in cash flows of financial instruments arising from changes in interest rates is mainly related to bank loans with floating interest rates (see Items 24 and 34 of Note (IX)). It is the Group's policy to maintain the floating interest rates of these loans in order to eliminate the risk of changes in fair value of interest rates.

Sensitivity analysis of interest rate risks

The sensitivity analysis of interest rate risks is based on the following assumptions:

- Any changes in market interest rates affect interest income or interest 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 interest expenses;
- Any changes in fair value of other financial assets and financial liabilities are calculated using the discounted cash flow method at the prevailing market interest rate at the end of the reporting period.

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(1) Market risk (continued)

2) Interest rate change risk (continued)

Sensitivity analysis of interest rate risks (continued)

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 profits and losses and shareholders' equity are as follows:

Unit: RMB

Changes in interest rate	Current year		Last year	
	Effects on total profit	Effects on shareholders' equity	Effects on total profit	Effects on shareholders' equity
Interest rate rises by 0.5%	-22,091,334.34	-22,091,334.34	-25,514,346.42	-25,514,346.42
Interest rate is lowered by 0.5%	22,091,334.34	22,091,334.34	25,514,346.42	25,514,346.42

3) Other price risks

Other equity vehicle investments held by the group, investments classified as financial assets available for sale and financial assets measured at fair value and their changes included in the current profit and loss are measured at fair value at the end of the reporting period. As a result, the Group bears the risk of price changes in the securities market. The Company adopts the method of holding multiple equity 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 year			Last year		
		Effects on total profit	Effects on other comprehensive income	Effects on shareholders' equity	Effects on total profit	Effects on other comprehensive income	Effects on shareholders' equity
Held-for-trading financial assets		-	-	-	—	—	—
Financial assets measured at fair value whose changes are included in the current profits and losses	Stock price rises by 10%	—	—	—	28,643,364.02	-	28,643,364.02
Other equity instrument investments		—	15,283,293.72	15,283,293.72	—	—	—
Available-for-sale financial assets		—	—	—	24,529,855.13	-	24,529,855.13
Held-for-trading financial assets		-	-	-	—	—	—
Financial assets measured at fair value whose changes are included in the current profits and losses	Stock price falls by 10%	—	—	—	-28,643,364.02	-	-28,643,364.02
Other equity instrument investments		—	-15,283,293.72	-15,283,293.72	—	—	—
Available-for-sale financial assets		—	—	—	-24,529,855.13	-	-24,529,855.13

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XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(2) Credit risk

On 31 December 2018, 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 book amount of the recognized financial assets in the consolidated statement of financial position; for financial instruments measured at fair value, the book value 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 the Note IX.37 "accrued liabilities" and the Note X.5 (5) "related party 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 each reporting period balance sheet date to ensure that a sufficient bad debt provision is made for amounts that are irrecoverable. As a result, the Group's management considers that the Group's credit risk has been significantly reduced.

Except for the top five in the Note IX.3 "bills receivable and accounts receivable" and the Note IX.5 "other receivables", the Group has no other significant credit concentration risks.

The Group's monetary capital 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. Ended 31 December 2018, 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	Book balance	Impairment provision
Less than 1 year (including 1 year)	0.82	10,327,263,179.32	84,242,851.27
1 to 2 years (including 2 years)	55.04	154,337,887.82	84,940,749.39
2 to 3 years (including 3 years)	95.52	113,839,664.65	108,745,215.54
More than 3 years	100.00	108,100,003.55	108,099,653.28
Total		10,703,540,735.34	386,028,469.48

The above expected average loss rate is based on the historical actual bad debt ratio and takes into account current and future economic forecasts. During the period from 1 January 2018 to 31 December 2018, the Group's assessment method and major assumptions did not change.

Ended 31 December 2018, the maximum amount of financial guarantee provided by the Group was RMB51,736,555.48, and the details of the financial guarantee contract are set out in Note X.5 (5). On 1 January 2018, 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 the 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 equivalent to the expected credit loss over the entire duration, 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 2018 to 31 December 2018, the Group's assessment method and major assumptions did not change.

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

Ended 31 December 2018, the amount of bank loans that have not been used by the Group was RMB15.54 billion (31 December 2017: RMB15.002 billion).

According to the maturity date of undiscounted contract cash flows, the financial liabilities held by the Group are analyzed as follows:

Items	Book value	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-derivative financial liabilities:	—	—	—	—	—
Short-term borrowings	2,231,743,549.91	2,231,743,549.91	—	—	2,231,743,549.91
Long-term borrowings	8,473,129,636.53	—	7,330,627,314.68	1,142,502,321.85	8,473,129,636.53
Bills payable and account payables	9,056,129,695.54	8,551,932,413.88	504,197,281.66	—	9,056,129,695.54
Other payables	3,045,689,490.76	2,605,497,139.18	440,192,351.58	—	3,045,689,490.76
Non-current liabilities due within one year	1,166,302,753.40	1,166,302,753.40	—	—	1,166,302,753.40
Other current liabilities	167,271,210.90	167,271,210.90	—	—	167,271,210.90
Bonds payable	3,497,076,575.36	—	3,497,076,575.36	—	3,497,076,575.36
Long-term payables	656,231,579.79	—	115,450,255.12	540,781,324.67	656,231,579.79
Other non-current liabilities	—	—	—	—	—
Financial guarantees	—	—	51,736,555.48	—	51,736,555.48

2. FAIR VALUE

The fair value of financial assets and financial liabilities is determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and active market is determined by reference to the current offer and current charge in the corresponding active market respectively;

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined under the general pricing model based on the discounted future cash flow method or is recognized using the observable current market transaction price;

The fair value of derivative instruments is determined by public offers in an active market.

The Group's management considers that the book value of financial assets and financial liabilities measured at amortized cost in the financial statements is close to the fair value of such assets and liabilities.

(1) Assets measured at fair value on a continuous basis

Items	First measurement at fair value	Fair value at the end of the year			Total
		Second measurement at fair value	Third measurement at fair value		
I. Continuous measurement at fair value	—	—	—	—	—
(1) Held-for-trading financial assets	40,176.57	400,000,000.00	100,000.00	—	400,140,176.57
1. Financial assets measured at fair value whose changes are included in the current profits and losses	40,176.57	400,000,000.00	100,000.00	—	400,140,176.57
2. Financial assets designated to be measured at fair value whose changes are included in current profits and losses	—	—	—	—	—
(2) Other equity instrument investments	154,458,821.08	—	—	—	154,458,821.08
(3) Other non-current financial assets	—	—	493,936,852.61	—	493,936,852.61
Total assets measured at fair value on a continuous basis	154,498,997.65	400,000,000.00	494,036,852.61	—	1,048,535,850.26

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XIII. CONTINGENCIES

Contingent liabilities arising from major pending litigation and its financial implications

Concerned Parties	Litigation/deputy content	Estimated cash outflows	Litigation/deputy status
Beijing Leshi Xiangyun Investment Center (Limited Partnership)	The Group handled the crude silver, and the other party sampled and found that the amount of silver contained decreased, causing compensation for disputes.	33,500,000.00	The evidence of both parties in the first instance is flawed, waiting for the judgment
China People's Property Insurance Co., Ltd (Chongqing Branch)	As the cargo transportation insurer, the plaintiff Baoguan Chongqing Branch obtained the subrogation right after paying the insured and recovered from the Group.	19,866,530.34	The Group raised a jurisdictional objection and awaited judgment

For the above pending cases, provisions were not made as management believes the results of litigations/deputies cannot be reliably estimated.

The Group provides related parties with collateral liabilities related to guarantees to notes 10, 5 and (5).

XIV. CAPITAL COMMITMENTS

Items	Ending balance	Beginning balance
Capital expenditures contracted but not recognized in the financial statements		
– Purchase and construction of assets	441,793,934.15	1,567,146,192.20
– Port investment projects	258,814,983.70	–
– Investments in associates, joint ventures and other invested entities	90,862,020.28	3,970,000.00
Total	791,470,938.13	1,571,116,192.20

Note: On 1February, 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 (No.214 [2018]), China-Belarus Industrial Investment The fund was established in the Cayman Islands and adopted a limited partnership. The Group's subsidiary, China Merchants Logistics Group Co., Ltd., is a limited partner and has agreed to contribute US\$15 million. As of 31 December, 2018, it has invested US\$2.482 million, which has been promised but not funded. The amount is approximately RMB85,912,020.28.

XV. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group entered into irrevocable operating lease contracts as follows:

Residual lease term	Minimum lease payments at the end of the year	Minimum lease payments at the beginning of the year
First year after the end of the reporting period	331,533,268.40	540,617,853.08
Second year after the end of the reporting period	177,089,816.64	312,857,868.14
Third year after the end of the reporting period	126,519,546.83	241,348,865.62
Subsequent years	485,554,589.81	834,376,027.16
Total	1,120,697,221.68	1,929,200,614.00

XVI. NON-ADJUSTMENTS IN THE EVENTS AFTER THE END OF THE REPORTING PERIOD

1. On 31 May 2018, a motion for the exchange of shares and the consolidation by merger of Sinotrans Air Transportation Development Co., Ltd. (hereinafter referred to as "Sinotrans Development") as a subsidiary by the Company was considered and adopted at the Company's interim general meeting of shareholders and the meeting of class shareholders in 2018. Pursuant to the motion, the Company intended to issue its A shares to all shareholders of Sinotrans Development other than the Company in exchange for its shares in Sinotrans Development. The Company does not participate in the share exchange nor exercise cash options in respect of its shares in Sinotrans Development, and such shares will be canceled after the exchange of shares and the consolidation by merger. Upon completion of the exchange of shares and the consolidation by merger, the Company, as a surviving company, will succeed and undertake all the assets, liabilities, business, contracts, qualifications, personnel and all other rights and obligations of Sinotrans Development through the receiving party, and Sinotrans Development will be delisted and disqualified from acting as a legal person. The Company will apply for listing on Shanghai Stock Exchange in respect of A shares to be issued in the exchange of shares and the consolidation by merger.

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 Sinotrans Development.

On 21 December 2018, Shanghai Stock Exchange issued decision on the Delisting of the Shares of Sinotrans Air Transportation Development Co., Ltd. (self-regulation decision of Shanghai Stock Exchange (2018) No. 160), approving the delisting of the shares of Sinotrans Development from 28 December 2018.

Ended 10 January 2019, the Company completed the issuance of 1,351,637,231 RMB-denominated ordinary shares (A shares), and the public ordinary share investors of Sinotrans Development traded their 353,600,322 A shares for 1,351,637,231 A shares publicly issued by the Company at the rate of 1:3.8225.

On 18 January 2019, A shares issued by the Company were officially listed on Shanghai Stock Exchange.

Ended the date of this report, the Company did not complete the relevant legal formalities for the cancellation of the legal personality of Sinotrans Development and the transfer of all its assets and liabilities to the Company for succession.

2. There are no other important events after the end of the reporting period in the Group other than those after the end of the reporting period above.

XVII. EXCHANGE OF NON-MONETARY ASSETS (IF SUCH MAJOR TRANSACTIONS OCCUR)

The Group had no exchange of non-monetary assets during the year.

XVIII. DEBT RESTRUCTURING (IF SUCH MAJOR TRANSACTIONS OCCUR)

The Group had no debt restructuring during the year.

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Cash and Bank Balances

Items	Ending balance			Beginning balance		
	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB
Cash on hand	—	—	38,767.91	—	—	52,580.50
Including: RMB	9,408.54	1.0000	9,408.54	7,944.55	1.0000	7,944.55
USD	2,029.74	6.8632	13,930.51	4,063.74	6.5342	26,553.29
Others	—	—	15,428.86	—	—	18,082.66
Bank deposit	—	—	2,232,340,868.76	—	—	326,434,059.34
Including: RMB	2,157,686,652.55	1.0000	2,157,686,652.55	203,928,747.19	1.0000	203,928,747.19
USD	10,856,898.11	6.8632	74,513,063.11	18,728,163.30	6.5342	122,373,564.63
Others	—	—	141,153.10	—	—	131,747.52
Other monetary capital	—	—	134,797.50	—	—	240,527.24
Including: RMB	134,797.50	1.0000	134,797.50	240,527.24	1.0000	240,527.24
Total	—	—	2,232,514,434.17	—	—	326,727,167.08
Including: total amount deposited abroad	—	—	4,493,132.24	—	—	2,148,466.18

(1) Restricted use of monetary capital at the end of the year

Items	Ending balance	Beginning balance	Reasons for restricted use
Credit card deposits	134,797.50	—	Credit card deposits
Total	134,797.50	—	—

2. Bills receivable and accounts receivable

Items	Ending balance	Beginning balance
Bills receivable	22,838,736.35	99,460,997.50
Accounts receivable	1,175,939,622.77	697,171,789.48
Total	1,198,778,359.12	796,632,786.98

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Bills receivable and accounts receivable (continued)

(1) Bills receivable

1) Classification of bills receivable

Type	Ending balance	Beginning balance
Banker's acceptance bills	22,838,736.35	16,041,092.78
Commercial acceptance bills	–	83,419,904.72
Total	22,838,736.35	99,460,997.50

2) The company has no bills receivable pledged at the end of the year.

3) The company has no bills receivable which were endorsed or discounted but yet undue at the end of the year.

4) The company has no bills converted to accounts receivable at the end of the year due to non-performance by the drawer.

5) The aging of the Company's bills receivable above at the end of the year is less than 360 days.

(2) Accounts receivable

1) Overall situation of accounts receivable

Items	Ending balance	Beginning balance
Accounts receivable	1,248,776,352.86	770,037,011.03
Less: bad debt provision	72,836,730.09	72,865,221.55
Total	1,175,939,622.77	697,171,789.48

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Bills receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

2) Overall aging of accounts receivable

Items	Ending balance		Bad debt provision	Beginning balance		Bad debt provision
	Book balance	Proportion (%)		Book balance	Proportion (%)	
Less than 1 year (including 1 year)	1,155,904,307.14	92.56	9,213,086.12	718,405,677.51	93.29	37,800,090.60
1 to 2 years (including 2 years)	56,946,434.35	4.56	30,179,633.23	21,508,074.51	2.79	9,126,667.73
2 to 3 years (including 3 years)	11,729,399.59	0.94	10,269,554.05	11,263,318.03	1.46	7,078,522.24
More than 3 years	24,196,211.78	1.94	23,174,456.69	18,859,940.98	2.46	18,859,940.98
Total	1,248,776,352.86	100.00	72,836,730.09	770,037,011.03	100.00	72,865,221.55

The company has no single accounts receivable for bad debts during the year ended 31 December 2018.

Accounts receivable with a bad debt provision made by portfolio as at 31 December 2018 are analyzed as follows:

Portfolio 1: Portfolio with lower recovery risk

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Accounts due from related parties	36,428,196.73	0.00	0.00
Total	36,428,196.73	0.00	0.00

Portfolio 2: Portfolio by aging analysis

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Less than 1 year (including 1 year)	1,123,547,106.95	0.82	9,213,086.12
1 to 2 years (including 2 years)	54,822,222.11	55.05	30,179,633.23
2 to 3 years (including 3 years)	10,804,370.38	95.05	10,269,554.05
More than 3 years	23,174,456.69	100.00	23,174,456.69
Total	1,212,348,156.13	6.01	72,836,730.09

During the period from 1 January 2018 to 31 December 2018, the amount of bad debt provision made by the Group was RMB7,301,613.98 (2017: RMB0.00), in which the amount of bad debt provision recovered or reversed was RMB7,330,105.44 (2017: RMB13,719,272.49).

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Bills receivable and accounts receivable (continued)

(2) Accounts receivable (continued)

- 3) The company has no accounts receivable actually written off during the reporting period
- 4) The Company had no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company.
- 5) Accounts receivable from related parties

Entity Name	Relationship with the company	Amount	Proportion of total account receivables (%)
Longyan Sinotrans Logistics Co., Ltd	Subsidiary	20,899,321.10	1.78
Sinotrans (Thailand) Logistics Co., Ltd	Subsidiary	4,586,992.09	0.39
Sinotrans Middle East Co., Ltd	Subsidiary	4,012,429.63	0.34
Sinotrans International Trade Co., Ltd	Fellow subsidiary	1,273,467.30	0.11
Sinotrans (Shenzhen) Supply Chain Management Co., Ltd	Subsidiary	1,210,819.84	0.10
Sinotrans Heavy-lift Logistics Co., Ltd, Rugao Branch	Subsidiary	1,070,000.00	0.09
Others	—	3,375,166.77	0.29
Total	—	36,428,196.73	3.10

6) Entities with the top five accounts receivable

Entity Name	Relationship with the company	Amount	Aging	Bad-debt provision	Proportion of total account receivables (%)
Entity 1	Customer	120,809,291.68	Within 6 months	990,636.19	9.67
Entity 2	Customer	97,199,636.15	Within 6 months	797,037.02	7.78
Entity 3	Customer	67,821,040.26	Within 6 months	556,132.53	5.43
Entity 4	Customer	46,145,298.95	Within 6 months	378,391.45	3.70
Entity 5	Customer	41,111,073.74	Less than 2 years	742,560.84	3.29
Total	—	373,086,340.78	—	3,464,758.03	29.87

- 7) The Company had no accounts receivable derecognized by transfer of financial assets
- 8) The company has no amount of assets and liabilities from continued involvement in case of securitization or factoring of the transfer of accounts receivable with accounts receivable being the object

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Other receivable

Items	Ending balance	Beginning balance
Interests receivable	177,001.57	5,764,330.35
Dividends receivable	84,271,356.22	68,052,908.69
Other receivables	7,685,751,348.29	4,797,555,507.59
Total	7,770,199,706.08	4,871,372,746.63

(1) Interests receivable

1) Classification of interests receivable

Items	Ending balance	Beginning balance
Fixed deposit	45,494.77	45,494.77
Others	131,506.80	5,718,835.58
Total	177,001.57	5,764,330.35

2) The company has no overdue interest

(2) Dividends receivable

Invested Entities	Beginning balance	Increase due to changes in the scope of consolidation	Increase of the year	Decrease of the year	translated difference in foreign currency statements	Ending balance	Non-recovery reason	Whether an impairment occurs and its judgment basis
Dividends receivable with the aging of less than 1 year	-	-	20,918,447.53	4,700,000.00	-	16,218,447.53	-	-
Including: Sinotrans Hubei Company Limited	-	-	9,382,447.53	4,700,000.00	-	4,682,447.53	No announcement	No
China United Tally Co., Ltd.	-	-	10,000,000.00	-	-	10,000,000.00	No announcement	No
Sinotrans(Pakistan) Logistics Co., Ltd.	-	-	1,536,000.00	-	-	1,536,000.00	No announcement	No
Dividends receivable with the aging of more than 1 year	68,052,908.69	-	-	-	-	68,052,908.69	-	-
Including: Sinotrans Anhui Co., Ltd.	8,067,261.02	-	-	-	-	8,067,261.02	Support for subsidiary development	No
Sinotrans North China Co., Ltd.	45,839,160.58	-	-	-	-	45,839,160.58	Support for subsidiary development	No
Sinotrans Eastern Company Limited	10,904,887.09	-	-	-	-	10,904,887.09	Support for subsidiary development	No
Maoxun International Company Limited	3,241,600.00	-	-	-	-	3,241,600.00	Support for subsidiary development	No
Total	68,052,908.69	-	20,918,447.53	4,700,000.00	-	84,271,356.22	-	-

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Other receivable (continued)

(3) Other receivables

1) Analysis of other receivables by nature

Nature of other receivables	Ending balance	Beginning balance
Amounts due from related parties	7,663,794,208.14	4,773,283,697.74
Deposit and margin	14,130,339.67	14,228,236.53
Reserve funds receivable	5,225,764.68	5,331,755.13
Advances	2,102,342.38	4,625,640.59
Others	498,693.42	86,177.60
Total	7,685,751,348.29	4,797,555,507.59

2) Analysis by aging

Items	Ending balance			Beginning balance		
	Book balance	Proportion (%)	Bad debt provision	Book balance	Proportion (%)	Bad debt provision
Less than 1 year (including 1 year)	4,158,872,067.42	54.11	89,414.39	1,223,475,745.41	25.50	–
1 to 2 years (including 2 years)	142,129,415.25	1.85	191,607.87	1,872,464.89	0.04	–
2 to 3 years (including 3 years)	–	–	–	150,000.00	0.00	–
More than 3 years	3,385,031,908.52	44.04	1,020.64	3,572,057,297.29	74.46	–
Total	7,686,033,391.19	100.00	282,042.90	4,797,555,507.59	100.00	–

3) The company had no single other receivables for bad debts during the reporting period.

Other receivables with a bad debt provision made by portfolio ended 31 December 2018 are analyzed as follows:

Portfolio 1: Portfolio with lower recovery risk

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Receivables from related parties	7,663,794,208.14	–	–
Deposit	14,130,339.67	–	–
Reserve funds	5,225,764.68	–	–
Total	7,683,150,312.49	–	–

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Other receivable (continued)

(3) Other receivables (continued)

3) Portfolio 2: Portfolio by aging analysis

Items	Book balance	Expected credit loss rate over the entire life	Bad debt provision
Less than 1 year (including 1 year)	2,292,676.74	3.90	89,414.39
1 to 2 years (including 2 years)	589,381.32	32.51	191,607.87
2 to 3 years (including 3 years)	—	—	—
More than 3 years	1,020.64	100.00	1,020.64
Total	2,883,078.70	9.78	282,042.90

During the period from 1 January 2018 to 31 December 2018, the amount of bad debt provision made by the Group was RMB282,042.90 (2017: RMB0.00), in which the amount of bad debt provision recovered or reversed was RMB0.00 (2017: RMB0.00).

- 4) The company had no Other receivables actually written off during the reporting period.
- 5) The company had no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company.
- 6) Other receivables with the top five ending balances pooled by debtor.

Entity name	Relationship with the Company	Amount	Aging	Proportion of total other receivables (%)	Bad debt provision	Nature/content
China Merchants Logistics Group Co., Ltd	Subsidiary	2,073,225,462.33	Within 1 year	26.97	—	Loan, advance payment
Sinotrans (Hk) Logistics Limited	Subsidiary	1,902,743,305.87	Within 2 year, Over 3 years	24.76	—	Loan, advance payment
Sinotrans South China Co., Ltd.	Subsidiary	1,216,273,961.92	Within 1 year, Over 3 years	15.83	—	Loan, advance payment
Sinotrans Logistics Development Co., Ltd	Subsidiary	448,430,320.26	Within 1 year Over 3 years	5.83	—	Borrowing
Lukai Packaging Equipment Leasing (Shanghai) Co., Ltd.	Other related parties	290,000,000.00	Within 1 year	3.77	—	Borrowing
合計	—	5,930,673,050.38	—	77.16	—	—

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Other receivable (continued)

(3) Other receivables (continued)

7) Accounts receivable from related parties

Entity name	Relationship with the Company	Amount	Proportion of total other receivables (%)
China Merchants Logistics	Subsidiary	2,073,225,462.33	26.97
Sinotrans (HK) Logistics Limited	Subsidiary	1,902,743,305.87	24.76
Sinotrans South China Co., Ltd.	Subsidiary	1,216,273,961.92	15.83
Sinotrans Logistics Development Co., Ltd	Subsidiary	448,430,320.26	5.83
Sinotrans Eastern Company Limited	Subsidiary	305,076,435.51	3.97
Lukai Packaging Equipment Leasing (Shanghai) Co., Ltd.	Joint venture of the Group	290,000,000.00	3.77
Sinotrans Fujian Co., Ltd.	Subsidiary	173,064,351.14	2.25
Sinotrans Changjiang Co., Ltd.	Subsidiary	164,632,739.15	2.14
Sinotrans Central China Co., Ltd	Subsidiary	122,871,838.36	1.60
Sinotrans Liaoning Co., Ltd.	Subsidiary	107,999,513.08	1.41
Guangxi Sinotrans Logistics Co., Ltd	Subsidiary	99,198,366.23	1.29
Sinotrans Heavy-lift Logistics Co., Ltd	Subsidiary	81,273,285.37	1.06
Sinotrans Shenzhen Logistics Co., Ltd.	Subsidiary	80,637,561.33	1.05
Sinotrans Hubei Company Limited	Subsidiary	75,076,337.75	0.98
Sinotrans (Ningbo) Meishan International Logistic Co., Ltd.	Subsidiary	59,640,000.00	0.78
Zhongshan Sinotrans Logistics Co., Ltd.	Subsidiary	56,660,000.00	0.74
Chongqing Sinotrans Logistics Co., Ltd.	Subsidiary	56,290,000.00	0.73
Dongying Sinotrans Logistics Co., Ltd.	Subsidiary	40,900,000.00	0.53
Sinotrans Chemical International Logistics Co., Ltd	Subsidiary	23,503,893.48	0.31
Guangdong Sinotrans Huangpu Cangma Co., Ltd	Subsidiary	20,500,000.00	0.27
Others	—	265,796,836.36	3.46
Total	—	7,663,794,208.14	99.73

8) The company has no other receivables derecognized by transfer of financial assets.

9) The company had no amount of assets and liabilities from continued involvement in case of securitization or factoring of the transfer of other receivables with other receivables being the object.

10) The company has no transfer of prepayments to other receivables.

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Long-term receivables

Items	Ending balance			Opening balance			
	Amount	Bad debt provision	Fair value	Amount	Bad debt provision	Fair value	Discount rate
Related Party Loan (Note)	1,606,581,598.47	–	1,606,581,598.47	1,886,221,498.37	–	1,886,221,498.37	–
Total	1,606,581,598.47	–	1,606,581,598.47	1,886,221,498.37	–	1,886,221,498.37	–

Note: As of December 31, 2018, the company's long-term receivables were RMB1,960,592,450.74, of which long-term receivables due within one year were RMB354,010,852.27. The company's long-term receivables include RMB1,864,312,450.74 for entrusted loans to subsidiaries and RMB57,000,000.00 for loans from the company's joint venture Suzhou Logistics Center and RMB39,280,000.00 for Shanghai Pu'an. For details of the borrowings of the joint venture, please refer to Note IX.10.

5. Long-term equity investments

(i) Classification of Long-term equity investment

Items	Beginning balance	Increased	Decreased	Other increase/ (decreased)	Impact on change of consolidated scope	Impact of foreign currency financial statement	Ending balance
Subsidiary	10,452,318,079.59	10,000,000.00	10,000,000.00	-	-	-	10,452,318,079.59
Joint venture	528,692,612.29	12,505,338.53	39,087,447.50	-91,441,143.61	-	-	410,669,359.71
Associate	220,513,256.31	36,083,177.45	-	-	-	-	256,596,433.76
Total	11,201,523,948.19	58,588,515.98	49,087,447.50	-91,441,143.61	-	-	11,119,583,873.06
Less: impairment losses of long-term equity investments	8,821,076.00	-	-	-	-	-	8,821,076.00
Total	11,192,702,872.19	58,588,515.98	49,087,447.50	-91,441,143.61	-	-	11,110,762,797.06

5. Long-term equity investments

(ii) Details of long-term equity investments

Invested Entities	Investment cost	Beginning balance	Additional investment	Reduction in investment	Investment gains and losses recognized under the equity method	Increase or decrease during the year				Effects from transition in foreign currency statements	Others	Ending balance	Including ending balance of impairment provision
						Other comprehensive income adjustments	Other equity changes	Cash dividends and profits declared	Impairment provision				
Subsidiaries	10,452,316,079.59	10,449,497,003.59	10,000,000.00	10,000,000.00	-	-	-	-	-	-	-	10,449,497,003.59	8,821,076.00
China Merchants Logistics	3,846,989,443.38	3,846,989,443.38	-	-	-	-	-	-	-	-	-	3,846,989,443.38	-
Sinotrans South China Co., Ltd.	1,272,219,038.71	1,272,219,038.71	-	-	-	-	-	-	-	-	-	1,272,219,038.71	-
Sinotrans Air Transportation Development Co., Ltd.	1,215,305,719.75	1,215,305,719.75	-	-	-	-	-	-	-	-	-	1,215,305,719.75	-
Sinotrans Eastern Company Limited	1,079,345,218.38	1,079,345,218.38	-	-	-	-	-	-	-	-	-	1,079,345,218.38	-
Sinotrans Changjiang Co., Ltd.	791,516,900.00	791,516,900.00	-	-	-	-	-	-	-	-	-	791,516,900.00	-
Sinotrans Central China Co., Ltd	629,117,947.59	629,117,947.59	-	-	-	-	-	-	-	-	-	629,117,947.59	-
Wide Shine Development Limited	430,372,292.05	430,372,292.05	-	-	-	-	-	-	-	-	-	430,372,292.05	-
Trade Sky International Limited	341,057,315.76	341,057,315.76	-	-	-	-	-	-	-	-	-	341,057,315.76	-
Sinotrans Fujian Co., Ltd.	200,932,169.33	200,932,169.33	-	-	-	-	-	-	-	-	-	200,932,169.33	-
Sinotrans North Company Limited	134,456,656.87	134,456,656.87	-	-	-	-	-	-	-	-	-	134,456,656.87	-
Sinotrans Heavy-Hifi Logistics Co., Ltd	134,428,500.00	134,428,500.00	-	-	-	-	-	-	-	-	-	134,428,500.00	-
Sinotrans Logistics Development Co., Ltd	132,490,787.54	123,669,711.54	-	-	-	-	-	-	-	-	-	123,669,711.54	8,821,076.00
Sinotrans Hubei Company Limited	121,144,778.00	121,144,778.00	-	-	-	-	-	-	-	-	-	121,144,778.00	-
Sinotrans Lianing Co., Ltd.	44,070,246.26	44,070,246.26	-	-	-	-	-	-	-	-	-	44,070,246.26	-
Sinotrans Chongqing Co., Ltd.	27,925,641.63	27,925,641.63	-	-	-	-	-	-	-	-	-	27,925,641.63	-
Sinotrans Korea Shipping Co., Ltd	28,906,758.99	28,906,758.99	-	-	-	-	-	-	-	-	-	28,906,758.99	-
Others	22,038,665.35	22,038,665.35	-	10,000,000.00	-	-	-	-	-	-	-	12,038,665.35	-

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. Long-term equity investments (continued)

(ii) Details of long-term equity investments (continued)

Invested Entities	Investment cost	Beginning balance	Additional investment	Reduction in investment	Investment gains and losses recognized under the equity method	Increase or decrease during the year				Effects from transition in foreign currency statements	Impairment provision	Others	Ending balance	Including: ending balance of impairment provision
						Other comprehensive income adjustments	Other equity changes	Cash dividends and profits declared						
Joint-venture	530,000,338.86	528,692,612.29	-	-	12,506,338.53	-	-	-39,087,447.50	-	-	-	-91,441,143.61	410,668,359.71	-
Wuhu Sanshan Port Co., Ltd.	140,000,000.00	130,120,009.57	-	-	-46,657.71	-	-	-	-	-	-	-	129,663,051.86	-
Sinotrans Hi-Tech Logistics (Suzhou) Co., Ltd.	97,898,300.00	88,033,664.88	-	-	-7,110.66	-	-	-	-	-	-	-	87,902,554.22	-
Nisira-Sinotrans International Logistics Co., Ltd.	55,518,961.25	74,230,301.89	-	-	9,856,555.14	-	-	-5,000,000.00	-	-	-	-	79,086,857.03	-
Sinotrans Pafos Cold Chain Logistics Co., Ltd.	90,000,000.00	50,727,333.14	-	-	-2,469,738.69	-	-	-	-	-	-	-	48,237,574.45	-
Shanghai Tongjun International Logistics Co., Ltd.	16,058,835.00	30,857,314.77	-	-	1,407,749.68	-	-	-	-	-	-	-	32,265,064.45	-
Shanghai United Cold Chain Logistics Co., Ltd.	15,000,000.00	15,261,207.45	-	-	-263,262.02	-	-	-	-	-	-	-	14,997,945.43	-
SINOTRANS ALMA DOUE MIDDLE EAST CO., LTD.	3,695,600.00	11,882,150.91	-	-	1,620,531.56	-	-	-	-	-	-	-	13,502,682.47	-
Shenzhen Zhonglian Tally Co., Ltd.	98,789,111.56	123,992,591.11	-	-	-	-	-	-32,551,447.50	-	-	-	-91,441,143.61	-	-
Others	13,093,531.05	3,580,038.57	-	-	2,901,591.23	-	-	-1,536,000.00	-	-	-	-	4,953,629.80	-
Associates	111,908,688.00	220,513,256.31	-	-	36,083,177.45	-	-	-	-	-	-	-	256,596,433.76	111,903,683.00
Jiangsu Jiangyin Port Group Co., Ltd.	59,319,000.00	110,383,699.76	-	-	30,787,592.60	-	-	-	-	-	-	-	141,171,292.36	59,319,000.00
Shanghai Puhua Storage Co., Ltd.	31,269,456.00	77,315,488.71	-	-	-77,682.77	-	-	-	-	-	-	-	76,542,805.94	31,269,456.00
Ma Anshan Tianshun Port Co., Ltd.	21,000,000.00	26,925,297.07	-	-	1,983,132.03	-	-	-	-	-	-	-	28,908,429.10	21,000,000.00
China International Exhibition Transportation Co., Ltd.	315,227.00	5,888,770.77	-	-	4,085,185.59	-	-	-	-	-	-	-	9,973,906.36	315,227.00
Total	11,094,222,101.45	11,192,702,872.19	10,000,000.00	10,000,000.00	48,588,515.98	-	-	-39,087,447.50	-	-	-	-91,441,143.61	11,110,762,797.06	12,072,759.00

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. Long-term equity investments (continued)

(iii) Investments in subsidiaries

Subsidiaries	Initial cost of investment	Beginning balance	Impact of consolidation	Addition	Disposal	Exchange re-alignment	Ending balance
China Merchants Logistics	3,846,989,443.38	3,846,989,443.38					3,846,989,443.38
Sinotrans South China Co., Ltd.	1,272,219,038.71	1,272,219,038.71					1,272,219,038.71
Sinotrans Air Transportation Development Co., Ltd.	1,215,305,719.75	1,215,305,719.75					1,215,305,719.75
Sinotrans Eastern Company Limited	1,079,345,218.38	1,079,345,218.38					1,079,345,218.38
Sinotrans Changjiang Co., Ltd.	791,516,900.00	791,516,900.00					791,516,900.00
Sinotrans Central China Co., Ltd.	629,117,947.59	629,117,947.59					629,117,947.59
Wide Shine Development Limited	430,372,292.05	430,372,292.05					430,372,292.05
Trade Sky International Limited	341,057,315.76	341,057,315.76					341,057,315.76
Sinotrans Fujian Co., Ltd.	200,932,169.33	200,932,169.33					200,932,169.33
Sinotrans Eastern Company Limited	134,456,656.87	134,456,656.87					134,456,656.87
Sinotrans Heavy-lift Logistics Co., Ltd.	134,428,500.00	134,428,500.00					134,428,500.00
Sinotrans Logistics Development Co., Ltd.	132,490,787.54	123,669,711.54					123,669,711.54
Sinotrans Hubei Company Limited	121,144,778.00	121,144,778.00					121,144,778.00
Sinotrans Liaoning Co., Ltd.	44,070,246.26	44,070,246.26					44,070,246.26
Sinotrans Chongqing Co., Ltd.	27,925,641.63	27,925,641.63		10,000,000.00			37,925,641.63
Sinotrans Korea Shipping Co., Ltd.	28,906,758.99	28,906,758.99					28,906,758.99
Others	22,038,665.35	22,038,665.35			10,000,000.00		12,038,665.35
Total	10,452,318,079.59	10,443,497,003.59		10,000,000.00	10,000,000.00		10,443,497,003.59

(iv). The company's long-term equity investment has no restrictions on transfer on funds.

6. Long-term borrowings

Borrowing Category	Ending balance	Beginning balance	Year-end interest rate range (%)
Credit loans	2,624,000,000.00	2,124,000,000.00	3.03-4.04
Sub-total	2,624,000,000.00	2,124,000,000.00	—
Less: long-term loans due within one year	1,000,000,000.00	—	3.03
Include credit loans	1,000,000,000.00	—	3.03
Long-term borrowings due more than one year	1,624,000,000.00	2,124,000,000.00	—

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

6. Long-term borrowings (continued)

- (1) At the end of 2018, the company has no long-term loans that have been due and outstanding
- (2) The five highest long-term borrowings at the end of the year

Name of entity	Start date of the loan	Termination of loan	Currency	Interest rate (%)	Ending balance		Beginning balance	
					Currency	Local currency	Currency	Local currency
China Merchants Group Finance Co., Ltd	2018-01-02	2020-04-16	RMB	4.04	-	500,000,000.00	-	-
China Merchants Group Finance Co., Ltd	2017-04-18	2020-04-16	RMB	4.04	-	440,000,000.00	-	440,000,000.00
China Merchants Group Finance Co., Ltd	2017-07-03	2020-04-16	RMB	4.04	-	322,000,000.00	-	322,000,000.00
China Merchants Group Finance Co., Ltd	2017-12-29	2020-04-16	RMB	4.04	-	238,000,000.00	-	238,000,000.00
Agriculture Development Bank of China	2016-08-10	2026-08-10	RMB	1.20	-	57,000,000.00	-	57,000,000.00

7. Bonds payable

- (1) Bonds payable:

Item	Ending balance	Beginning balance
2016 The first issue of 2 billion corporate bonds	1,998,266,301.39	1,997,466,301.38
2016 The second issue of 1.5 billion corporate bonds	1,498,810,273.97	1,498,360,273.96
Total	3,497,076,575.36	3,495,826,575.34

Note: For details of the company's bond payable, see Note IX.34.

- (2) Statement of changes in bonds payable

Name of bonds	Face value	Date of issue	Bond term	Amount issued	Beginning balance	Impact of consolidation	Issue for the year	Interest accrued at par value	Premium or discount amortization	Repayment for the year	Effect from translation in foreign currency financial statement	Ending balance
2016 the first issue of 2 billion corporate bonds	2,000,000,000.00	2016-03-03	Five years	2,000,000,000.00	1,997,466,301.38	-	-	-	800,000.01	-	-	1,998,266,301.39
2016 the second issue of 1.5 billion corporate bonds	1,500,000,000.00	2016-08-24	Five years	1,500,000,000.00	1,498,360,273.96	-	-	-	450,000.01	-	-	1,498,810,273.97
Total	3,500,000,000.00	-	-	3,500,000,000.00	3,495,826,575.34	-	-	-	1,250,000.02	-	-	3,497,076,575.36
Less: bonds payable due within one year	-	-	-	-	-	-	-	-	-	-	-	-
Bonds payable due more than one year	3,500,000,000.00	-	-	3,500,000,000.00	3,495,826,575.34	-	-	-	1,250,000.02	-	-	3,497,076,575.36

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

8. Capital reserves

2018

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
I. Capital (or share capital) premium	5,114,068,361.96	–	–	5,114,068,361.96
Capital invested by investors	5,114,068,361.96	–	–	5,114,068,361.96
II. Other capital reserves	-544,469.65	–	–	-544,469.65
Others	-544,469.65	–	–	-544,469.65
Total	5,113,523,892.31	–	–	5,113,523,892.31
Including: state-owned exclusive capital reserve	–	–	–	–

2017

Items	Beginning balance	Increase of the year	Decrease of the year	Ending balance
I. Capital (or share capital) premium	2,743,138,556.69	3,973,940,361.89	1,603,010,556.62	5,114,068,361.96
Capital invested by investors	2,743,138,556.69	3,973,940,361.89	1,603,010,556.62	5,114,068,361.96
II. Other capital reserves	-544,469.65	–	–	-544,469.65
Others	-544,469.65	–	–	-544,469.65
Total	2,742,594,087.04	3,973,940,361.89	1,603,010,556.62	5,113,523,892.31
Including: state-owned exclusive capital reserve	–	–	–	–

9. Undistributed profit

Items	Amount of current year	Amount of last year
Ending balance of the previous year	1,393,750,246.98	1,204,106,794.82
Add: Adjustments of undistributed profit at the beginning of the year	–	–
Beginning balance	1,393,750,246.98	1,204,106,794.82
Increase of the year	1,122,673,529.95	799,321,133.51
Including: net profit attributable to the parent company during the year	1,122,673,529.95	799,321,133.51
Decrease of the year	596,200,684.52	609,677,681.35
Including: Withdrawn of the statutory reserve funds	112,267,353.00	79,932,113.35
Distributed profits	483,933,331.52	529,745,568.00
Ending balance of the year	1,920,223,092.41	1,393,750,246.98

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XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

10. Operating revenue and operating cost

Items	Amount of current year		Amount of last year	
	Revenue	Cost	Revenue	Cost
Main business income	2,071,252,691.64	1,834,355,968.57	1,812,983,482.17	1,625,330,016.18
Other business income	73,806,145.74	–	62,912,193.15	–
Total	2,145,058,837.38	1,834,355,968.57	1,875,895,675.32	1,625,330,016.18

11. Finance Expense

Items	Amount of current year	Amount of last year
Interest expenses	244,391,150.73	208,973,671.46
Including: bank and other borrowings	135,041,150.74	99,677,096.14
Bond interests and discounts on notes	109,349,999.99	109,296,575.32
Less: interest income	180,967,204.81	151,088,925.41
Net foreign exchange gains	53,925,083.65	–
Net foreign exchange losses	–	81,567,208.08
Others	20,899,846.76	1,451,575.07
Total	30,398,709.03	140,903,529.20

12. Income from investments

Items	Amount of current year	Amount of last year
Income from long-term equity investments	1,340,994,160.36	1,063,037,622.13
Including: income from investments recognized under the equity method	48,588,515.98	35,594,211.34
Income from disposal of equity	–	416,423.03
Held-for-trading financial assets	10,279,868.98	–
Including: income from investments acquired during the holding period	10,279,868.98	–
Available-for-sale financial assets, etc.	–	5,940,879.72
Including: income from investments acquired during the holding period	–	5,940,879.72
Total	1,351,274,029.34	1,068,978,501.85

XIX. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

13. Supplementary information of the parent company in the cash flow statement

Items	Amount of current year	Amount of last year
1. Reconciliation of net profit to cash flows from operating activities:	–	–
Net profit	1,122,673,529.95	799,321,133.51
Add: Asset impairment losses	–	-13,719,272.49
Expected credit losses	253,551.44	–
Depreciation of fixed assets and Investment properties	9,650,705.89	10,269,861.51
Amortization of intangible assets	17,691,394.05	16,586,715.20
Amortization of long-term deferred expenses	504,258.03	768,555.07
Losses from disposal of assets (gains expressed with "-")	–	-17,413.25
Losses from damage and scrapping of non-current assets (gains expressed with "-")	12,785.39	1,027,121.87
Losses from changes in fair value (gains expressed with "-")	–	–
Financial expenses (income expressed with "-")	71,855,729.04	58,599,027.62
Losses on investments (income expressed with "-")	-1,351,274,029.34	-1,068,978,501.85
Reduction in deferred income tax assets (increase expressed with "-")	–	–
Increase in deferred income tax liabilities (reduction expressed with "-")	–	–
Reduction in inventories (increase expressed with "-")	3,595,453.35	889,961.21
Reduction in operating receivables (increase expressed with "-")	-459,966,273.31	-198,791,783.68
Increase in operating payables (reduction expressed with "-")	977,586,929.41	-25,364,543.67
Net cash flows from operating activities	392,584,033.90	-419,409,138.95
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	–	–
Transfer of the balance of prior annual wage differentials to the national capital	–	–
3. Net changes in cash and cash equivalents:		
Ending balance of cash	2,232,379,636.67	326,727,167.08
Less: beginning balance of cash	326,727,167.08	928,248,742.25
Add: adjustments to the classification of account settlement reserves at the beginning of the year	–	–
Net increase in cash and cash equivalents	1,905,652,469.59	-601,521,575.17

XX. OTHER IMPORTANT EVENTS

As at 31 December 2018, the Group had no important issues to disclose.

XXI. APPROVAL OF THE FINANCIAL STATEMENTS

The Group's financial statements 2018 were approved for issuance by the Board of Directors of the Company on 25 March 2019.

Chapter 13 Financial Report

SUPPLEMENTARY INFORMATION

1. Non-recurring income statement for the year

In accordance with the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public – Non-recurring Profits and Losses (2008) issued by China Securities Regulatory Commission, the Company's non-recurring profits and losses for the year 2018 are as follows:

Items	Amount of current year	Amount of last year	Description
Gains and losses on the disposal of non-current assets	693,786,460.93	178,908,646.56	—
Tax returns and reliefs that are approved beyond authority, have no official approval document or occasional	—	—	—
Government grants included in current profits and losses	152,105,123.07	250,126,057.83	—
Capital occupancy fees from non-financial enterprises included in current profits and losses	8,978,297.29	8,666,019.04	—
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	—	—	—
Gains and losses from exchange of non-monetary assets	—	—	—
Gains and losses on entrusting others to invest or manage assets	—	—	—
Asset impairment provision due to force majeure factors such as natural disasters	—	—	—
Gains and losses from debt restructuring	—	—	—
Enterprise restructuring costs	—	—	—
Gains and losses in excess of fair value arising from transactions with materially unfair transaction prices	—	—	—
Current net profits and losses of subsidiaries from the business combination under the same control from the beginning of the year to the date of combination	—	420,323,994.54	—
Gains and losses 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, gains and losses from changes in fair value of financial assets measured at fair value whose changes are included in the current profits and losses and financial liabilities measured at fair value whose changes are included in current profits and losses, and income from investments from disposal of financial assets measured at fair value whose changes are included in the current profits and losses, financial liabilities measured at fair value whose changes are included in current profits and losses and available-for-sale financial assets	442,838,077.81	563,643,477.50	—
Reversal of provision for impairment of receivables subject to separate impairment tests	11,371,444.80	6,167,764.67	—
Gains and losses from external entrusted loans	—	684,000.00	—
Gains and losses from changes in fair value of Investment properties subsequently measured using the fair value model	—	—	—
Effects of one-time adjustment to current profits and losses on current profits and losses according to tax and accounting and other laws and regulations	—	—	—
Trusteeship fee income from entrusted operations	10,377,358.50	10,377,358.50	—
Other non-operating income and expenses other than the above	-249,263,114.03	-35,512,306.50	—
Other profits and losses meeting the definition of non-recurring profits and losses	660,598,884.90	126,172,329.03	Net proceeds from disposal of subsidiary
Subtotal	1,730,792,533.27	1,529,557,341.17	—
Income tax effects	-116,774,977.15	-294,544,556.87	—
Effects of minority shareholders' equity (after tax)	-15,792,892.36	-155,419,112.73	—
Total	1,598,224,663.76	1,079,593,671.57	—

2. Differences of accounting data under domestic and foreign accounting standards

Differences between net profits and net assets in the financial reports disclosed in accordance with international accounting standards and Chinese accounting standards at the same time

Unit: RMB

Items	Net profit		Net assets	
	Amount of current year	Amount of last year	Ending balance	Beginning balance
In accordance with the accounting standards for Chinese enterprises	3,198,968,329.58	2,981,386,545.23	27,853,440,905.76	25,835,060,403.82
Items and amount adjusted under IFRS				
Accrued liabilities (Note 1)	–	–	-41,536,205.81	-33,687,174.45
Other non-current assets (Note 2)	–	–	–	-224,302,824.00
Other insignificant differences	–	–	-72,998.10	-72,998.10
In accordance with the international financial reporting standards	3,198,968,329.58	2,981,386,545.23	27,811,831,701.85	25,576,997,407.27

Note 1: In accordance with the accounting standards for Chinese enterprises, the safety production costs withdrawn by the Group were presented in special reserves under the shareholders' equity; in accordance with the international financial reporting standards, the Group presented its safety production costs in the provision item under liabilities, so there is a difference.

Note 2: In accordance with the accounting standards for Chinese enterprises, the Company presented the circulation right for equity separation in other non-current assets last year; in accordance with the international financial reporting standards, the Company presented the circulation right for equity separation in shareholders' equity last year, so there is a difference.

Due to the delisting of Sinotrans Development at the end of the year, the Company offset capital reserves against the circulation right for equity separation of Sinotrans Development, so there is no difference in this item under the domestic and foreign accounting standards at the end of the year.

3. 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), the weighted average return on net assets, basic earnings per share and diluted earnings per share in 2018 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 parent company	11.97	0.45	0.45
Net profit attributable to shareholders of the parent company after deduction of non-recurring profits and losses	4.90	0.18	0.18

Chapter 13 Financial Report

4. Pro forma financial statements

As stated in Note XV to these financial statements, the Company exchanged shares and consolidated by merger Sinotrans Development and completed the issuance of RMB-denominated ordinary shares (A shares) on 10 January 2019, the public ordinary share investors of Sinotrans Development traded their 353,600,322 A shares for 1,351,637,231 A shares publicly issued by the Company at the rate of 1:3.8225. In order to facilitate investors' understanding of the impact of the issuance of A shares on the shareholders' equity of the Company at the end of 2018, the Company assumes that the issuance of A shares was completed ended 31 December 2018 and prepares its pro form financial statements as follows:

(1) Financial statements of the parent company

According to the share swap absorption plan, the company publicly issued 1,351,637,231 shares A, and the issue price was adjusted to RMB5.24/share according to the ex-dividend result. Therefore, the consideration paid by the Company for the acquisition of the minority shareholding of Sinotrans Development was RMB7,082,579,090.44. According to the provisions of the Accounting Standards for Business Enterprises, in the individual financial statements of the parent company, the minority equity acquired by issuing equity securities shall be the initial investment cost of the long-term equity investment according to the fair value of the issued equity securities, and the initial investment cost is greater than that of the newly added shares as the capital reserve (capital premium)..

It is assumed that the Company completed the issuance of shares ended 31 December 2018, and the comparison of changes in the balance sheet of the parent company is as follows:

Items	Pro forma financial statements 1	Statutory financial statements 2	Difference 3 3=1-2
Long-term equity investments	18,193,341,887.50	11,110,762,797.06	7,082,579,090.44
Total assets	32,614,556,803.11	25,531,977,712.67	7,082,579,090.44
Total liabilities	11,646,004,062.07	11,646,004,062.07	-
Shareholders' equity	-	-	-
Share capital	7,400,803,875.00	6,049,166,644.00	1,351,637,231.00
Capital reserves	10,844,465,751.75	5,113,523,892.31	5,730,941,859.44
Other comprehensive income	-13,225,231.95	-13,225,231.95	-
Special reserve	4,439,943.32	4,439,943.32	-
Surplus reserves	811,845,310.51	811,845,310.51	-
Undistributed profit	1,920,223,092.41	1,920,223,092.41	-
Total shareholders' equity	20,968,552,741.04	13,885,973,650.60	7,082,579,090.44

(2) Consolidated financial statements

In view of the fact that the development of foreign exchange before and after the issuance of shares of the Company is included in the consolidated financial statements of the Company, assuming that the stock issuance is completed on December 31, 2018, the amount of the pro forma consolidated assets, liabilities and the pro forma consolidated statement of profit or loss and other comprehensive income are the same as the statutory financial statements. No. difference.

According to the provisions of the Accounting Standards for Business Enterprises, the difference between the long-term equity investment newly acquired for the purchase of a minority shareholding and the share of the net assets that should be continuously calculated from the date of purchase (or the merger date) calculated by the proportion of the new shareholding ratio shall be Adjust capital reserve (capital premium). The long-term equity investment newly acquired by the Company for the purchase of minority shares was RMB7,082,579,090.44. The net assets to be enjoyed by Sinotrans Development were calculated to be RMB3,390,301,579.85, and the difference between was RMB3,692,277,510.59. The above difference will be offset against the capital reserve (capital premium), and the balance of the capital reserve (capital premium) after the offset will be RMB2,038,664,348.85.

4. Pro forma financial statements (continued)

(2) Consolidated financial statements (continued)

It is assumed that the Company completed the issuance of shares ended 31 December 2018, and the comparison of changes in the statement of financial position of the company is as follows:

Items	Pro forma financial statements 1	Statutory financial statements 2	Difference 3 3=1-2
Share capital	7,400,803,875.00	6,049,166,644.00	1,351,637,231.00
Capital reserves	6,163,151,014.53	4,124,486,665.68	2,038,664,348.85
Other comprehensive income	-275,001,310.29	-275,001,310.29	-
Including: translated difference in foreign currency statements	-327,135,927.64	-327,135,927.64	-
Special reserve	41,536,205.81	41,536,205.81	-
Surplus reserves	811,845,310.51	811,845,310.51	-
Undistributed profit	12,484,368,855.91	12,484,368,855.91	-
Total shareholders' equity attributable to the parent company	26,626,703,951.47	23,236,402,371.62	3,390,301,579.85
Minority equity	1,226,736,954.29	4,617,038,534.14	-3,390,301,579.85
Total shareholders' equity	27,853,440,905.76	27,853,440,905.76	-

(3) Return on net assets and earnings per share

Items		Pro forma financial statements 1	Statutory financial statements 2	Difference 3 3=1-2
Net profit attributable to shareholders of the parent company	Weighted average return on net assets(%)	11.97	11.97	-
	Basic earnings per share	0.45	0.45	-
	Diluted earnings per share	0.45	0.45	-
Net profit attributable to shareholders of the parent company after deduction of non-recurring profits and losses	Weighted average return on net assets(%)	4.90	4.90	-
	Basic earnings per share	0.18	0.18	-
	Diluted earnings per share	0.18	0.18	-

Note: As the Company assumes that the stock issuance is completed by the end of 2018, the weighted average number of common shares and the weighted average net assets of the newly issued shares and the newly added shareholders' equity attributable to the parent company are the same as those calculated in the statutory financial statements. Therefore, the basic earnings per share and the weighted average return on equity calculated according to the pro forma financial information are also the same as those calculated in the statutory financial statements.

Sinotrans Limited
25 March 2019

Chapter 14 Documents Available for Reference

Documents Available for Inspection	The financial statements of the Company stamped and signed by the Legal Representative, the officer in charge of the accounting and the chief of the auditor.
Documents Available for Inspection	Original copy of the auditor's report sealed by the auditor, and signed and sealed by the certified public accountants.
Documents Available for Inspection	Original copies of all documents and announcements of the Company disclosed on the newspapers designated by the China Securities Regulatory Commission during the reporting period.

Chairman: Li Guanpeng

Submission date for Chairman's approval: 25 March 2019



中國外運股份有限公司
SINOTRANS LIMITED

www.sinotrans.com

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

Beijing, 25 March 2019

As at the date of this announcement, the board of directors of the Company comprises Li Guanpeng (Chairman), Song Dexing (Vice Chairman), Song Rong (executive director), Wang Lin (executive director), Wu Xueming (executive director), Jerry Hsu (non-executive director), and four independent non-executive directors, namely Wang Taiwen, Meng Yan, Song Haiqing and Li Qian.