



中國外運股份有限公司
SINOTRANS LIMITED

Stock Code: 0598HK 601598SH

2019 ANNUAL REPORT

CUSTOMERS' SUCCESS OUR ACHIEVEMENT





Important Notice

1. The Board of Directors and the Supervisory Committee of the Company and the Directors, Supervisors and members of the Senior Management guarantee the truthfulness, accuracy and completeness of the contents in this Annual Report and confirm that there are no misrepresentations or misleading statements contained in or material omissions from this Annual Report, and accept several and joint legal responsibilities.
2. All Directors were present at the Board Meeting.
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; Chief Financial Officer and the person in charge of the Financial Department ("person in charge of accounting"), Wang Jiuyun, hereby make the statement that they guarantee the financial statements contained in this 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 as at the beginning of 2019 was RMB1,897,219,983.43, plus net profit amounting to RMB872,007,124.80 achieved by the parent company in 2019, minus the 2018 annual dividend of RMB962,104,503.75, paid in cash in 2019, deducting the withdrawal of surplus reserves of RMB87,200,712.48, and thus profit available for distribution in the end of 2019 is RMB1,719,921,892.00.

The proposed annual dividend for 2019 is RMB1.20 per 10 shares (tax included) (i.e. RMB0.12 per share, tax included) based on the total share capital of 7,400,803,875 shares as at 31 December 2019. Total dividend allotment is RMB888,096,465.00 (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 do not constitute substantive commitments of the Company to investors. Investors should be aware of the investment risks.

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

No

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

No

9. Significant risk alert

The Company has described the potential risks in detail in this Report. Please refer to "Chapter 5 Management Discussion and Analysis of Business Performance (Report of the Board of Directors) – III. DISCUSSION AND ANALYSIS OF THE FUTURE DEVELOPMENT OF THE COMPANY – (IV) Potential Risks" in this Report.

10. Others

✓ Applicable Not applicable

The Company's 2019 financial report has been prepared in accordance with Accounting Standards for Business Enterprises published by the Ministry of Finance of the People's Republic of China and related provisions (hereinafter referred to as "PRC GAAP Standards"). Unless otherwise specified, the reporting currency in this Report is Renminbi ("RMB").

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





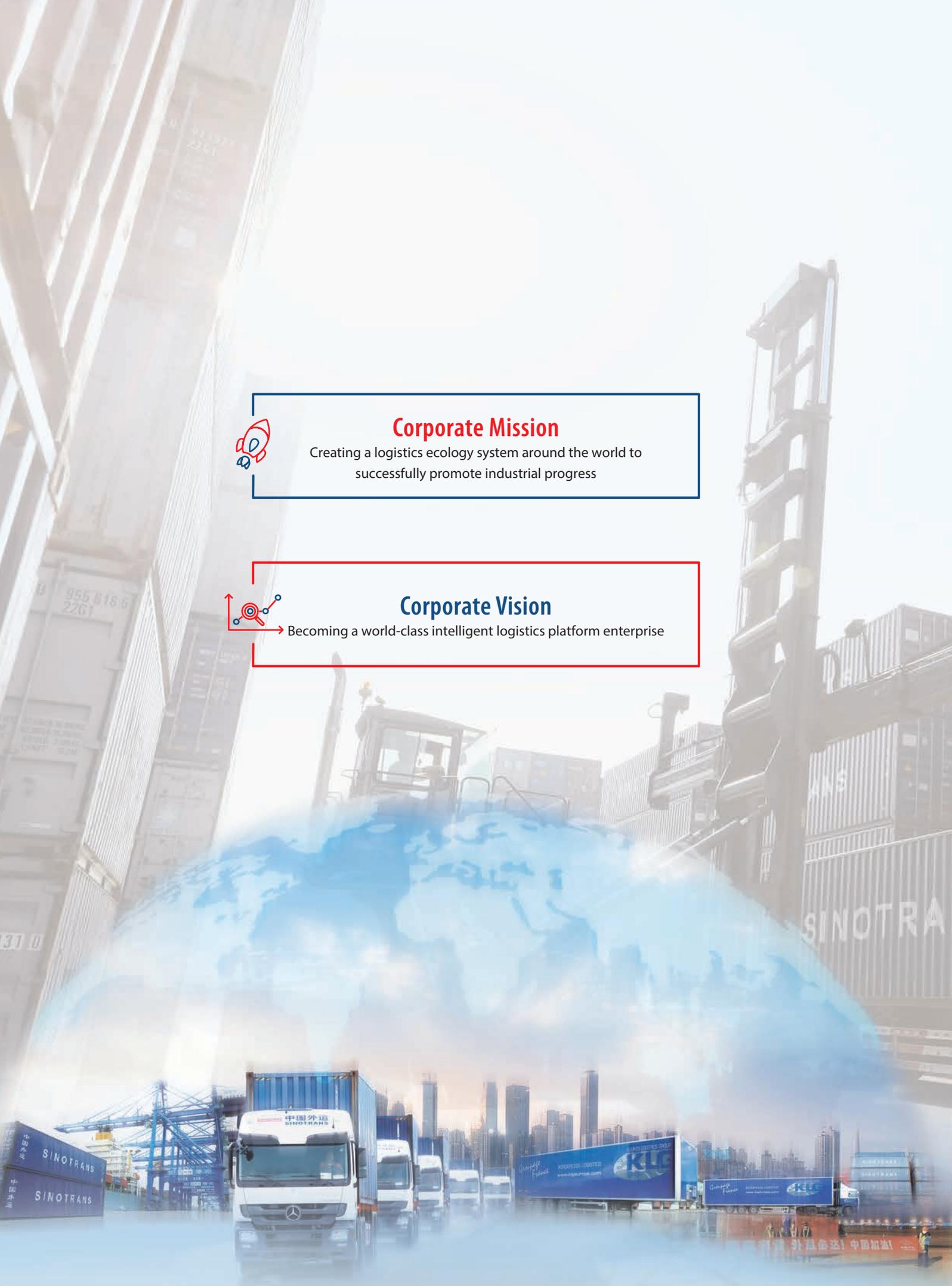
Corporate Mission

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



Corporate Vision

Becoming a world-class intelligent logistics platform enterprise

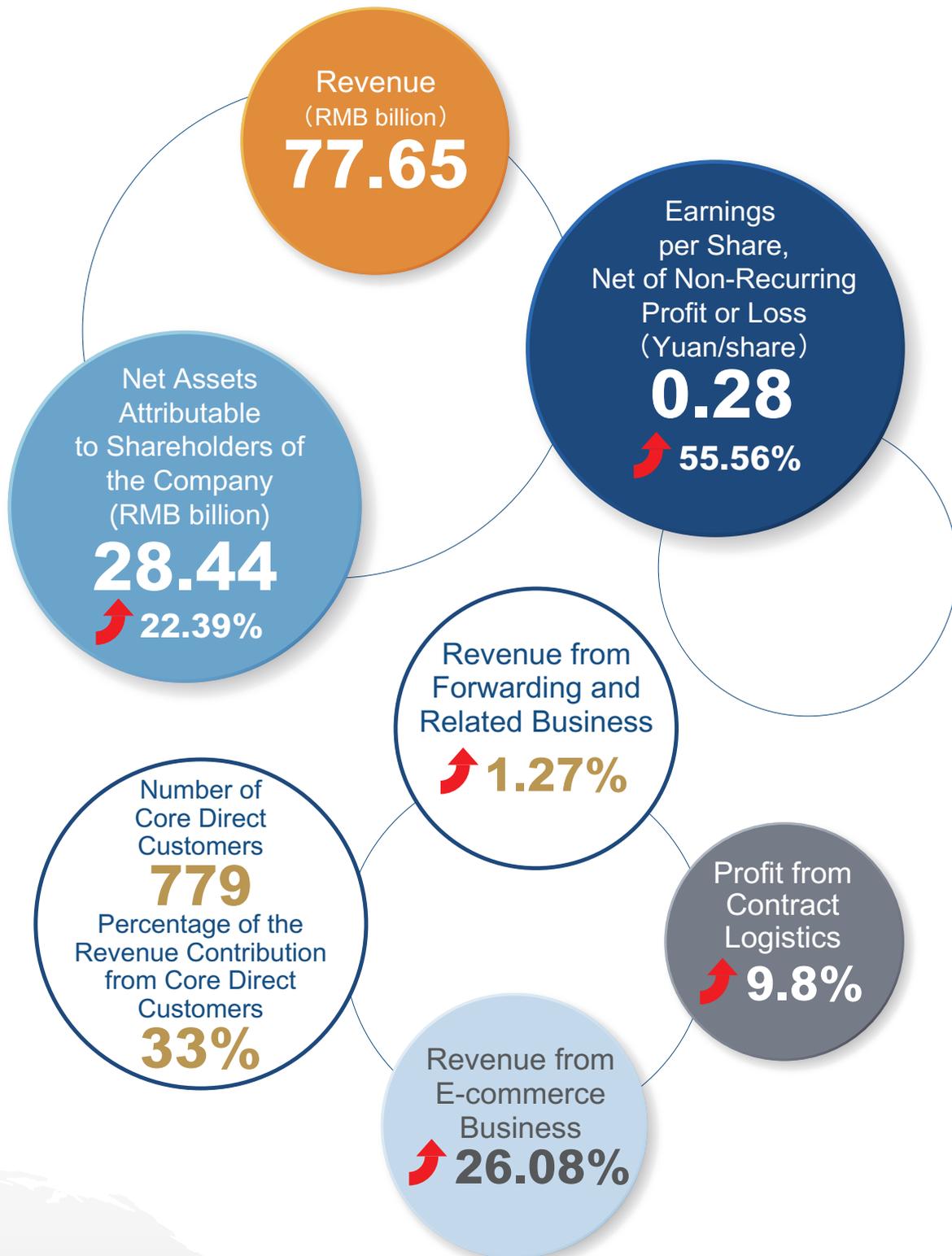


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Performance Highlights and Major Events in 2019



Major Event

January 2019

Forged "A+H" Dual-listing Platform, Opened a New Chapter of Sinotrans

Merged Sinoair and was successfully listed on the main board of SSE, realizing listing on both Hong Kong and Shanghai stock exchanges (0598.HK, 601598.SH), opening up the "A + H" financing channel.

2019

Focused on Improving Quality and Efficiency, Promoted the Implementation of Strategies

Launched the "Quality and Efficiency Improvement Project" in an all-round way, to explore endogenous development momentum by reducing costs while increasing efficiency.

2019

Constructed the Unified Online Logistics Platform "Y2T", Formed Logistics Ecosystem

By building the unified online logistics platform - "Y2T", focused on the B2B logistics service, and while supporting online operation of the Company's main business, such platform has gradually formed five major product systems which contain public logistics services, fully supply chain logistics services, fourth-party logistics management, digital services, and online technology.

2019

Established the Intelligent Logistics Technology Center, Strengthened the Top-down Design, and Innovation Started to Show Effect

An intelligent logistics technology center of 355 persons was established, accelerating the application and promotion of ABCDT logistics technologies.

2019

Finalized the Five Major Regions Integration, Reorganised and Established Five Major Professional Subsidiaries

Fundamentally finalized the integrated operation structure of five major regions, namely East China, South China, Central China, North China, and Northeast China, and reorganised and established professional subsidiaries and platform companies which provided organized support for promoting regional collaboration and solution-driven overall layout:

 Sinotrans Logistics-unified platform for contract logistics

 Overseas Company-unified platform for overseas logistics business

 Global E-commerce Logistics Company-unified platform for cross-border e-commerce logistics business

 Innovation & Technology Company-unified platform for industrial interconnection and innovation projects investment

 Logistics Real Estate Company-unified platform for logistics real estate

Early 2020

"When the Country is in Need, Sinotrans Delivers", Sinotrans Assumed the Mission of the National Logistics Team with High Efficiency

Since the COVID-19 outbreak, Sinotrans has delivered epidemic prevention materials between Hangzhou and Liege, Belgium with five shifts a week by charter flights, achieving seamless connection of dispatch from/to Europe+air routes+ domestic landing; opened an area called "Special Service for Anti-epidemic Materials Transportation" on the platform Y2T to provide customers with more convenient and timely service support; and transported anti-epidemic materials by acting on the emergency logistics platform "Emergency Delivery"

2019

Continuously Intensified its Capacities in China-Europe Railway Express to Support the "Belt and Road" Initiative

So far, the Company has opened more than 30 lines of China-Europe Railway Express along the "Belt and Road", with a total of 2,800 trips. In 2019, the number of trips has reached more than 1,000, with return freight volume accounting for 50% of total freight volume.

September 2019

Exercised Cross-border Acquisition, Fostered Full Supply Chain Service Capabilities

Sinotrans successfully signed an equity sale and purchase agreement with KLG Group, to acquire 100% equity interests of seven European logistics operation subsidiaries of KLG Group. This was an initial step of expanding European operation network and extending the end-to-end service chain. The acquisition effectively complemented Sinotrans' overseas business network, enhanced Sinotrans' operational capabilities in the EU region, and helped to provide customers with end-to-end international logistics services under full-process control.

September 2019

Launched "Sinotrans E-LCL", a Nation-wide Product with Unified Standards

Container consolidation platform "Sinotrans E-LCL" was launched in Shanghai. E-LCL is the first nation-wide product with unified standards of Sinotrans. It is committed to providing consolidators and relevant parties with container consolidation logistics services and solutions featured with one-stop, end-to-end, online and offline integrated services.





Chapter 1 Definitions

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

Definition of frequently used terms

A Share(s)	the Domestic Share(s) of the Company with nominal value of RMB1.00 each, which are listed on the SSE and traded in RMB
Articles of Association	the Articles of Association of Sinotrans Limited
Board	the Board of Directors of the Company
CG Code	code provisions of Corporate Governance Code as set out in Appendix 14 to the SEHK Listing Rules
China Merchants	招商局集團有限公司(China Merchants Group Limited), a wholly state-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, the actual controller of the Company, which holds approximately 56.34% of the issued share capital of the Company at the date of this Report
China Merchants Group or CMG	China Merchants and its subsidiaries
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	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 SEHK and A Shares are listed on the SSE
Company Law	the Company Law of the People's Republic of China
Global E-commerce Logistics Company	Sinotrans Global E-commerce Logistics Co., Ltd. (中外運跨境電商物流有限公司)
CSRC	China Securities Regulatory Commission
Director(s)/Supervisor(s)	Director(s)/Supervisor(s) of the Company
Domestic Share(s)	shares issued by the Company under the laws of the PRC, the par value of which is denominated in RMB, and which are subscribed
Finance Company	China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司), formerly known as Sinotrans & CSC Finance Co., Ltd. (中外運長航財務有限公司), a company owned as to 51% by China Merchants and 49% by Sinotrans & CSC
Group	Sinotrans Limited and its subsidiaries



HK\$	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
H Share(s)	overseas listed foreign invested Share(s) of RMB1.00 each in the issued share capital of the Company, which are listed on the Hong Kong Stock Exchange
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Stock Exchange/SEHK	The Stock Exchange of Hong Kong Limited
Innovation & Technology Company	Sinotrans Innovation & Technology Co., Ltd. (中外運創新科技有限公司)
Listing Rules in Listing Places	the SEHK Listing Rules and SSE Listing Rules
Logistics Real Estate Company	Sinotrans Logistics Investment Holdings Co., Ltd. (中外運物流投資控股有限公司)
Loscam International	China Merchants Loscam International Holdings Co., Ltd., owned by the Company as to 45% at the date of this Report
Management	The Group's major operating decision-makers
Model Code	the Model Code for Securities Transactions by Directors contained in Appendix 10 to the SEHK Listing Rules
Overseas Company	Sinotrans Overseas Development Co., Ltd. (中國外運海外發展有限公司)
PRC	the People's Republic of China
Reporting Period	the period from 1 January 2019 to 31 December 2019
RMB	Renminbi, the lawful currency of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SEHK Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	H Share(s) and A Share(s)
Shareholder(s)	holder(s) of the Shares
Sinoair	Sinotrans Air Transportation Development Co., Ltd., a subsidiary of the Company





Chapter 1 Definitions

Sinotrans & CSC	Sinotrans & CSC Holdings Co., Ltd., a wholly state-owned enterprise, a wholly owned subsidiary of China Merchants established under the laws of the PRC, and the controlling shareholder of the Company which collectively holds 34.71% of the issued share capital of the Company at the date of this Report
Sinotrans & CSC Group	Sinotrans & CSC and its subsidiaries
Sinotrans Logistics	Sinotrans Logistics Co., Ltd., formerly known as China Merchants Logistics Holding Group Co., Ltd. (“China Merchants Logistics”), and changed its name in March 2019
SSE	Shanghai Stock Exchange
SSE Listing Rules	Listing Rules of Shanghai Stock Exchange
subsidiary(ies)	has the meaning ascribed to it under the SEHK Listing Rules
Supervisory Committee	the Supervisory Committee of the Company



Chapter 2 General Information and Key Financial Indicators

I. COMPANY INFORMATION

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

II. CONTACT PERSONS AND CONTACT METHODS

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

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PREPARATION LOCATIONS

Name of disclosure 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 SEHK	www.hkex.com.hk
Location for Annual Report stock	10/F, Sinotrans Building Tower B, Building 10, No. 5 Anding Road, Chaoyang District, Beijing, China





V. OVERVIEW OF COMPANY STOCK

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

VI. OTHER RELEVANT INFORMATION

Public certified accountants engaged by the Company (domestic)	Name	ShineWing Certified Public Accountants LLP
	Office address	9/F, Block A, Fuhua Mansion, No. 8 Chaoyangmen North Street, Dongcheng District, Beijing
	Name of signing public certified accountant	Wang Yang, Feng Guanghui
Compliance legal counsel engaged by the Company (domestic)	Name	FenXun Partners
	Office address	Suite 3501, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
Compliance legal counsel engaged by the Company (overseas)	Name	Baker & McKenzie
	Office address	14/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Sponsors to continuously perform their supervisory function during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	21 Floor, CITIC Securities Building, 48 Liangmaqiao Road, Chaoyang District, Beijing
Sponsors to continuously perform their supervisory function during the Reporting Period	Name of signing sponsor representative	Deng Shufang, Zhang Yang
	Period of continuous supervision	From 18 January 2019 to 31 December 2021
	Name	China Merchants Securities Co., Ltd.
Sponsors to continuously perform their supervisory function during the Reporting Period	Office address	26th Floor, CMS China Securities Plaza, No. 111 FuHua Rd, Futian District, Shenzhen, Guangdong Province
	Name of signing sponsor representative	Zhang Huanhuan, Cai Xiaodan
	Period of continuous supervision	From 18 January 2019 to 31 December 2021
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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Business address in Hong Kong	Office address	Room F and G, 20/F, MG Tower, No. 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Principal banker	Name	Bank of China
	Office address	No. 1 Inner Street, Fuxingmen, Xicheng District, Beijing, China

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST FIVE YEARS

(I) Key Accounting Data

Unit: Yuan Currency: RMB

Key accounting data	2019	2018	Change as compared to the corresponding period of last year (%)	2017	2016	2015
				As at the end of 2017	As at the end of 2016	As at the end of 2015
Operating income	77,650,091,275.30	77,311,836,514.83	0.44	73,157,512,716.11	60,252,933,128.26	45,934,827,578.08
Net profits attributable to shareholders of the Company	2,803,495,055.06	2,704,106,404.93	3.68	2,304,190,975.71	2,253,728,441.22	1,493,263,426.23
Net profits net of non-recurring profit or loss attributable to shareholders of the Company	2,072,605,347.44	1,105,881,741.17	87.42	1,224,597,304.14	1,124,824,197.33	1,249,875,333.53
Net cash flows from operating activities	3,319,984,464.89	2,013,393,334.59	64.89	3,005,727,364.91	2,372,902,263.23	2,433,568,596.98
	As at the end of 2019	As at the end of 2018	Change as compared to the end of last year (%)	As at the end of 2017	As at the end of 2016	As at the end of 2015
Net assets attributable to shareholders of the Company	28,438,616,352.12	23,236,402,371.62	22.39	21,429,972,624.12	19,536,847,287.93	15,385,265,936.19
Total assets	61,886,407,948.66	61,494,221,583.94	0.64	62,326,204,460.09	57,838,658,451.59	35,309,163,759.06
Total liabilities	31,634,928,731.21	33,640,780,678.18	-5.96	36,491,144,056.27	34,354,420,930.83	16,590,458,738.16



**(II) Key Financial Indicators**

Key financial indicators	2019	2018	Change as compared to the corresponding period of last year (%)	2017	2016	2015
Basic earnings per share (Yuan/share)	0.38	0.45	-15.56	0.38	0.37	0.32
Diluted earnings per share (Yuan/share)	0.38	0.45	-15.56	0.38	0.37	0.32
Basic earnings per share, net of non-recurring profit or loss (Yuan/share)	0.28	0.18	55.56	0.26	0.24	0.27
Weighted average return on equity (%)	10.29	11.97	Decreased by 1.68 percentage points	11.22	12.10	10.22
Net weighted average return on equity, net of non-recurring profit or loss (%)	7.61	4.90	Increased by 2.71 percentage points	6.11	7.08	8.56

Explanations on the key accounting data and financial indicators of the Company for the last five years

✓ Applicable Not applicable

Compared with last year, the change in net profits attributable to shareholders of the Company was moderate. Net profits net of non-recurring profit or loss attributable to shareholders of the Company increased by approximately RMB967 million as compared with corresponding period last year, and earnings per share, net of non-recurring profit or loss increased by RMB0.10 per share as compared with the corresponding period last year, mainly due to the decrease of profits and losses of minority shareholders caused by absorption of Sinoair at the beginning of 2019 and the gains from disposing significant assets included in the non-recurring profit or loss attributable to shareholders of the Company in 2018 and the effect of change in income tax caused by such matter; among which, the investment gains on transfer of 55% shares held in Loscam International amounting to RMB1,217 million in 2018; gains on change in the fair value of the preferred shares of Americold Company amounting to RMB236 million and gains on disposal of relevant equity amounting to RMB174 million.



VIII. ACCOUNTING INFORMATION DIFFERENCES BETWEEN DOMESTIC AND OVERSEAS 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

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

Applicable Not applicable

(III) Explanation on the differences between domestic and overseas accounting standards

Applicable Not applicable

IX. KEY FINANCIAL INDICATORS OF 2019 BY QUARTER

Unit: Yuan Currency: RMB

	First Quarter (January-March)	Second Quarter (April-June)	Third Quarter (July-September)	Fourth Quarter (October-December)
Operating income	18,001,182,709.24	19,719,400,372.89	18,133,982,891.33	21,795,525,301.84
Net profits attributable to shareholders of the Company	581,670,170.17	935,814,705.19	599,829,655.50	686,180,524.20
Net profits net of non-recurring profit or loss attributable to shareholders of the Company	486,432,984.50	821,839,795.64	542,852,521.25	221,480,046.05
Net cash flows from operating activities	-1,075,982,061.31	597,309,520.97	307,901,449.38	3,490,755,555.85

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

Applicable Not applicable





Chapter 2 General Information and Key Financial Indicators

X. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	2019	Note (if applicable)	2018	2017
Gains and losses from disposal of non-current assets	203,048,696.02		693,786,460.93	178,908,646.56
Tax returns and abatement that are examined and approved beyond authority, or without official approval documents or occasional				
Government subsidies recognized in profit or loss, except government subsidies which are closely related to the Company's normal business operations, which comply with national policies and can be obtained continuously based on a set of standards by fixed amount or fixed quantity	269,249,426.21		152,105,123.07	250,126,057.83
Capital occupation fees charged from the non-financial enterprises and counted into the current profits or losses of the Company	11,513,523.89		8,978,297.29	8,666,019.04
Gains when the investment cost of acquiring a subsidiary, an associate and a joint venture is less than the fair value of the identifiable net assets of the invested entity	43,242,304.47			
Gains and losses from exchange of non-monetary assets				
Gains and losses from entrusting others to invest or manage assets				
Asset impairment provisions due to force majeure factors such as natural disasters				
Gains and losses from debt restructuring	15,487,084.02			
Enterprise restructuring costs such as staff settlement expenses and integration costs				
Gains and losses that exceeds the fair value in transactions with unfair price				
Current net profit or loss of subsidiaries from the merger of enterprise under common control from the beginning of the period to the date of the merger				420,323,994.54

Non-recurring profit or loss items	2019	Note (if applicable)	2018	2017
Gains and losses arising from contingencies irrelevant to the Company's normal business operations				
Gains and losses from changes in fair value arising from held-for-trading financial assets, held-for-trading financial liabilities, and investment income arising from disposal of held-for-trading financial assets, held-for-trading financial liabilities, and available-for-sale financial assets other than effective hedging business related to the Company's normal business operations	20,186,939.33		442,838,077.81	563,643,477.50
Reversal of impairment of accounts receivables that had impairment test separately	20,095,517.46		11,371,444.80	6,167,764.67
Reversal of impairment of accounts receivables and contract assets that had impairment test separately				
Gains and losses from external entrusted loans				684,000.00
Gains and losses from changes in fair value of investment properties subsequently measured in the fair value model				
Impact on the current profits and losses by one-off adjustment according to laws and regulations related to tax and accounting				
Trusteeship fee income from entrusted operations	25,471,698.11		10,377,358.50	10,377,358.50
Other non-operating income and expenses other than the above items	-122,461,154.08		-249,263,114.03	-35,512,306.50
Other gains and losses classified to non-recurring profits or losses	318,572,149.70	Gains from re-measurement of residual equity at fair value after loss of control, etc.	660,598,884.90	126,172,329.03
Impact on non-controlling interests (after tax)	-6,001,077.43	-	-15,792,892.36	-155,419,112.73
Impact on income tax	-67,515,400.08		-116,774,977.15	-294,544,556.87
Total	730,889,707.62		1,598,224,663.76	1,079,593,671.57





Chapter 2 General Information and Key Financial Indicators

XI. ITEMS MEASURED BY FAIR VALUE

✓ Applicable Not applicable

Items	Balances at the beginning of the period	Balances at the end of the period	Unit: Yuan Currency: RMB	
			Changes during the period	Effect on profit during the period
Trading debt investment (note 1)	–	5,500,000.00	5,500,000.00	–
Investment in trading equity instruments	140,176.57	141,228.80	1,052.23	151.09
Other non-current financial assets (note 2)	493,936,852.61	692,424,249.35	198,487,396.74	18,378,367.06
Investment in other equity instruments	154,458,821.08	256,540,744.93	102,081,923.85	1,808,421.18
Others (note 3)	400,000,000.00	–	-400,000,000.00	–
Total	1,048,535,850.26	954,606,223.08	-93,929,627.18	20,186,939.33

Note 1: As of 19 December 2019, the first installment of RMB directional asset-backed notes of the Group was issued in National Association of Financial Market Institutional Investors. Trading debt investment is a small number of asset-backed notes self-held by the Company according to the agreement in trust contract and underwriting agreement.

Note 2: As of 31 December 2019, other non-current financial assets was investment in equity instruments held by the Group, mainly including: investment in Nanjing Port Longtan Container Co., Ltd. (南京港龍潭集裝箱有限公司) amounting to RMB189 million, investment in China Merchants Logistics Synergy Limited Partnership amounting to RMB176 million and investment in Ouyeel Corporation Limited held by the Group amounting to RMB148 million, the effect on profit during the period is the amount of dividend for the period.

Note 3: As of 31 December 2019, short term financial products amounted to RMB400 million in the Bank of China held by the Group was due and recovered.

XII. OTHERS

Applicable ✓ Not applicable





Chapter 3 Chairman's Statement

To shareholders,

I am pleased to present the Annual Report of Sinotrans Limited for the financial year ended 31 December 2019 for your review.

Li Guanpeng
Chairman



2019 was the year for Sinotrans to secure the decisive victory of the implementation of the “13th Five Year” Plan strategy. Confronted with the complicated and challenging domestic and overseas economic situation, Sinotrans actively responded to various risks and challenge by adhering to the philosophy of “co-existence and sharing, co-creation and win-win” with employees, customers, shareholders and the society. Sinotrans focused on expanding the market and enhancing quality and efficiency by “quality improvement and optimization, transformation and promotion, integration and efficiency enhancement, innovation and guiding, change and transition, management and empowerment”, and achieved leapfrog development and historic breakthroughs in various aspects of business expansion and corporate operation and management.

The sense of corporate mission was enhanced. In 2019, Sinotrans has established its updated mission of “Creating a logistics ecology system connecting the world to successfully promote industrial progress”.

The business model begun to achieve better results. In 2019, Sinotrans made symbolic breakthroughs in its three major businesses. For forwarding and related businesses, Sinotrans E-LCL, the first national standardized product, was launched and covered the system nationwide. For logistics business, the traditional storage and transportation service mode was extended to serve the whole industry chain, including inbound logistics, outbound logistics and in-production logistics. For e-commerce business, Sinotrans launched the Y2T, a unified national logistics e-commerce platform, and opened the Customs Service Cloud, the first national sharing center. Sinotrans has preliminarily formed a trinity business mode integrating the role of logistics provider, logistics integrator and logistics platform operator, and has improved customer experience and satisfaction.





Chapter 3 Chairman's Statement

A network structure with full coverage was established. In 2019, Sinotrans has completed the regional integration, and formed the layout of five regional subsidiaries; we also re-organized and established five professional subsidiaries including Overseas Company, Logistics Real Estate Company, Innovation and Technology Company, etc.; and the results of “promoting the development of inland through port area and driving the overall development through solutions” were further brought out.

Breakthroughs were made in capital operation. In 2019, Sinotrans was listed on the SSE, realizing listing on both Hong Kong and Shanghai stock exchanges; furthermore, it completed the acquisition of the majority equity interests of seven European logistics companies under KLG Group and brought growth space for the future development.

Continuous efforts were devoted in intelligent logistics. With a commitment to building the first intelligent logistics brand in China, Sinotrans completed the digital planning and established the first intelligent logistics technology center, with the widespread applications of ABCDT (artificial intelligence, blockchain, cloud computation, big data, Internet of Things) in the full chain of logistics in 2019.

We strove to emphasise culture driving and symbiosis. In 2019, Sinotrans created the culture system of “customer orientation, the pursuit of value, innovation and hard-working” to expand customer base and diversify income sources. Sinotrans also established the human resource system of “attaching great importance to hard-working and value-creating staff” to pay attention to the development of staff and encourage them to develop and grow with the Company.

In 2019, Sinotrans achieved operating income of RMB77.650 billion, representing an increase of 0.44% as compared to 2018; achieved net profit attributable to the parent company of RMB2.803 billion, representing an increase of 3.68% as compared to 2018. Principal businesses maintained stable with growth momentum. In particular, revenue from forwarding and related business increased by 1.27% as compared to 2018, segment profit from logistics business increased by 9.80% and revenue from e-commerce business increased by 26.08% as compared to 2018.

In 2020, with the outbreak of COVID-19 around the world and confronted with the increasingly challenging economic situation at home and broad, Sinotrans will stick to the righteousness, adhere to the pursuit of long-term value, and persist in the strategic goal of “forging a world-class intelligent logistics platform corporation”. Sinotrans will maintain its strategic focus to realize the transformation from traditional advantages to new advantages and burnish the reputation of Sinotrans. We will forge ahead to win the three critical battles against business restructuring, operation remodeling, and organizational reconstruction under the guidance of innovation and creation spirit, and achieve the results through strategies driven by customer, digitization, innovation, talent and culture system.

Li Guanpeng

Chairman

Beijing, China

31 March 2020



Chapter 4 Business Overview

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

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

The Group is a leading integrated logistics service provider in the PRC. The Group's business focuses on the fast-growing coastal regions and strategic regions in China, and has an extensive and comprehensive domestic service network and overseas network. The overseas network covers 37 countries and regions with 73 self-owned institutions. With nearly 15 million sq.m. of land in China and overseas, the Group operates warehouses with approximately 7 million sq.m. and eight river terminals with approximately 3,700 meters of coastal line. Leveraging on its comprehensive service network resources and integrated logistics service model and professional capabilities, the Group is able to provide comprehensive integrated logistics services to its customers and become a professional logistics partner for its customers, with a leading position in the market competition.

In order to conform to the Company's strategic orientation and industry development trend, accelerate business restructuring, and comprehensively promote digital and platform-based transformation, the Company reorganized its business lines in 2019, which were adjusted into three major segments, namely forwarding and related business, logistics and e-commerce business. A new segment of e-commerce business has been set up to include express services and container leasing business related to e-commerce and platform originally classified as other services; a new segment of logistics e-commerce platform has been established; logistics remains basically unchanged; and forwarding and related business includes previous freight forwarding, storage and terminal services, and traditional business in other services.

1. Forwarding and related business

The forwarding and related business of Sinotrans mainly includes sea freight forwarding, air freight forwarding, railway freight forwarding, shipping agency, storage and terminal services and other services mainly including road freight forwarding, shipping and trucking. Sinotrans is the largest freight forwarding company in China.

In respect of **sea freight forwarding**, Sinotrans mainly provides customers with logistics services related to shipping such as booking space from shipping companies, arranging transportation, container delivery, container loading, storage, port collection and distribution, customs declaration and inspection, distribution and delivery. Depending on the status of the shipment, sea freight forwarding business can be divided into full container load and less than container load. Sinotrans is one of the world's leading sea freight forwarding service providers, handling more than 10 million TEU of containers each year, and is capable of providing comprehensive supply chain logistics services from major ports in China to major trading countries and regions around the world, covering more than 70 countries and regions around the world.

In respect of **air freight forwarding**, Sinotrans mainly provides professional air freight forwarding services such as pick-up and dispatch, customs clearance and inspection, warehousing, packaging, booking (including charter and block space





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services) and handling, truck line freight forwarding and transferred trucking services. The self-owned overseas air freight forwarding network covers three major continents, namely Asia, Europe and North America, and the agency network covers nearly 50 countries and regions, and has operated 26 full-process visualized supply chain products in five ports, namely Beijing, Shanghai, Guangzhou, Chengdu and Zhengzhou. As a leading air freight forwarding enterprise in China, Sinotrans has accumulated extensive industrial experience and has entered into strategic cooperation agreements with major domestic and international airlines. With sufficient transportation capacity resources, Sinotrans is able to provide customers with full-process, visualized and standardized whole supply chain logistics services.

In terms of **railway freight forwarding**, Sinotrans is a leading railway freight forwarding service provider in China. It is able to provide customers with railway transportation and information services in bulk cargo, containers and in a variety of ways, including integrated whole supply chain service like domestic railway transportation, international railway transportation (including cross-border railway transportation) and sea-rail intermodal transportation throughout China. Since its participation in China-Europe Railway Express in 2015, Sinotrans has launched more than 30 routes of China-Europe and China-Central Asia in Dongguan, Changsha, Shenyang, Xi'an, Weihai, Xinxiang and other places, dispatched more than 2,800 trips in total and operated more than 1,000 trips in 2019. Sinotrans also has opened approximately 10 domestic train routes, including Qingdao-Dongguan, Shanghai-Guangzhou and Shenyang-Suzhou, etc.

In terms of **shipping agency**, Sinotrans is a leading shipping agency service company in China, with branches in more than 70 ports along the coast of China and the Yangtze River, and representative offices in Hong Kong, Japan, South Korea, Singapore, the United Kingdom, Germany and Thailand, providing shipping companies with services such as port entering and leaving service, documentation, shipping supply and other shipping related services at ports and booking cargo space from shipping companies.

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

The Company's forwarding and related businesses are mainly affected by factors such as global trade situation, China's export container freight price, China's port container throughput capacity, air cargo and mail volume and market supply and demand.

The elevation plan for the forwarding and related business of the Company is to transfer to whole supply chain service. Forwarding and related business is the foundation of development of logistics segment, we will closely stick to the customers' requirement, emphasize on customer-driven, the valuation creation and model innovation, extend the service chain, mine the value of customers and suppliers, push forward the construction of platform and products, so that to gradually turn the service to whole supply chain logistics.

2. Logistics

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



Contract logistics are based on long-term cooperation agreements to provide customers with supply chain logistics management services, including procurement logistics, production logistics, sales logistics and reverse logistics. The contract logistics services of the Company are mainly provided by its subsidiary Sinotrans Logistics. So far, the Company has completed the combing of the contract logistics business and carried out cluster management according to the target industries. The main industries and service lines include consumer goods, retail, automobile, high-tech, medical and health, and international supply chain procurement, etc. Sinotrans manages a wide range of logistics centre resources across the country, and has established a contract logistics service system covering major economic regions across the country, and has gradually extended its service network to overseas, providing customers with all-round and one-stop contract logistics services; meanwhile, the Group also provides localized contract logistics services for local customers through overseas branches. Contract logistics is mainly affected by macro-economy, domestic manufacturing industry, consumer market and other factors.

Project logistics mainly covers the countries and regions along the “Belt and Road” and provides designed and implementation of end-to-end one stop logistics solutions to engineering equipments and materials from the PRC to overseas countries for Engineering Procurement Construction and engineering clients in industries such as power, petrochemical, metallurgical mining, infrastructure and rail vehicles. The services include but are not limited to the provision of logistics solution design, arranging sea, air, and land transportation, warehousing, packaging, customs declaration and inspection, port transit, transportation of large items, import and export policy consultation, etc. Project logistics is mainly affected by factors such as China’s overseas contracting projects and the economic, political and security situation of various countries and regions in the world.

Chemical logistics mainly serves refined chemical industry customers, and provides supply chain solutions and logistics services to customers, which mainly include warehousing, transportation and distribution, international freight forwarding and multimodal transportation of dangerous goods and ordinary packaged chemicals. In addition to being affected by the prosperity of the chemical industry, chemical logistics is also closely related to industry policies and safety supervision measures.

Cold chain logistics mainly serves processing and manufacturing and circulation enterprises in food and beverage, import and export trade customers and chain catering enterprises, providing cold chain related warehousing, mainline transportation and distribution services to customers. The cold chain industry was driven by consumption upgrade and technological advancement, and was supported by policies, which was generally positive.

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



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Business Overview

3. E-commerce Business

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

The e-commerce business is mainly affected by factors such as the trading scale of cross-border e-commerce import and export, and customs policy.

The e-commerce business of the Company aims at turning into platform and building ecology system. We will grasp the two main streams of logistics e-commerce and e-commerce logistics, consolidate internal and external resources by new technologies and business model to finally realize E-commercialization of all the major business. Based on all these realized, we will intensify our efforts to develop the cross-border e-commerce logistics, and actively explore logistics e-commerce platform model.

At the same time, the Group continued to promote the online operation of its principal businesses. Through the platform-based product model, the Group combined its principal businesses with the internet, making the internet a "front-line" for transactions and services, externally meeting the needs of customers and improving customer experience, and promoting the standardization and commercialization of its offline businesses internally, and providing a basis for improving synergy, data-based operation and quality and efficiency.

In order to promote the development of e-commerce business, the Group has accelerated the pace of physical operation and established Innovation & Technology Company, to carry out unified management of internet products and innovation-related investment projects; the Company also established Y2T Technology Co., Ltd. as the unified platform for online operation of the Company's main business, responsible for the physical operation of logistics e-commerce business. The Group has also made progress in the construction of the whole chain of cross-border e-commerce logistics. Through Hangzhou- Liège e-commerce charter plane, the Group has initially formed the whole chain capability of consolidation and distribution of goods from Belgium to Europe. Through cooperation with postal system, the Group has built the whole chain capability from China to South America and opened the whole chain service of Weihai-Japan and South Korea. In terms of ecosystem construction, the Group explored the model of online partners and developed online cooperation with ecosystem partners; set up a supply chain finance team, incubated "Y2Finance", and built "Y2Pay" to provide supply chain financial products for ecosystem partners and strengthen the connection effect.



(II) Industry Development

1. Strong government support and guidance to promote high-quality development of the logistics industry

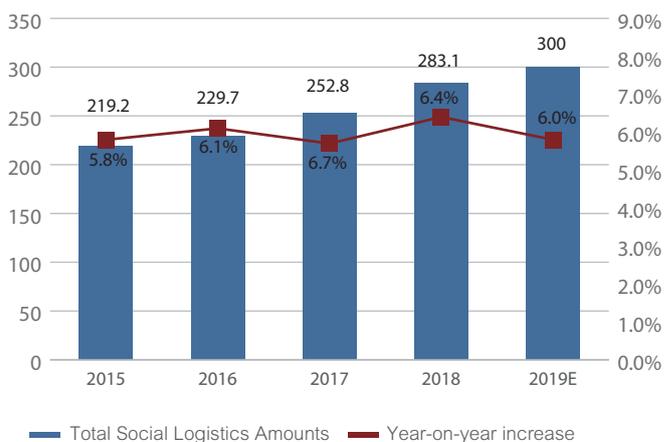
Since the 19th CPC National Congress, the logistics industry has been positioned as a fundamental, strategic and leading industry supporting the national economic growth, and high-quality logistics development has become an important component of high-quality economic growth. In 2019, the government successively issued a series of important documents such as the layout of national logistics hubs, the implementation of intelligent transformation of logistics and the adjustment of transportation structure. In the Opinions on Promoting the High-quality Development of Logistics and Promoting the Formation of Strong Domestic Market and the Implementation Plan for the Construction of National Logistics Hub Network (2019–2020), it was proposed to commence the construction of national logistics hub layout by focusing on the implementation of major strategies such as the construction of “Belt and Road”, the coordinated development of Beijing-Tianjin-Hebei, the development of Yangtze River Economic Belt, the construction of Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of Yangtze River Delta; to increase the investment in transshipment stations and “non-on-site” loading and unloading facilities for different modes of transportation such as road-rail, rail-water, road-air, and improve the integration of transshipment connection capacity and the convenience of rapid replacement of cargoes; to deepened the implementation of “Internet +” efficient logistics, etc. In 2019, China deepened the VAT reform, and the tax rate of transportation industry decreased from 10% to 9%; The promotion of high-quality logistics development by all sectors of the society has entered a solid stage, and the policy advantages of logistics have been further highlighted.

2. Steady expansion of logistics market and deepening of reform

In 2019, the logistics industry maintained an overall stable development trend with steady progress. The total amount of social logistics maintained a steady and rapid growth, and the growth rate of total social logistics cost slightly decreased. According to the prediction of National Development and Reform Commission, the national total social logistics cost approximately amounted to RMB300 trillion, representing a year-on-year increase of 6% in terms of comparable prices and the growth rate drops slightly as compared to the corresponding period of last year. From January to November in 2019, the total social logistics costs amounted to RMB12.8 trillion, representing a year-on-year increase of 7.1%, representing a decrease of 1.5 percentage points as compared with the corresponding period of last year.

Changes in total social logistics amounts from 2015 to 2019

Unit: trillion Currency: RMB



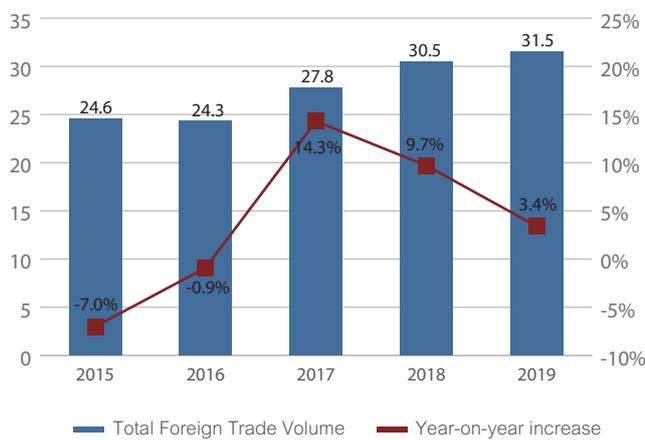


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China's total foreign trade development showed a trend of overall stability and quality improvement. In 2019, China's foreign trade achieved RMB31.6 trillion, representing a year-on-year increase of 3.4%, and the growth rate was 6.3 percentage points lower than that of last year; Among which, the export value was RMB17.2 trillion, representing an increase of 5%; The import value was RMB14.3 trillion, representing an increase of 1.6%. Under the pressure of international trade friction and global economic downturn, the structure and country structure of import and export commodities were continuously optimized, laying an important foundation for the development of international logistics.

Changes in China's Total Foreign Trade Amount from 2015 to 2019

Unit: trillion Currency: RMB



In 2019, the reform of the logistics industry has entered into a deep-water zone, and when the scale has been steadily expanded, the transportation structure has been further adjusted, the driving force conversion and the transformation and upgrading have been accelerated. Logistics in the consumer became a major source of logistics demand. Demand for fragmented logistics such as container consolidation, buyer's consolidation and cross-border e-commerce has been growing rapidly due to digitalization.



3. China's export container market was generally weak and freight rates continued to operate at a relatively low level

In 2019, affected by factors such as the repeated Sino-US trade friction and the continuous slowdown of economic growth in developed countries, the overall freight rate in the container shipping market was at a low level throughout the year, and maintained the situation of "sluggish peak season". In 2019, the overall performance of China Export Container Freight Index (CCFI) was relatively stable, with slight fluctuations in the range of 800–900 points for most of the time, and the average comprehensive index was basically the same as that of 2018; Being the traditional peak season for transportation, the third quarter recorded a relatively weak overall market demand due to the impact of the global economic situation, and the overall peak season was sluggish. In the long run, the international container market freight rates are still in the bottom of the adjustment period. In 2019, the container throughput of China's ports was 261.07 million TEUs, representing a year-on-year increase of 4.4% and a decrease of 0.9 percentage point in growth rate as compared to the corresponding period of last year.

**China Export Container Freight Index (CCFI)
from 2015 to 2019**



4. The air cargo market was sluggish and the global air cargo transportation volume decreased

Affected by factors such as the increasing downward pressure of the world economy and trade friction, the development of global air cargo faced great challenges. According to the data published by the International Air Transport Association, the global air cargo and mail traffic volume in 2019 decreased from 63.3 million tonnes in 2018 to 61.2 million tonnes, representing a year-on-year decrease of 3.3%.

**Changes in global air cargo and
mail traffic volume from 2015 to 2019**

Unit: million tonnes



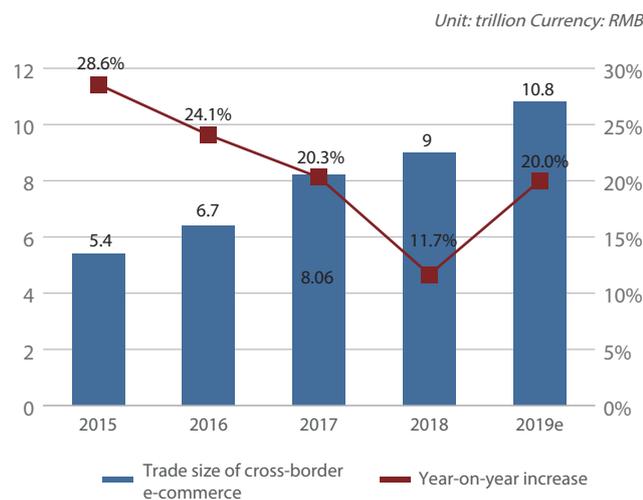


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5 Continuous growth in the scale of cross-border e-commerce transactions in China

With the arrival of the “Internet +” era, the continuous expansion of international trade scale and categories, the support of national policies, the upgrade of consumption demand and the breakthrough in online transaction payment technology, the rapid development of cross-border e-commerce has been promoted. In addition to the online trading platform, more and more traditional trading enterprises have also transformed to be cross-border e-commerce. The transaction volume of China’s cross-border e-commerce is expected to increase to RMB10.8 trillion in 2019, representing a year-on-year increase of 20%. Both export and import cross-border e-commerce have shown rapid growth. The rapid growth of cross-border e-commerce industry has greatly promoted the development of cross-border e-commerce logistics industry.

Changes in the scale of cross-border e-commerce transactions in China from 2015 to 2019



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

✓ Applicable Not applicable

Significant changes in major assets of the Company during the Reporting Period are detailed in “(III) Analysis of Assets and Liabilities” of “II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD” in “Chapter 5 Management Discussion and Analysis of Business Performance (Report of the Board of Directors)” in this Report.

Including: foreign assets RMB17,935,457,444.17 (Unit: Yuan Currency: RMB), accounting for 28.98% 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 Company has focused on its principal logistics business, continued to promote innovation and reform, established long-term and stable business cooperation with a number of domestic and foreign customers and suppliers, equipped with comprehensive sea, land and air logistics service capabilities and end-to-end whole-process logistics solution capabilities, and has good business and brand advantages in the industry.

2. Network and Resource Advantages

We have abundant logistics resources such as logistics centers, container freight stations and terminals in coastal ports, key domestic cities and relevant overseas regions. In 2019, the Company has completed the integration of five major regions of China, namely East China, South China, Central China, North China and Northeast China and five major professional companies, namely Sinotrans Logistics (contract logistics companies), Overseas Company, Global E-commerce Logistics Company, Innovation & Technology Company and Logistics Real Estate Company, and continuously enhanced the degree of intensive management and sharing of resources. The Company's business network covers all provinces and regions in China, and foreign institutions are distributed in Asia, Europe, America, Africa and Oceania. The Company also implement industry-finance integration and industry synergy with China Merchants' financial, trading, shipping and port business segments around the world to provide customers with access to global logistics services.

3. Talent and Service Advantages

With a large number of logistics professionals and a high-quality management team, the Company is able to adapt to the changing needs of customers, business innovation and cross-industry competition, and continuously provides customers with high-quality logistics services. The Company has excellent logistics solution design and implementation capabilities, and has accumulated extensive industry-oriented service experience in professional logistics fields such as engineering logistics, fast-moving consumer goods and retail industry, electronic communication and high-tech industry, chemical industry, automobile and spare parts industry, international supply chain procurement, specialized transportation, exhibition and event logistics.

4. Innovation and Technical Advantages

The Company is committed to becoming a world-class intelligent logistics platform enterprise, and has achieved remarkable results in the development and application of artificial intelligence, block chain, cloud computing, big data, Internet of Things new technologies and the promotion of intelligent logistics applications such as intelligent warehousing and intelligent transportation by making full use of its four major advantages, namely, full-scenario linkage capability, full-chain service capability, full-network integration capability and public aggregation capability, and combining the advantages of algorithms. The Company vigorously promoted the innovative development of e-commerce business, accelerated the E-commercialization of its principal businesses, and achieved a rapid growth trend of the Y2T platform and the customs service cloud platform.



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

To shareholders,

I am pleased to present the Annual Report of Sinotrans Limited for the financial year ended 31 December 2019 for your review.

Song Rong

Executive Director and President

I. DISCUSSION AND ANALYSIS OF BUSINESS PERFORMANCE

(I) Overall Operations during the Reporting Period

2019 saw significant slowdown in the growth of global economy and trade, growth in major developed economies decreased and downward pressure in emerging economies increased. From the perspective of the domestic macroeconomics and logistics industry, GDP and total foreign trade value of China in 2019 increased by 6.1% and 3.4% year-on-year, respectively, representing a slowdown in the growth rates as compared with last year. China Containerized Freight Index continued to maintain at a low level. The container throughput of China's ports increased by 4.4% year-on-year, representing a decrease of 0.9 percentage point as compared with last year. Confronted with the complicated and tough economic situation, in line with the main line of the "13th Five-Year" Plan and focusing on "quality enhancement and optimization, transformation and promotion, integration and efficiency enhancement, innovation and guidance, reform and change, management and empowerment", Sinotrans made efforts to create positive developments in various respects, and managed to achieve progress on top of stable development in revenue and profit.



- **Quality and efficiency enhancement with steady growth in operating results**

During the Reporting Period, the Company focused on improving the quality and efficiency, strengthened its daily operation and management, and made efforts to improve its operational quality. In the meantime, we accelerated the process of transformation and optimized the path. In respect of productization, the Company carried out pilot work and promotion of the standard process in business operation and business process optimization; in respect of networking, we conducted cross-regional commodity business coordination, and broke the boundaries among regions and business lines to fully realize resource sharing; in respect of platformization, we optimized the platform construction of the customs business sharing center to effectively reduce the operation cost of customs declaration business; in respect of internationalization, we established Overseas Company and successfully completed the overseas acquisition, which facilitate the internationalization process of the Company, cooperated with storage clients to actively implement the “going global” strategy and continuously extend the service chain overseas; in respect of capitalization, we have gained access to the “A + H” capital channel, optimized the capital structure, and improved corporate governance, providing a stronger capital platform support for the Company’s development.

In 2019, the operating income of the Group was RMB77,650 million, representing a year-on-year increase of 0.44%; net profit was RMB2,927 million, representing a year-on-year decrease of 8.50%, which was mainly due to an increase in direct costs and a decrease of non-recurring profits; net profit attributable to shareholders of the Company was RMB2,803 million, representing a year-on-year increase of 3.68% and net profits net of non-recurring profit or loss attributable to shareholders of the Company was RMB2,073 million, representing a year-on-year increase of 87.42%, mainly due to the decrease in profit or loss attributable to non-controlling interests resulting from absorption and merger of Sinoair in 2019 and the gains from disposing significant assets included in the non-recurring profit or loss attributable to shareholders of the Company in 2018 and the effect of change in income tax caused by such matter.

- **Business transformation and advancement with trinity business mode**

During the Reporting Period, Sinotrans continued to facilitate the transformation to the trinity business model of “logistics provider, logistics integrator and logistics platform provider”. In the **forwarding and related business**, we accelerated the process of productization, transformed to the whole-process supply chain service, and launched the first nation-wide unified standardized container consolidation product, Sinotrans E-LCL in China, which can provide one-stop, end-to-end and online and offline integrated container consolidation logistics services and solutions for container consolidation freight forwarding companies and related parties, the product has been initially expanded nationwide; strengthened the full-chain construction of air transport channel, and operated 26 lines of full-time visualized supply chain products at five major ports in Beijing, Shanghai, Guangzhou, Chengdu and Zhengzhou; newly added round-trip routes of China and Europe, China and central Asia, with over 1,000 trips of trains was under operation throughout the year, and return volume accounted for 50% of total shipments, which optimized import and export ratios, and the proportion of self operated port operation of Sino-Euro Express was 100%. In the **logistics business**, we continued to optimize the industry structure to transform to the value chain integration, and according to different target industry contract logistics business is managed by cluster. Meanwhile, logistics business extended to the customers in whole-process industry chain, extended from traditional warehousing + transport services to the whole-process value chains of upstream, midstream and downstream industry, such as the automotive logistics extended to component suppliers, chemical logistics extended to the field of automotive hazardous chemical parts logistics and expanded to high-value-added hazardous chemicals services, attempted to carry out cross-industry operations, and accelerated the pace of industrial chain integration. In the **e-commerce business**, we enhanced cross-industry connection capabilities, focused on the two main lines of logistics e-commerce and e-commerce logistics to transform to the upgrade of platformization and ecosystem, and established the “Y2T(運易通)” platform to provide customers with public services such as visual and traceable information services, operation services, agency settlement services and technical services; for cross-border e-commerce logistics, we continued to strengthen the construction of full-chain, taking Liège, Belgium as the bridgehead, opened the full-chain channel of Sino-Euro cross-border e-commerce logistics; through cooperation with the postal system, we built the full-chain capability from China to South America; and launched Weihai-Japan-Korea full-chain service.





- **In-depth integration with pattern of five major regions+ five specialized subsidiaries taking shape**

During the Reporting Period, the integration of the five major regions of East China, South China, Central China, North China and Northeast China has achieved remarkable results, business collaboration among regions has been further strengthened, and service functions of port regions have been extended. Among them, we accurately promoted the coordination of goods categories in the Central China region; strengthened the business model of ports regions driving inland area in the North China region; and strengthened intra-regional cooperation in the Northeast region, and all of above have achieved significant results. The layout of five specialized subsidiaries has basically taken shape. Sinotrans Logistics has continued to deepen its cluster integration from three angles, namely headquarters, industry and region, which provided strong support for implementing of contract logistics strategies; Overseas Company established three major regional companies in Southeast Asia, Africa and Middle East and South Asia to coordinate the promotion of construction of overseas channels and overseas capability; Logistics Real Estate Company is exploring the scientific allocation and layout of the Company's light and heavy assets to manage the Company's logistics-related assets in a unified manner.

- **Conducted overseas acquisition to refine overseas operating networks**

During the Reporting Period, Sinotrans successfully entered into an equity sale and purchase agreement with KLG Group, pursuant to which, Sinotrans intended to acquire 100% equity interests in seven logistics companies under KLG Group, and the acquisition of 80% equity interests has completed on 12 December 2019, which marked the first step in expanding its business network to Europe and extending the end-to-end service chain. The acquisition effectively improved Sinotrans' overseas business network in developed regions, improved the operational capabilities of Sinotrans in the EU region, helped to provide customers with end-to-end international logistics services under full-process control.

- **Innovation-driven approach with remarkable achievements in intelligent logistics**

During the Reporting Period, the Company continuously enhanced the coordination of digitalization and innovation, strengthened the top-level design and the implementation of all scenarios, formulated a digital transformation plan, established an intelligent logistics technology center, and established Innovation & Technology Company as the operating platform for internet-based products. In the meantime, we accelerated the application and promotion of logistics technology such as ABCDT (Artificial Intelligence, Blockchain, Cloud Computing, Big Data, Internet of Things). Many technologies including intelligent processing of documents, receiving and delivering goods sorting and identification, intelligent fridge containers, blockchain-based supply chain finance, intelligent scheduling algorithms, IoT platform Heimdallrs (monitoring system) modular equipment have been applied and put into operation, and the coverage and efficiency have been further improved. For example, the annualized number of documents processing on the smart document processing platform increased, and has been applied in customs service sharing center and Sinotrans E-LCL business; intelligent scheduling algorithms have been used in the actual logistics and delivery business in the cold chain, chemical, home appliances, and fast-moving consumer goods industries. During the Reporting Period, the Company also launched the research and development of smart container inspection, smart voice customer service and smart loading algorithms.



During the Reporting Period, the Company established a unified online logistics platform, “Y2T(運易通)”, which supports the online operation of core businesses of the Company and provides public services to the platform customers. In 2019, the revenue from the online operation of principal businesses of Sinotrans was approximately RMB7.9 billion. In the meanwhile, the Company carried out the concentrating of orders and further promoted its digitalized operation of core businesses by sorting out massive data. Currently, the ratios of order concentrating in shipping booking, customs clearance and network freight capacity are 97.13%, 100% and 99.62%, respectively.

During the Reporting Period, Sinotrans focused on setting up customs sharing centers, and successively set up such centers in Qingdao, Shanghai and Guangzhou. Under the sharing center model, the marketing and operations are conducted separately, the processing efficiency was improved through professional division of work force, which effectively reduced the operation cost of customs declaration business and achieved the output of high-quality and low-cost customs declaration products. As of the end of 2019, the number of weekly operation per capita has increased by approximately 60% as compared with the traditional business model.

1. Business segments and segment profit (in which, the segment profit is the operating profit of the segment excluding the impact of investment income in associates and joint ventures)

Forwarding and related business

In 2019, external revenue from the Group’s forwarding and related business increased by 1.27% to RMB54,828 million, as compared to RMB54,140 million of last year, which was mainly attributable to the increased business of China Railway Express; and the segment result amounted to RMB1,559 million, down by 16.33% from RMB1,864 million of last year, which was mainly attributable to the ceased incorporation of Loscam International into the consolidated statements during the Reporting Period.

Logistics

In 2019, external revenue from the Group’s logistics business amounted to RMB19,839 million, representing a decrease of 4.64% from RMB20,806 million of last year, which was mainly attributable to the reduction of business volume as a result of the completion of the large-scale projects of project logistics while new projects under preparation in early stage; and the segment profit amounted to RMB679 million, representing an increase of 9.80% from RMB618 million of last year, which was mainly attributable to the rising overall profit margin of segments due to the improvement in internal resource coordination by way of optimization on business and customer structure in contract logistics.

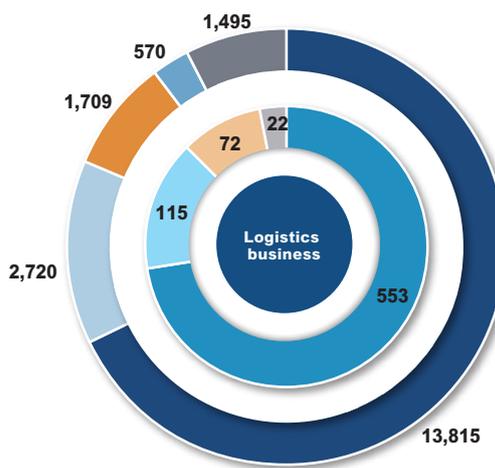
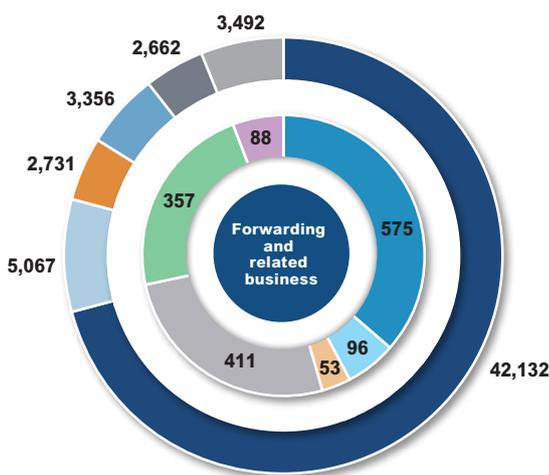




E-commerce business

In 2019, external revenue from the Group’s e-commerce business amounted to RMB2,983 million, representing an increase of 26.08% from RMB2,366 million of last year, which was mainly attributable to the increase in volumes of cross-border e-commerce logistics; and the segment profit amounted to RMB71 million, representing an increase of 1.37% from RMB70 million of last year, which was mainly attributable to the profit from cross-border e-commerce logistics remained stable with the last year despite the business volumes rise while the gross profit margin was relatively low, at the same time, more investments in research and development of e-commerce platform technology has yet led to a significant contribution to segment profits in the short run.

Unit: RMB million



External revenue

- Sea Freight Forwarding
- Air Freight Forwarding
- Rail Freight Forwarding
- Shipping Agency
- Storage and Terminal Services
- Others

Segment profit

- Sea Freight Forwarding
- Air Freight Forwarding
- Rail Freight Forwarding
- Shipping Agency
- Storage and Terminal Services
- Others

External revenue

- Contract Logistics
- Project Logistics
- Chemical Logistics
- Cold-chain Logistics
- Others

Segment profit

- Contract Logistics
- Project Logistics
- Chemical Logistics
- Cold-chain Logistics
- Others



2. Operation Statistics of Principal Business

	For the year ended 31 December	
	2019	2018
Forwarding and related business		
Sea Freight Forwarding (in ten thousand TEUs)	1,313.4	1,304.2
Air Freight Forwarding (in million kilograms)	502.0	530.1
Rail Freight Forwarding (in ten thousand TEUs)	11.2	7.1
Shipping Agency (in million TEUs)	2,674.9	2,654.9
Storage and Terminal Services (in million tons)	16.0	15.8
Logistics (in million tons)		
Contract Logistics	38.0	41.2
Project Logistics	6.2	10.3
Chemical Logistics	3.3	3.3
Cold-chain Logistics	1.3	1.1
E-commerce business		
Cross-border e-commerce logistics (in ten thousand units)	17,979.5	11,495.8
Logistics equipment sharing platform (ten thousand TEUs/day)	8.2	8.4

II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD

(I) Analysis on Principal Businesses

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

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Change (%)	Analysis of reason for changes
Operating income	77,650,091,275.30	77,311,836,514.83	0.44	The Company's operating conditions are good, and its turnover has been growing steadily.
Operating cost	73,422,166,637.74	71,767,219,812.34	2.31	Mainly because of the increase of transportation cost during the year.
Selling expenses	851,739,192.62	931,060,960.57	-8.52	Mainly because of the effect of change in the scope of consolidation due to dispose of Loscam in the last year.
Administrative expenses	2,595,380,588.72	2,812,080,135.14	-7.71	Mainly because of the effect of change in the scope of consolidation due to dispose of Loscam in the last year.
R&D expenses	73,437,937.69	23,925,038.10	206.95	Mainly because of increasing investment in the research and development of the information system this year.
Finance cost	288,529,420.94	436,508,196.89	-33.90	Because of the effect of the significant decrease of debt scale of this year.
Net cash flows from operating activities	3,319,984,464.89	2,013,393,334.59	64.89	Mainly because of the effect of implementing new lease standard and the increase of government subsidy received this year.
Net cash flows from investment activities	-2,054,878,422.50	4,875,518,151.31	-142.15	Mainly because of the effect of the acquisition of seven logistics companies of KLG Group this year.
Net cash flows from financing activities	-6,334,982,235.15	-1,295,120,599.19	389.14	Mainly because of the effect of repayment of external borrowings this year.





Chapter 5

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

2. Income and Cost Analysis

✓ Applicable Not applicable

(1). Principal Businesses by Sector, by Product and by Area

Unit: Yuan Currency: 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	77,088,056,013.82	72,952,323,892.78	5.36	0.66	2.52	decreased by 1.72 percentage points
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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(%)			

Forwarding and related business	54,641,251,233.83	52,536,464,596.59	3.85	1.62	4.54	decreased by 2.69 percentage points
Logistics	19,500,253,095.56	17,591,169,125.14	9.79	-4.70	-5.98	increased by 1.22 percentage points
E-commerce business	2,946,551,684.43	2,824,690,171.05	4.14	25.43	29.88	decreased by 3.29 percentage points

Principal Businesses by Sector and by Product

Revenue from E-commerce business increased by RMB617 million compared with the corresponding period of last year, mainly due to that the volume of cross-border e-commerce increased. Meanwhile, the Group adjusted the business structure and developed e-commerce vigorously, making the percentage of e-commerce business in business structure increase and the related cost increase.



(2) Analysis Statement of Production and SalesApplicable Not applicable **(3) Statement of Cost Analysis***Unit: Yuan Currency: RMB*

		The condition by sector				
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 last year (%)
Logistics industry	Transportation and relevant expense	66,789,639,989.50	90.97	64,217,661,561.64	90.25	4.01
Logistics industry	Labor cost	3,354,331,556.19	4.57	3,625,936,439.07	5.10	-7.49
Logistics industry	Depreciation and amortization	1,144,033,264.59	1.56	1,163,584,317.09	1.64	-1.68
Logistics industry	Repair and maintenance expense	80,119,553.69	0.11	64,498,927.35	0.09	24.22
Logistics industry	Fuel expense	429,123,812.40	0.58	384,625,071.72	0.54	11.57
Logistics industry	Rental cost	399,171,233.94	0.54	561,675,301.05	0.79	-28.93
Logistics industry	Safe production expense	57,814,903.91	0.08	41,436,436.50	0.06	39.53
Logistics industry	Other operating expenses	1,167,932,323.52	1.59	1,098,816,703.15	1.53	6.29

		The condition by product				
By product		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 last year (%)
Forwarding and related business		52,536,464,596.59	72.01	50,254,186,634.91	70.64	4.54
Logistics		17,591,169,125.14	24.11	18,709,248,159.83	26.30	-5.98
E-commerce business		2,824,690,171.05	3.88	2,174,773,368.38	3.06	29.88





Chapter 5

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

(4). Key customers and Key Suppliers

✓ Applicable Not applicable

Sales to top five customers amounted to RMB9,629 million, accounting for 12.40% 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.

Unit: ten thousand Currency: RMB

Customer	Total sales	Percentage in total sales of the year	Related party or not
Company 1	516,717.33	6.65%	No
Company 2	271,803.06	3.50%	No
Company 3	73,844.96	0.95%	No
Company 4	56,679.84	0.73%	No
Company 5	43,826.44	0.56%	No
Total	962,871.63	12.40%	/

Purchases from top five suppliers amounted to RMB12,516 million, accounting for 17.05% 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.

Unit: ten thousand Currency: RMB

Purchaser	Total purchases	Percentage in total purchases of the year	Related party or not
Company 1	374,747.04	5.10%	No
Company 2	289,205.68	3.94%	No
Company 3	253,828.65	3.46%	No
Company 4	230,806.58	3.14%	No
Company 5	102,976.83	1.40%	No
Total	1,251,564.78	17.05%	/

Other Instructions

(i) During the year ended 31 December 2019, 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.

(ii) 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.

(iii) 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.

3. Expense

✓ Applicable Not applicable

For details, please refer to “(I) Analysis on Principal Businesses- 1. Analysis Statement of Changes to Relevant Items in Statements of Income and Cash Flow” under “II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD” in this chapter.

4. R&D investment**(i). Statement of research and development (R&D) investment**

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Expensed R&D investment for the current period	73,437,937.69
Capitalized R&D investment for the current period	74,951,193.83
Total R&D investment	148,389,131.52
Percentage of total R&D investment in operating income (%)	0.19
Number of R&D employees in the Company (person)	355
Percentage of R&D employees in total number of the Company (%)	1.05
Percentage of capitalized R&D investment (%)	50.51

(ii). Description

Applicable ✓ Not applicable





Chapter 5

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

5. Cash Flow

✓ Applicable Not applicable

	For the year ended 31 December	
	2019 In RMB million	2018 In RMB million
Net cash generated from operating activities	3,319.98	2,013.39
Net cash used in investing activities	-2,054.88	4,875.52
Net cash used in financing activities	-6,334.98	-1,295.12
Exchange gains on cash and cash equivalents	139.35	14.65
Net increase in cash and cash equivalents	-4,930.53	5,608.44
Cash and cash equivalents at the end of the period	10,387.30	15,317.82

Operating Activities

During the year ended 31 December 2019, net cash inflow generated from operating activities increased by 64.89% or RMB1,307 million from 2018 to RMB3,320 million in 2019, which was mainly due to the impact of the implementation of the new lease standards and the increase of RMB1,024 million in cash received related to other operating activities over the same period of last year, of which: an increase of RMB652 million in government subsidies received related to operating activities and an increase of RMB557 million in business advances received.

Investment Activities

As of the year ended at 31 December 2019, the net cash outflow from investment activities amounted to RMB2,055 million, of which RMB1,447 million for the purchase of property, machinery and equipment, RMB474 million for the purchase of intangible assets and other long-term assets, RMB2,462 million for the investment in joint ventures and associates and financial assets, RMB188 million of net cash paid for the acquisition of three subsidiaries including Keppel, etc; partially offset by RMB196 million of cash received from the disposal of property, machinery and equipment, RMB122 million of cash received from the disposal of intangible assets, RMB1,122 million for the investment income, RMB125 million for the investment of joint ventures and associates, RMB400 million for the recovery of financial products at the beginning of the period, RMB483 million for the repayment of loans by joint ventures, and RMB167 million for the interest on fixed deposits.

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 held-for-trading financial assets 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.

Financing Activities

The net cash outflow used in financing activities for the year ended 31 December 2019 amounted to RMB6,335 million, mainly including RMB4,904 million for repayment of loans, RMB1,163 million of dividend payment, RMB548 million of payment of borrowings and bonds interest, RMB692 million for the refund of transaction payment to factoring companies, RMB108 million for the acquisition of minority shareholders' equity of subsidiaries, RMB636 million for the payment of the lease liability, partially offset by RMB1,531 million of new borrowings and RMB273 million of capital increase from minority shareholders.

During the year ended 31 December 2018, the net cash outflow used in financing activities amounted to RMB1,295 million, mainly including RMB6,323 million 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., RMB2,310 million of payment of advances for the Loscam project of China Merchants Holdings (Hong Kong) Company Limited, RMB962 million of dividend payment, RMB751 million of payment of borrowings and bonds interest, partially offset by RMB9,689 million of new borrowings and transaction payment of RMB692 million received from the factoring company.

6. Other Instructions

(1) Tax

Details of the Group's taxes as at 31 December 2019 are set out in Note VII. to the financial statements.

(2) Income Tax

The Group's income tax expense decreased greatly as compared with last year to RMB399 million, which was mainly due to the decrease in total profit and the reversal of the income tax expense on disposal of stock of China Merchants Americold during this year.

(3) Fixed Assets

The details of changes in fixed assets of the Group as of 31 December 2019 are set out in Note IX.16 to the financial statements.

(4) Capital Expenditure

During the year ended 31 December 2019, the Group's capital expenditure was RMB2,077 million, mainly including RMB949 million used for the construction of infrastructure, port and terminals facilities and other projects, RMB487 million used for the purchase of land and software, RMB340 million for the purchase of mechanical and equipment, containers and vehicles, and RMB302 million for asset improvement.

(5) Securities Investment

As at 31 December 2019, the listed equity investments held by the Group was RMB257 million, the details of which are set out in Note IX.13 to the financial statement.

(6) Contingent Liabilities and Guarantees

As at 31 December 2019, contingent liabilities mainly comprised outstanding lawsuits of the Group arising from its ordinary course of business amounting to RMB120 million (31 December 2018: RMB53,366.50 thousand).

Please see "XV. MATERIAL CONTRACTS AND PERFORMANCE – (II) Guarantee" under "Chapter 6 Significant Matters" of the this Report for details of the guarantees.

(7) Borrowings and Bonds

As at 31 December 2019, the Group's total borrowings amounted to RMB9,001 million (31 December 2018: RMB11,871 million), which comprised 1,150 million denominated in RMB447 million in in US dollars, 1,131 million in Euro and 6,273 million in Hong Kong dollars. Of the above bank borrowings, RMB2,772 million shall be payable within a year.

As at 31 December 2019, the Group's total bonds amounted to RMB3,419 million (31 December 2018: RMB3,497 million). Of the above bonds, none shall be payable within a year.





Chapter 5

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

The details of the Group's borrowing and bonds for the year ended 31 December 2019 are set out in Notes IX. 27, 35 and 36 to the financial statements.

(8) Bank Loans

The details of the Company's and the Group's bank loans are set out in Note IX. 27 and 35 to the financial statements.

(9) Secured and Guaranteed Borrowings

The details of the Group's secured and guaranteed borrowings as at 31 December 2019 are set out "2.Restriction on Material Assets as of the End of the Reporting Period" in "II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD (III) Analysis of Assets and Liabilities" under "Section V Management Discussion and Analysis of Business Performance (Report of the Board of Directors)" and "XV. MATERIAL CONTRACTS AND PERFORMANCE – (II) Guarantee" under "Chapter 6 Significant Matters" in this report.

(10) Special Reserve

As of 31 December 2019, the special reserve of the Group was approximately RMB53.52 million.

(11) Distributable Reserves

Distributable reserves of the Company as at 31 December 2019 amounted to approximately RMB1.72 billion.

(12) Debt-to-Asset Ratio

As at 31 December 2019, the debt-to-asset ratio of the Group was 51.12% (31 December 2018: 54.71%), which was calculated by dividing total liabilities by total assets of the Group as at 31 December 2019.

(13) Material Litigation and Contingent Liabilities

Details of the Group's litigation and contingent liabilities as at 31 December 2019 are set out in Note IX.40 and Note XII to the financial statements.

(14) Government Subsidy

During the year ended 31 December 2019, the Group has received a total of RMB1,502 million of government subsidies related to income, details of which are set out in Note IX. 61 to the financial statements.

(15) Pension Schemes

Details of the Group's pension schemes for the year ended 31 December 2019 are set out in Note IX.30 to the financial statements.

(16) Donations

During the Reporting Period, the Group made charitable and other donations amounted to approximately RMB12.61 million.

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

✓ Applicable Not applicable

The investment income decreased by 1,063 million as compared to the same period last year, mainly because the equity disposal gain of RMB543.6809 million by transferring 55% of the equity of Loscam International. The fair value of the remaining equity held by the Group was determined as RMB2,012.0214 million based on the consideration of equity transfer. The difference of RMB660.5989 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 period.

The gains from changes in fair value decreased by RMB236 million as compared to the same period last year, mainly because the equity interests held by the Company in Americold, the fair value gains of which were RMB236 million for the same period last year, were disposed of in 2018, and thus there was no such effect for the year.

Other income increased by RMB908 million as compared to last year, mainly due to the increase of international freight train subsidies of RMB714 million.

The non-operating expenses decreased by RMB102 million or 33.89% as compared to last year, mainly due to the decrease of payments in relation to proceedings and claims.

(III) Analysis of Assets and Liabilities

✓ Applicable Not applicable

1. Assets and Liabilities

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	Unit: Yuan Currency: RMB	
				Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)
Cash and bank balances	10,475,499,824.16	16.93	15,538,785,383.83	25.27	-32.58
Held-for-trading financial assets	5,641,228.80	0.01	400,140,176.57	0.65	-98.59
Inventory	125,293,322.01	0.20	266,600,487.08	0.43	-53.00
Assets held for sale	—	—	53,745,651.81	0.09	-100.00
Non-current assets due within one year	12,085,000.00	0.02	74,928,213.64	0.12	-83.87
Long-term equity investments	9,368,359,302.17	15.14	6,973,522,714.05	11.34	34.34
Investments in other equity instruments	256,540,744.93	0.41	154,458,821.08	0.25	66.09
Other non-current financial assets	692,424,249.35	1.12	493,936,852.61	0.80	40.18
Development expenditure	81,415,404.91	0.13	30,511,836.16	0.05	166.83
Long-term prepaid expenses	220,746,710.04	0.36	263,995,854.52	0.43	-16.38
Other non-current assets	225,023,784.54	0.36	38,513,050.27	0.06	484.28
Right-of-use assets	1,990,676,405.63	3.22	—	—	100.00
Short-term borrowings	1,202,384,395.00	1.94	2,233,284,173.24	3.36	-46.16
Lease liabilities	1,519,924,346.73	2.46	—	—	100.00



**Other explanations:**

- (1) The change in cash and bank balances was primarily due to the fact that more cash was paid to repay all kinds of loans in the current period.
- (2) The change in held-for-trading financial assets was primarily due to the fact that RMB400 million was recovered when short-term wealth management products of the Bank of China held by the Group was due. The Company's first tranche of RMB directional asset-backed notes in 2019 was issued in the National Association of Financial Market Institutional Investors. According to the trust contract and underwriting agreement, the Group held a small amount of asset-backed notes of RMB5.5 million.
- (3) The change in inventory was due to the expiry of the commerce and trade contract with the customer during this period and and continuous delivery of goods.
- (4) The change in assets held for sale is due to the fact that the 60% equity interest and RMB4.8 million of creditor's rights of Sinotrans Luzhou Port Bonded Logistics Co., Ltd. ("Luzhou Bonded") held by the Group have been sold.
- (5) The change in non-current assets due within one year was primarily due to the fact that the Company recovered RMB48.04 million of lendings to joint ventures during the period, and the long-term receivables reclassified as non-current assets due within one year decreased by RMB14.8 million, resulting from reduced amount of reclassification of Uni-top.
- (6) The change in long-term equity investments was primarily due to the increase of RMB2,395 million in long-term equity investments, which was mainly due to the confirmed investment income of RMB1,309 million by the joint venture in the current period, the additional investment of RMB2,268 million in the current year, and the cash dividend of RMB1,092 million distributed by the joint venture.
- (7) The change in investments in other equity instruments was primarily due to the increase in the fair value of Air China Limited and BOE Technology Group Co., Ltd. held by the Group during the reporting period.
- (8) The change in other non-current financial assets was primarily due to the additional investment of RMB148 million in Ouyeel and the investment of RMB30.1123 million in SINO-BLR Industrial Investment Fund.
- (9) The change in development expenditure was primarily due to the fact that the amount of development expenditure increased significantly from last year because the headquarters intensified its efforts on investment in R&D in the current period. The main project was an additional investment of RMB68.2161 million in ABCDT digital technology application and R&D projects.
- (10) The change in long-term prepaid expenses was primarily due to an increase of RMB138 million in asset improvement expenses during this period, of which the amount used for the renovation of the warehouse and office building of Sinotrans Logistics increased by RMB55.82 million.
- (11) The change in other non-current assets was primarily due to Sinotrans South China included all assets and liabilities of Keppel Foshan in the consolidated financial statements in this period. And the assets and liabilities of Lanshi Port, where the original shareholders (Singapore Keppel Group and Guangdong Sinotrans) owned equity, were managed as entrusted assets and were included in other non-current assets and other non-current liabilities.

- (12) The change in the right-of-use assets was primarily due to the fact that the Group implemented the new leasing standard from 1 January 2019, and added the right-of-use assets, therefore, the Group recorded RMB0 at the end of the previous period, and RMB1,978 million of right-of-use assets at the beginning of the current period, increasing by RMB12.52 million or 0.6% at the end of the period compared to the beginning of the period.
- (13) The change in the short-term borrowings was primarily due to the fact that Sinotrans Logistics returned RMB1.2 billion to Finance Company, and Wide Shine Development returned RMB680 million to HSBC Bank; China Sinotrans (Hong Kong) Logistics Co., Ltd. added short-term borrowings equivalent to RMB789 million.
- (14) The change in lease liabilities were primarily due to the fact that the Group applied the new lease standard from 1 January 2019 which requires the disclosure of lease liability as a new item. Therefore, the lease liabilities at the end of last period were RMB0, and the lease liabilities at the beginning of the period and end of the period were RMB1,962 million and RMB2,016 million, of which the amount included in the non-current liabilities due within one year was RMB496 million, respectively.

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

- ✓ Applicable Not applicable

The major restricted assets of the Company mainly consisted of cash and bank balances 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 RMB88.20 million at the end of the period, among which, guaranteed deposit amounted to RMB64.7694 million, performance bond of RMB3 million, and RMB12.2073 million of litigation freezing fund of Tianjin Qirun Investment Co., Ltd.
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.

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

3. Other Explanations

- Applicable ✓ Not applicable

(IV) Analysis of the Industry Operation Information

- ✓ Applicable Not applicable

For details, please refer to “I. DESCRIPTION OF THE PRINCIPAL BUSINESS, OPERATING 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 Reporting Period amounted to RMB9,368 million, representing an increase of RMB2,395 million or 34.34% as compared to RMB6,973 million at the beginning of the year, primarily due to the acquisition of seven European logistics subsidiaries of KLG Europe Holding B.V.

(1) Material Equity Investment

✓ Applicable Not applicable

1) Acquisition of 100% equity interests in subsidiaries of KLG Europe Holding B.V. ("KLG Holding")

On 26 September 2019, the Resolution on the Acquisition of Equity Interests in subsidiaries of KLG Holding was considered and approved at the meeting of the Board of the Company, pursuant to which, the overall plan to acquire equity interests in seven subsidiaries of KLG Holding (the "Target Companies") was approved, including, among others, the transaction structure, transaction method and purchase consideration. According to the Board resolution above, the Company established wholly-owned subsidiaries, SPV1, SPV2 and SPV3 in the Netherlands, and acquired 100% equity interests of the Target Companies from KLG Holding and its actually controlled subsidiaries in two steps. In the Step 1 Transaction, SPV2 and SPV3 acquired 100% equity interests of the Target Companies. At the same time, SPV2 issued 20% of its equity interests to KLG Holding; in the Step 2 Transaction, SPV1 acquired 20% equity interests in SPV2 held by KLG Holding. The purchase price of this transaction is expected to be no more than EUR386 million (equivalent to approximately RMB3,006 million). Pursuant to such Board resolution, the Company paid the consideration of RMB2,202 million for the acquisition of 80% equity interests in the Target Companies to overseas regulatory account on 12 December 2019. According to the transaction arrangement, the original shareholders still have veto power over operating policies, profit distribution, appointment of senior management and other matters of Target Companies, and therefore the Company has accounted Target Companies as joint ventures for the year 2019.

For details, please refer to relevant announcements dated 27 September 2019, 22 October 2019, 7 November 2019 and 13 December 2019 published by the Company on the SSE (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkex.com.hk).



2) Acquisition of 100% equity interests of Keppel Logistics (Foshan) Co., Ltd. (“Keppel Foshan”) and 70% equity interests of Keppel Logistics (Hong Kong) Limited (“Keppel Hong Kong”)

On 26 September 2019, the Resolution on the Acquisition of Equity Interests in Keppel Foshan and Keppel Hong Kong was considered and approved at the meeting of the board of the Company, pursuant to which, the overall plan to acquire 100% equity interests in Keppel Foshan and 70% equity interests in Keppel Hong Kong was approved, including the acquisition of 70% equity interests in Keppel Foshan and 70% equity interests in Keppel Hong Kong held by Keppel Telecommunications & Transportation Ltd. (“KTT”) by Sinoway Shipping Limited (a wholly-owned subsidiary of Sinotrans South China Co., Ltd) and the acquisition of 30% equity interests in Keppel Foshan held by Sinotrans Guangdong Co., Ltd (“Sinotrans Guangdong”) by Sinotrans South China Co., Ltd. As of the date of this report, the Company has completed the closing of the above acquisitions of equity interests, and held 100% equity interests in Keppel Foshan and 70% equity interests in Keppel Hong Kong through Sinotrans South China Co., Ltd., its wholly-owned subsidiary.

For details, please refer to relevant announcements dated 27 September 2019 and 6 November 2019 published by the Company on the SSE (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkex.com.hk).

(2) Material Non-Equity Investment

Applicable Not applicable

(3) Financial Assets at Fair Value

Applicable Not applicable

Unit: Yuan Currency: RMB

Change in fair value

Item/Company Name	Source of funds	Cost at the beginning of the year	Acquisition during the period	Disposal during the period	Cost at the end of the period	beginning of the year	At the end of the year	Investment income
Wealth management	Self-financing	400,000,000.00		400,000,000.00	-			
RMB-oriented asset-backed notes	Self-financing		5,500,000.00		5,500,000.00			
Air China Limited	Self-financing	8,076,871.60			8,076,871.60	13,961,449.48	19,874,873.33	297,921.18
BOE Technology Group Co., Ltd.	Self-financing	127,133,750.00			127,133,750.00	5,286,750.00	101,455,250.00	1,510,500.00
China United Tally Co., Ltd.	Self-financing	91,441,143.61			91,441,143.61			10,000,000.00
Ouyeel Equity Acquisition	Self-financing		147,747,600.00		147,747,600.00			
Pingze Container Port Co., Ltd.* (平澤集裝箱碼頭有限公司)	Self-financing	2,870,000.00			2,870,000.00			155,800.00
Ocean Network Express (China) Ltd.	Self-financing	250,000.00			250,000.00			39,630.13
Pankorea Yingkou Ferry Co., Ltd.	Self-financing	2,896,775.00			2,896,775.00			
Sichuan Tianhua Co., Ltd	Self-financing	134,680.92			134,680.92			
Nanjing Port Longtan Container Co., Ltd.	Self-financing	184,626,449.99		4,129,904.16	188,756,354.15			7,422,936.93
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			
Chengdu Rongjie Technology Co., Ltd.* (成都蓉捷科技有限公司)	Self-financing	400,000.00			400,000.00			
Shenzhen Sealink Technology, LLC* (深圳市海易通科技有限责任公司)	Self-financing	110,000.00			110,000.00			





Chapter 5

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

Item/Company Name	Source of funds	Cost at the beginning of the year	Acquisition during the period	Addition	Disposal during the period	Cost at the end of the period	Change in fair value		Investment income
							beginning of the year	At the end of the year	
Taizhou Yiyou Sinotrans Shipping Agency Co., Ltd.* (泰州益友中外運船務代理有限公司)	Self-financing	100,000.00				100,000.00			760,000.00
Beijing BITEMC Electronic Co., Ltd.	Self-financing	46,500.00				46,500.00			
SINO-BLR Industrial Investment Fund	Self-financing	16,777,930.74	30,112,311.55			46,890,242.29			
China Ferry Terminal Services Limited	Self-financing	128,922.35		2,883.90		131,806.25			
Guangdong Waiyun Automobile Fitting Factory* (廣東外運汽車服務有限公司)	Self-financing	805,325.00				805,325.00			
JD Logistics	Self-financing	159,619,125.00		16,494,697.12		176,113,822.12			
China Merchants Port Holdings Company Limited	Self-financing	8,762.00		196.00		8,958.00	31,414.57	32,270.80	
Shaanxi Sinotrans Sanyuan Coal Logistics Investment Co., Ltd.* (陝西中外運三原煤炭物流投資有限公司)	Self-financing	100,000.00				100,000.00			
Total		1,029,256,236.21	183,359,911.55	20,627,681.18	400,000,000.00	833,243,828.94	19,279,614.05	121,362,394.13	20,186,788.24

Note: Please refer to Note IX, 2, 12, 13 for details.

(VI) Material Assets and Equity Disposal

Applicable Not applicable

(VII) Analysis of Major Holding Companies Controlled and Invested in by the Company

Applicable Not applicable

1. Major Holding Subsidiaries

Currency: RMB

Company Name	Nature of business	Registered capital (RMB)	Shareholding (%)	Total assets (RMB: ten thousand)	Net assets (RMB: ten thousand)	Operating	Net profit
						income (RMB: ten thousand)	(RMB: ten thousand)
Sinotrans South China Co., Ltd.	Freight forwarding, logistics, and storage and terminal services	1,349,668,931.90	100	814,334.67	357,137.37	943,842.55	27,646.64
Sinotrans Eastern Company Limited	Freight forwarding, logistics, and storage and terminal services	1,120,503,439.18	100	593,833.60	258,076.65	1,752,816.95	51,438.17
Sinotrans Air Transportation Development Co., Ltd.	Air freight forwarding and express services	905,481,720.00	100	1,178,714.14	990,091.36	759,951.49	110,009.58
Sinotrans Central China Co., Ltd	Freight forwarding, logistics, and storage and terminal services	645,339,941.77	100	456,959.09	186,720.80	1,016,816.96	32,440.00
Sinotrans Logistics Co., Ltd	Logistics	1,444,000,000.00	100	2,174,329.40	622,205.47	1,346,488.75	43,534.52

2. Major companies in which the company invested

Currency: RMB

Company Name	Nature of business	Registered capital	Shareholding (%)	Total assets (RMB: ten thousand)	Net assets (RMB: ten thousand)	Operating income (RMB: ten thousand)	Net profit (RMB: ten thousand)
DHL-Sinotrans International Air Courier Ltd	International express	US \$14.50 million	50	477,866.72	253,859.47	1,387,953.84	194,544.37
China Merchants Loscam International Co., Ltd	Pallet leasing	US\$101	45	700,219.46	333,396.34	160,792.80	25,620.19
Sinotrans Hi-tech Logistics (Suzhou) Co., Ltd.	Container loading and freight forwarding	RMB158.47 million	60	42,136.05	31,848.09	11,881.56	5,477.39

(VIII) Structured Entities Controlled by the Company

Applicable Not applicable

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

(I) Industry Landscape and Trend

✓ Applicable Not applicable

At present, the world economic and trade structure has undergone profound changes. The growth of domestic demand, the long-term nature and complexity of global trade frictions, and the in-depth implementation of the “Belt and Road” initiative have led to the reconstruction and development of the international logistics landscape. In the meantime, new retail has brought a vast of fragmented logistics scenarios, and the application of new technologies has accelerated the development of intelligent logistics, business model innovation and capital involvement facilitate the development of ecosystem-based logistics and platform-based competition.

Firstly, the trend of globalized markets and fragmented demand. With the launch of “Belt and Road” initiative, industrial transfer, and the growth of import consumption, we have ushered in the fragmentation of trade, fragmentation of production distribution and markets featured by “fast delivery” and “customization on demand” while responding to the reshuffle of the globalized market. In the context of faltering growth in other trade mode, the fragmented business still maintained continuous double-digit growth.

Secondly, the trend of digital transformation and personalized services. Driven by digital technology, intelligent logistics has developed rapidly. With continuous improvement of customer demand, custom-tailored personalized experience has become the ultimate focus of competition. Meanwhile, digitalization is changing the operation and management, products and services of the logistics industry, and then changing its business models. Digitalization is reshaping logistics productivity and production relationships.

Thirdly, the trend of ecosystem-oriented development of the industry and platform-based competition. At present, the logistics industry is undergoing an ecosystem-oriented restructuring process. By building a platform, it is directly access to a wide range of market entities and restructures the ecosystem of logistics industry. The relationship between logistics practitioners is shifting from a “competition and cooperation” relationship to an “interdependent” relationship. In the future, companies will only have two options: platform-oriented or platform-based.





The outbreak of COVID-19 in early 2020 will inevitably have a short-term impact on China's economy. The manufacturing PMI fell to 35.7% in February in China, setting a record low. From January to February, total foreign trade decreased by 9.6% year-on-year in China. Affected by factors such as declining demand, increasing operating costs and difficulty of suppliers in supplying service, the profits of the logistics industry will be squeezed on both the revenue and cost sides. However, the impact of the epidemic on the economy is temporary, and will not change the fundamentals of China's stable and long-term economic improvement. In March, the COVID-19 began to spread worldwide. On 11 March, the World Health Organization officially declared the COVID-19 as a global pandemic. Europe, America, Asia, Africa and other continents have been affected. As at present, as the pandemic has not been effectively controlled worldwide, it is expected to have a considerable impact on various economic sectors including capital markets and international trade. As the inflection point of the pandemic has not yet been seen, the specific impact cannot be accurately estimated. The economic development situation at home and abroad, coupled with the epidemic impact, will accelerate the transformation of the logistics industry from incremental market to existing market, and market competition will become more intense. Logistics companies with global influence will be wanted to provide integrated services and the restructuring of the international logistics supply chain and the process of digitalization of the logistics industry will be accelerated to promote industry integration. But at the same time, there will be some structural opportunities, which will bring development opportunities for network-based, digitalized, and professional logistics companies.

With the changes in the above trends, opportunities and challenges coexist. The Company will develop clear strategic plan, adhere to the strategic goal of "building a world-class intelligent logistics platform company", accelerate the construction of digital supply chain service capabilities, and continue to carry out quality and efficiency improvement and process optimization, strengthen risk management and control, and continuously improve service capabilities, and actively develop new customers while enhancing the stickiness of existing customers.

(II) Our Strategies of Development

✓ Applicable Not applicable

During the "13th Five-Year" Plan period, the positioning of Sinotrans is to be a frontrunner in the logistics industry, industrial integrator, builder of the supply chain logistics ecosystem, leader in intelligent logistics, and enabler to achieve the world-class Chinese logistics industry. The Company will shift from a logistics service provider to an intelligent logistics service integrator through its in-depth transformation and restructuring of its business model, and eventually develops into a world-class intelligent logistics platform company.

(III) Operating Plans

✓ Applicable Not applicable

In 2020, it is expected that the macroeconomic situation will remain tough, with increasing pressure and increasing variables. The Company will adhere to the general principle of making active response and steady progress. By focusing the "stable growth, in-depth transformation, strong operations, and enhanced risk control", adopting strategy-driven and quality and efficiency-based approach and further centering on aspects of "Quality Enhancement, Transformation, Integration, Innovation, Reform and Management", the Company will accelerate the implementing of the strategic objective of to be "a world-class intelligent logistics platform company", laying a more solid foundation for its development during the "14th Five-Year" Plan period.

In 2020, it is expected that the Company will realize operating revenue of RMB70 billion, which does not constitute a performance commitment or profit forecast to investors. There are still uncertainties as affected by macroeconomic, industry development, market demands, the epidemic and other factors.



In 2020, the Company will focus on the following aspects:

- **Strengthen the quality and efficiency enhancement and promote the implementation of measures**

In order to further enhance the quality and efficiency, the Company will strengthen the overall coordinated management of the headquarters; the Company will strengthen the vertical deployment and resource allocation of the headquarter-secondary company-front line business to promote the implementation of measures; strengthen the headquarters' direct oversight over the front-line business to focus on developing its core products and enhance its core competitiveness; by leveraging the achievements of digitalization, facilitate quality and efficiency enhancement to be carried out in a more accurate and efficient manner.

- **Strengthen business transformation and improve product system**

The Company will focus on enhancing products and strengthening operation, based on the pattern of "small front end + strong back office", strengthen the construction of the operating system, further improve the product system, develop a global product construction strategy and product catalog, and support the full life-cycle evaluation standards and information support system. In particular, in the **forwarding and related business** segment, we will accelerate the transformation to the whole-process supply chain and build a full range of whole-process supply chain products. As for FCL product, we will further strengthen the lean management levels; as for LCL product, we will improve and upgrade the products at the service, operation and product levels, and strengthen the construction of overseas warehouses in Southeast Asia; as for rail express product, we will launch nationally competitive high-quality routes and achieve large-scale operation; as for marine bulk cargo business, we will focus the combination of shipping and cargo by the industrial segmentation, and take the coordination of regional connection, network-wide marketing and customized services as the starting point to achieve a stable increase in business volume; and as for air transport, we will continue to develop full-chain products. In the **logistics** business segment, we will accelerate the transformation to the integration of value chain, focus on subdivided areas to develop industry solution capabilities; develop contract logistics distribution products; continue to promote the replication and promotion of automated warehouses and core algorithm technologies in logistics business to develop digital solutions. In the **e-commerce business** segment, we will accelerate the transformation to platformization and the ecosystem-based model, and collaborate online and offline channels to develop competitive digital products. Through platform linking, data connection, value-added empowerment and coordinated external expansion, it helps to form a trinity model of "platform provider + integrator + service provider" for building an ecosystem.

- **Strengthen resource integration and improve the two strategic arrangements**

The first is to strengthen overseas presence, we will accelerate the international development with Overseas Company as the operating entities, and accelerate the generation of overseas market growth points. We will enhance the overall coordination and collaboration capabilities of Overseas Company, further promote region-based management and network building; develop all categories of overseas business based on existing businesses; strengthen overseas capacity building, focus on overseas customs clearance, warehousing and delivery service capabilities; continuously optimize the selection of overseas freight forwarders and identify high-quality core freight forwarder in key overseas regions.

The second is to accelerate the optimization of asset distribution and improve the efficiency of asset allocation. We will gradually promote the separation of light and heavy assets; establish an asset operation indicator system, strengthen idle asset sharing and internal transfer mechanisms to promote asset utilization and efficiency improvement; sort out existing assets and equity, and gradually develop an asset optimization and revitalization plan.





- **Strengthen technology-driven approach and accelerate digital transformation**

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

(IV) Potential Risks

✓ Applicable Not applicable

1. Potential Risks

- (1) **Macroeconomy risks:** In 2020, the global macro economy is still in a period of in-deep adjustment after the international financial crisis. It is not optimistic in the growth prospects of major economies. Whether maintain stable growth will be affected by the combination of geopolitical conflicts, trade frictions between major economies, the continuity of low-interest monetary policies in major economies and the effectiveness of new fiscal policies. China's economy has entered a new normal, the overall GDP growth rate has slowed down, and the long-term positive trend will not change, but uncertain factors continue to increase, such as the prolonged Sino-US trade friction. At the beginning of 2020, with the outbreak of COVID-19 and the increased downward pressure on the Chinese economy, the logistics supply chain will inevitably be affected. The logistics industry in which the Group operates is closely related to the macroeconomic situation and international trade. Macroeconomic situation and international trade and fluctuations in the exchange rate of US dollar and RMB may adversely affect the performance and financial position of the Group.
- (2) **Industry competition risk:** The principal business of the Group is conducted in a completely competitive market in fragmented logistics industry. Product homogeneity may lead to low-price competition between the industry peers. In addition, e-commerce companies, shipping companies, and some large manufacturing companies continuously expand into this market, so that the competition for market share become more intense. If there are no adequate capabilities in the new product design and R&D and platform integration, core competitiveness will not be created, and there is no guarantee that the Company may maintain its advantages in existing market position and market share.
- (3) **Financial risk:** The Group's credit risk is mainly from receivables, the recognised financial assets, the changes of fair value in financial instruments measured at fair value and financial guarantees. The maximum amount of credit risk undertook due to the failure of other parties in performing their financial instrument liabilities is the carrying amount. With the continuous expansion of its operating scale, the Company faces the credit sales pressure of customers in various industries, and the risk of arrears of accounts receivable is becoming increasingly prominent. If there are any adverse changes in the different markets where customers of various industries are located, the security of the Group's accounts receivable will be adversely affected.
- (4) **Supplier management risk:** Suppliers with high efficiency and stable service quality are particularly vital to the Company, and improper control of supplier access and performance evaluation may cause risks in terms of quality, cost and lead time, which may result in suffering from losses and affect economic efficiency.

- (5) Operational risks: The Group aims to provide customers with whole-process supply chain service, which involves many logistics operations and links, any improper design of business operation processes or failure to effectively manage and control may lead to operational accidents and freight loss and damage, which may result in direct loss.
- (6) Investment risk: To meet the Group's transformation and business development, the Group increases investment in long-term equity, logistics infrastructures such as warehouses, and information systems, which may result in the unfinished operation of investment projects and failure to meet earning expectation, and affect the future cash inflow of the Group.

2. Counter Measures

To prevent and control various risks, the Company establishes and improves its internal control system and risk management system, connects various risks to various business processes, resolves and identifies key risk control points, and formulates specific control measures to implement risk control responsibilities. In addition, we strictly implement important management and control links, strengthen process control and post-evaluation work, and develop risk response strategies and emergency plans to ensure the overall controllability of the Company's various risks. In response to the above-mentioned major risks, we adopt the following specific measures:

- (1) Strengthen the tracking, research and analysis of the macroeconomic situation, industrial policies, monetary and fiscal policies of major economies involved in customers, dynamically adjust the business structure and customer structure, and improve the safety margin of business. We focus on the consumer side and proactively respond to differentiated market demand. We focus on and study on market opportunities for LCL, cross-border e-commerce and other businesses. While performing well in network layout and resource allocation, we seek for breakthroughs in the businesses to create new growth points. According to the development status of the epidemic, we take strong measures and incur necessary costs to effectively ensure the health of employees, coordinate with customers and transport providers to ensure the normal operation of the Company's logistics supply chain, increase efforts to expand overseas markets with minor impact of the pandemic to reduce impact of the pandemic on the Company.
- (2) Actively respond to business model differentiation. We focus on enhancing products and strengthening operation to build product systems and operating systems, in a great effort to develop core products and enhance our core competitiveness. We restructure the Company's "business and operations" through digital technology to achieve the transformation and upgrading of traditional business models as early as possible.
- (3) Strengthen operation-oriented financial management and credit control management, promote the improvement of whole-process management under the credit control platform, strengthen visual management efforts on credit investigation, credit evaluation, contract review, credit tracking, subsequent collection and even litigation.
- (4) Adopt graded and classified management of suppliers, regulate supplier management processes, and formulate unified standards. We perform data analysis on supplier transactions and share supplier resources. We carry out supplier performance inspections on regular or irregular basis for making scoring and summary analysis on the quality of service provided by suppliers.
- (5) Allocate resources and organize teams in accordance with corporate strategic objectives. We establish an enterprise-level process framework and data governance system, and strengthen operational monitoring and analysis capabilities. We strengthen the training of business operators in front-line operating units, regulate the operation behavior, require strict compliance with the contract and carry out effective supervision to prevent operational risks.





Chapter 5

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

- (6) Coordinate the management of key logistics resources, optimize the current infrastructure investment management model, and gradually promote the separation of light and heavy assets; we form a forward-looking strategic investment arrangement and perform well in project feasibility analysis; focus on process management and post-investment evaluation of investment projects.

(V) Others

Applicable ✓ Not applicable

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 SEHK LISTING RULES)

(I) Principal Business

Please refer to “Chapter 4 Business Overview” in this report for details.

(II) Final Dividend and Book Closure Periods

Please refer to “I. PROPOSALS OF ORDINARY SHARES PROFIT DISTRIBUTION OR CONVERSION OF COMMON RESERVE FUND INTO SHARE CAPITAL – (I) Formulation, Implementation of or Adjustment to the Cash Dividend Policy” under “Chapter 6 Significant Matters” in this Report for details.

(III) 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 “Chapter 9 Directors, Supervisors, Senior Management and Employees” in this report.

For details of major customers and suppliers, please refer to “(4) Key Customers and Key Suppliers” under “II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD – (I) Analysis on Principal Businesses – 2. Income and cost analysis” in this chapter.

(IV) Issuance of Shares and Debentures

Please refer to “II. SECURITY ISSUANCE AND LISTING” under “Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders” in this Report.

(V) 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 SEHK Listing Rules.



(VI) Equity-Linked Agreement

During the year ended 31 December 2019, as far as the Directors of the Company were aware, the Company was not involved in any equity-linked agreement.

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

So far as known to the Directors of the Company, there was no purchase, sale or redemption of its listed securities by any member of the Group during the year ended 31 December 2019.

(VIII) 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.

(IX) 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.

(X) Related matters of Directors, Supervisors and Senior Management

1. Directors, Supervisors and senior management member, and their biographies, changes and remuneration are set in "Chapter 9 Directors, Supervisors, Senior Management and Employees" of this Report.
2. Directors' and Supervisors' Service Contracts, interests in Shares, interests in Transactions, arrangements or contracts, interests in Competing Businesses, and rights to Acquire Shares or Bonds are set out in "VII Others" under "Chapter 9 Directors, Supervisors, Senior Management and Employees" of this Report.
3. The Articles of Association of the Company does not contain any permitted indemnity provision as specified in section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

(XI) 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 actual controller of the Company. The details of the related-party transaction of the Company with China Merchants and Sinotrans & CSC or their subsidiaries are set out in "Chapter 6 Significant Matters" – "XIV. CONNECTED TRANSACTIONS, MAJOR RELATED PARTY TRANSACTIONS – (I) Connected Transactions (Disclosed in Accordance with the SEHK Listing Rules)" in this Report.

(XII) Management Contracts

No contract concerning the management of or administrative work on the whole or any substantial part of the business of the Company was entered into or existed during the year.





(XIII) 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 SEHK Listing Rules, 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.

(XIV) Significant Post Balance Sheet Events

Since the outbreak of pneumonia caused by a new type of coronavirus (“COVID-19”) in 2020, the Group has actively responded to and strictly implemented various national regulations and requirements for the prevention and control of Coronavirus. The Company and its subsidiaries have resumed work since February 10, supporting the national epidemic in a multi-pronged manner in terms of supply security and social responsibility.

According to the current situation, the domestic epidemic situation has been basically controlled, but the spread of international epidemic situation has intensified. The logistics business of Sinotrans is closely related to international trade, shipping capacity, and the resumption of production and production of enterprises. Currently, affected by the epidemic, the business of foreign trade imports and exports is suffering the sluggish external demand, the reduction of order, the withdrawal of international routes continuously, the decrease of the container throughput significantly year-on-year, all that directly having a great impact on the logistics business revenue of the Group in the short term.

Due to the on-going outbreak of the epidemic · especially the impact of the international epidemic is gradually emerging. The Group will continue to pay close attention to the development of Coronavirus, and evaluate and actively respond to its impact on the financial status and operating results of the Group.

(XV) 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 2019, please refer to the “2019 Social Responsibility Report (ESG Report)” to be published by the Company subsequently.





Chapter 6 Significant Matters

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

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

✓ Applicable Not applicable

1. Formulation of and adjustment to profit distribution policy:

(1) The Articles of Association contains express provisions for the profit distribution policy and approval procedures, and the relevant policies are set out below:

- (i) Forms of profit distribution: the Company may make profit distribution in the forms of cash payment of dividend, distribution of dividend in the form of shares or a combination of the two forms; where permitted, the Company may make interim profit distribution;
- (ii) Details of conditions and proportions of the Company's cash dividends: 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 realized distributable profit in that year. The "special circumstances" referred to above shall mean: the net cash flow generated from the operation in that year is negative, and dividend payment in cash will have an adverse effect on the subsequent existence of the Company as a going concern; the auditors have not issued an audit report with standard and unqualified opinion regarding the financial reports for that year; the Company has major investment plans or other major cash expenditures or otherwise (other than any fund raising projects). The "major investment plans" or "major cash expenditures" mentioned above shall mean where the aggregate expenditures for any proposed investments or asset acquisition by the Company in next twelve months are equal to or exceed 30% of the audited total assets in the most recent audit of the Company.
- (iii) When the Company's operation is satisfactory, and the Board believes that the share price of the Company is disproportionate to the share capital size of the Company, and dividend payment in shares is in the best interests of all shareholders of the Company, subject to satisfaction of the above dividend payment conditions, the Company may put forward a proposal for dividend payment in shares.

Please refer to Article 216 of the Articles of Association disclosed on the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk) on 7 March 2019 for details.





(2) On the basis of profit distribution policy stipulated in the Articles of Association, the policy of 2018–2020 cash dividend distribution ratio has been further specified in the “Plan of Sinotrans Limited on Shareholder Return for the Next Three Years (2018- 2020)”, which is as follows:

The Company shall maintain the continuity and stability of the profit distribution policy. Subject to the satisfaction of cash dividend payment conditions, the profits distributed by the Company in cash 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 by the Company in cash for each year shall not be less than 10% of the realized distributable profit in that year. The Board of Directors of the Company shall put forward a policy of differentiated cash dividend distribution in accordance with the procedures set forth in the Articles of Association after taking into account such factors as the characteristics of the industry where the Company operates, the stage of development, its own operating mode, profit level and whether there are significant capital expenditure arrangements on a comprehensive basis and distinguishing the following situations:

- (i) 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%;
- (iii) 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%;
- (iii) 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.

2. Dividend and bonus income tax was withheld and exempted in accordance with the State’s relevant laws and regulations.

3. The implementation of cash dividend policy during the Reporting Period:

The 2018 profit distribution plan of the Company adopted dividends distribution in cash. According to the Proposal in Relation to the Profit Distribution Plan for the Year 2018 considered and approved at 2018 Annual General Meeting convened on 5 June 2019, a final dividend of RMB0.13 per share (tax included), totaling RMB962,104,503.75 (tax included), shall be distributed for the year 2018. The dividend distribution of the Company for the year 2018 was completed on 19 July 2019. For further details of A share dividend distribution, please refer to the Announcement on the Implementation of A Share Equity Distribution for the Year 2018 (Lin No.2019–035) disclosed by the Company on the website of the SSE (www.sse.com.cn).



4. Matters related to the final profit distribution for the year 2019

According to the profit distribution policy stipulated in the Articles of Association and in combination of the Company's actual situation, the Resolution in Relation to Profit Distribution Proposal for the Year 2019 was considered and approved at the 19th meeting of the second session of the Board of Directors of the Company, the particulars of which are as follows: Based on the total share capital of 7,400,803,875 shares as at 31 December 2019, a total of RMB888,096,465.00 (tax included) shall be distributed with RMB0.12 (inclusive of tax) distributed for every one share and RMB1.20 distributed (inclusive of tax) for every ten shares, the remaining profit shall be recognized as retained earnings, among which no shares shall be distributed and no capital reserve shall be converted into share capital. For the details, please refer to the Announcement of the Company on the Profit Distribution Proposal for the Year 2019 (Lin No. 2020-006) disclosed by the Company on the website of the SSE (www.sse.com.cn).

Independent Directors of the Company have expressed their independent opinions in agreement with the said resolution, which is still subject to the approval by the shareholders at the 2019 Annual General Meeting of the Company. The 2019 Annual General Meeting of the Company will be convened by way of the combination of on-site voting and online voting, to provide minority shareholders with the opportunity to fully express their opinions and demands, fully safeguarding the legitimate rights and interests of minority shareholders. After the resolution is considered and approved at the general meeting, it is expected that the Company will pay the cash dividend on or before 16 July 2020. The Company will make further announcement(s) on the closure of books for holders of H shares or record date for A shares and the expected date of payment in relation to the payment of cash dividend in the notice of the general meeting or after the convening of the general meeting.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of A Shares of the Company shall be paid in RMB, and dividends payable to the holders of H Shares of the Company shall be calculated and declared in RMB, and paid in HK\$. The exchange rate for dividends payable in HK\$ is the average exchange rate of RMB to HK\$ published by the People's Bank of China during the week (24 March 2020 to 30 March 2020) preceding the date of recommendation of the 2019 dividend by the Board. The average exchange rate of RMB to HK\$ for the said week was HK\$1=RMB0.91167. Accordingly, the amount of 2019 dividend for each H Share of the Company is approximately HK\$0.1316.

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

Dividend Year	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (Yuan) (tax included)	Basic earnings per share (yuan/share)	Number of shares converted for every 10 shares (share)	Amount of cash dividend (tax included)	Unit: Yuan Currency: RMB	
						Net profit attributable to ordinary shareholders of the consolidated financial statement during the year of dividend distribution	Percentage in net profit attributable to ordinary shareholders of the consolidated financial statement (%)
2019	0	1.20	0.38	0	888,096,465.00	2,803,495,055.06	31.68
2018	0	1.30	0.45	0	962,104,503.75	2,704,106,404.93	35.58
2017	0	1.20	0.38	0	668,192,000.00	2,304,190,975.71	29.00





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(III) Cash Dividend by Share Repurchase Offer in Cash

Applicable Not applicable

(IV) If it is Profitable and 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

II. PERFORMANCE OF COMMITMENTS

(I) Commitments of the Actual 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 party	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	China Merchants Logistics' net profit attributable to the parent company for 2017 and 2018 on a consolidated basis shall be no less 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	There are no circumstances where the covenantor party and relevant insiders conduct any insider dealing with information of the merger by absorption. 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.	Time of the commitment: 28 February 2018;	Yes	Yes
Sinotrans & CSC			Term of the commitment: 28 February 2018 -				
The Company			18 January 2019				
5			All Directors, supervisors and senior management of the Company				

No.	Commitment background	Commitment Type	Commitment party	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 subject	Time of the commitment: 28 February 2018;	Yes	Yes
7			All Directors, supervisors and senior management of the Company (except Mr. Fan Zhaoping)	to any administrative penalties (except those expressly irrelevant to the securities market), criminal penalties, material civil litigation or arbitration in the last five years.	Term of the commitment: 28 February 2018 – 18 January 2019		
				There are no circumstances where the covenantor failed to repay its large debt, failed to fulfil its commitment, was subject to administrative supervision by the CSRC or was subject to disciplinary action by the stock exchange.			
8			Fan Zhaoping	The covenantor was subject to supervision due to short swing trading, which included the circulation of a notice of reprimanding imposed on him by the Shenzhen Stock Exchange and the issuance of warning letter by the Shenzhen Branch of CSRC. Other than these, there are no circumstances where the covenantor was subject 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 subject to administrative supervision by the CSRC or was subject to disciplinary action by the stock exchanges.			
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	Time of the commitment: 28 February 2018;	Yes	Yes
10			Sinotrans & CSC	relevant instruction. The covenantor confirms that the	Term of the commitment: 28 February 2018 – 18		
11			China Merchants	relevant information is true, accurate and complete and that there are no false and misleading statement or material omission in those documents.	January 2019		
12			All Directors, supervisors and senior management of the Company				
13	Commitments related to material asset restructuring	Others	The Company	The covenantor undertakes that the information contained	Time of the commitment: 13 April 2018;	Yes	Yes
14			All Directors, supervisors and senior management of the Company	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.	Term of the commitment: 13 April 2018 – 18 January 2019		




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No.	Commitment background	Commitment Type	Commitment party	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
15	Commitments related to material asset restructuring	Shares lock-up	China Merchants	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		Term of the commitment: 18 January 2019 – 17 July 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		Term of the commitment: 26 March 2018 – 10 January 2019		
19			Sinotrans & CSC	The covenantor agrees in principle 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				
21	Commitments related to material asset restructuring	Others	Sinotrans & CSC	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 commitment: 28 February 2018;	No	Yes
22			China Merchants		Effective permanently		
23	Commitments related to material asset restructuring	Reduction of related-party transaction	Sinotrans & CSC	The covenantor undertakes to avoid and reduce related-party transaction with the Company. For related-party transactions that are unavoidable or where there are sufficient reasons, the covenantor shall sign a standard and formal related-party transaction agreement, shall perform the transaction in accordance with a fair and reasonable market price and shall fulfil the related-party 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 related-party transaction. The covenantor undertakes to procure corporate under its control (except the Company) to comply with the aforementioned commitment.	Time of commitment: 28 February 2018;	No	Yes
24			China Merchants		Effective permanently		

No.	Commitment background	Commitment Type	Commitment party	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
25	Commitments related to material asset restructuring	Others	China Merchants	The covenantor undertakes to other dissenting Sinoair shareholders (except the Company and those shareholders who have undertaken to Sinoair not to 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 that the covenantor shall unconditionally accept the shares that such shareholders have effectively declared to exercise cash alternative, and pay the cash consideration at the price stipulated under the merger by absorption cash alternative plan.	Time of commitment: 13 April 2018;	Yes	Yes
26			Shenzhen China Merchants Shekou Assets Management Co., Ltd.		Term of the commitment: 8 October 2018 – 10 January 2019		
27	Commitments related to material asset restructuring	Others	The Company	The covenantor undertakes to accelerate the development of the principal business of the Company and improve the profitability 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 commitment: 13 April 2018; Effective permanently	No	Yes
28			Sinotrans & CSC	The covenantor undertakes not to go beyond its power and interfere the operation management activities of the Company and to not impair the interests of the Company.	Time of commitment: 13 April 2018; Effective permanently	No	Yes
29			China Merchants				
30			All Directors, supervisors and senior management of the Company	The covenantors 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 remuneration system which is in line with the implementation of the return remedial measures; that if a Share incentive scheme shall be implemented, the conditions for exercising the option under the scheme to be announced shall be in line with the implementation of the return remedial measures; that if the CSRC promulgates new rules for regulating return remedial measures and their commitments, the covenantors shall issue supplementary commitments.	Time of commitment: 13 April 2018; Effective permanently	No	Yes





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No.	Commitment background	Commitment Type	Commitment party	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
31	Commitments related to material asset restructuring	Others	Sinotrans & CSC	Within three years from the listing date of A shares of the Company, if the closing prices of the A shares for 20 consecutive trading days are below the latest audited net assets per share of the Company other than due to force majeure and malicious speculation of a third party, subject to law, regulation, normative documents and the Listing Rules in Listing Places and under the premise that the shareholding will be in compliance with the listing requirement, measures including but not limited to increase in shareholding of the A shares by Sinotrans & CSC Group and repurchase of the A share by the Company will be taken legally to stabilize the share price of the Company's A shares.	Time of commitment: 13 April 2018;	Yes	Yes
32			The Company		Term of the commitment: 18 January 2019 – 17 January 2022		
33			All Directors, supervisors and senior management of the Company				
34	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 commitment: 13 April 2018; Effective permanently	No	Yes



No.	Commitment background	Commitment Type	Commitment party	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
35	Commitments related to material asset restructuring	Non-competition	Sinotrans & CSC	<p>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 at 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 entrusted management 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.</p> <p>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.</p> <p>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.</p> <p>During the period when the covenantor is the controlling shareholder of the Company, if the regulatory body or the Company believes that there is substantial competition between the covenantor and the Company, the covenantor shall offer the Company the right of first refusal.</p>	Time of commitment: 13 April 2018; Effective permanently	No	Yes





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No.	Commitment background	Commitment Type	Commitment party	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
36			China Merchants	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 when the covenantor is the de facto controller of the Company, if the regulatory body or the Company believes that there is substantial competition between the covenantor and the Company, the covenantor shall offer the Company the right of first refusal.			
37	Commitments related to material asset restructuring	Resolving defective title of lands and other items	Sinotrans & CSC	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 suffers actual loss from the ownership problems 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 commitment: 13 April 2018; Effective permanently	No	Yes
38			China Merchants	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 problems 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 party	Summary of the commitment	Time and term of the commitment	Is there a term for fulfilment	Is there timely and strict fulfilment
39	Commitments related to material asset restructuring	Others	Sinotrans & CSC	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 commitment: 13 April 2018; Effective permanently	No	Yes
40			China Merchants				
41	Commitments related to material asset restructuring	Others	China Merchants	If the trading prices of the Company's A shares on the SSE for any one trading day within 5 consecutive trading days from its listing are below the issue price, the covenantor shall increase its shareholding through the SSE 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 not exceeding 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 shall not dispose of the shares from the increase in shareholding within 6 months of the completion.	Time of the commitment: 28 May 2018 and 24 January 2019; Term of the commitment: 18 January 2019 – 28 January 2019	Yes	Yes
42	Commitments related to material asset restructuring	Others	China Merchants	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 business 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 business days after both an effective judgement has been made by the competent judicial body and verification of the specific amount lost has been made by the audit institution.	Time of the commitment: 21 September 2018; Term of the commitment: 21 September 2018 – 20 September 2019	Yes	Yes
43	Other commitments	Others	Sinotrans & CSC	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 "SSE 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 SSE.	Time of the commitment: 14 January 2019; Effective permanently	No	Yes
44			China Merchants				





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Note: Please refer to the circular dated 26 September 2017 published on the SEHK (www.hkex.com.hk) for the full text of the first commitment listed above; and please refer to section “Material commitments made by each parties involved in this transaction” of “Report on the merger by absorption through share swap of Sinoair by Sinotrans Limited and related-party transaction (revised)” dated 3 November 2018 published on the SSE website (www.sse.com.cn) for the full text of the second to forty-second commitment listed above.

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

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

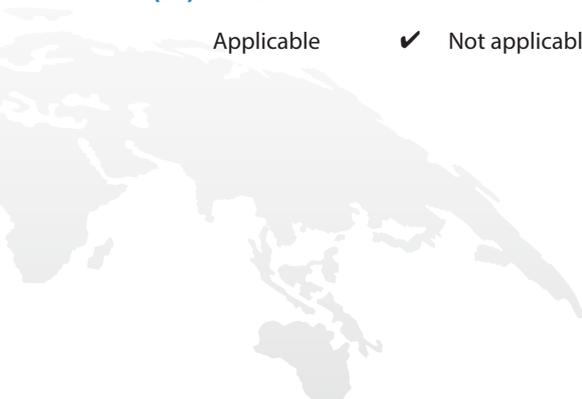
Applicable ✓ Not applicable

(III) Communication with Former Accounting Firms

Applicable ✓ Not applicable

(IV) Other notes

Applicable ✓ Not applicable



VI. APPOINTMENT AND DISMISSAL OF AUDITORS

Unit: Yuan Currency: RMB

Current appointment

Name of the onshore accounting firm	ShineWing Certified Public Accountants LLP
Remuneration for the onshore accounting firm	7,950,000
Term of audit by the onshore accounting firm	2

	Name	Remuneration
Accounting firm for internal control audit	ShineWing Certified Public Accountants LLP	1,550,000
Sponsor	CITIC Securities Company Limited, China Merchants Securities Co., Ltd.	/

Description of the appointment and dismissal of auditors

Applicable Not applicable

On 16 May 2019, the 12th meeting of the second session of the Board was convened, at which the proposal in relation to the appointment and removal of the auditor for financial reports and internal control was considered and approved. Since the Company has adopted China Enterprise Accounting Standards instead of IFRS as the Company's accounting standards, and will only prepare one set of financial statements in accordance with China Enterprise Accounting Standards, the Board agreed to cease the appointment of SHINEWING (HK) CPA Limited as the international auditor of the Company, and to re-appoint SHINEWING Certified Public Accountants LLP as the auditor of the Company for financial reports and internal control for the year 2019, with a term of office until the conclusion of the 2019 Annual General Meeting of the Company. The total audit fee is RMB9.5 million (tax included), among which the audit fees for financial reports and internal control are RMB7.95 million and RMB1.55 million, respectively. The proposal has been considered and approved at the 2018 Annual General Meeting convened on 5 June 2019 by the Company.

Change of the Auditors During the Audit Period

Applicable Not applicable

VII. THE SITUATION OF 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

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

✓ Applicable Not applicable

In May 2019, Tianjin Branch of Sinotrans Jiuling Transport & Storage Co., Ltd. (hereinafter referred to as “Tianjin Jiuling”), a subsidiary of the Company, received a Notice of Administrative Penalty ((Jin Bin) Emergency Notice of Penalty [2019] 94) issued by Bureau of Emergency Management of Tianjin Binhai New Area, in relation to the fire in the Tianjin Jiuling Dagang warehouse at Anhe Road, Dagang Economic Development Zone, Binhai New Area on 28 October 2018. The burned area of the fire was 23,487.53 square meters with no casualties. The Company has made provision for the relevant expected loss of RMB70 million in the financial statements of 2018. Pursuant to the recent survey conducted by the Tianjin Bureau of Emergency Management, the direct economic losses (exclusive penalties) for the fire accident will amount to approximately RMB89.4495 million. The Bureau of Emergency Management of Tianjin Binhai New Area intends to impose administrative punishments of RMB4.2 million penalty on Tianjin Jiuling. The accident did not have significant impact on the Company’s daily business operations and performance. After the accident, the Company actively cooperated with the government departments to carry out emergency response procedures and strengthened the supervision and guidance of the production and operation management of the subsidiaries, implemented responsibility system on fire control safety on subsidiaries, comprehensively checked and controlled any fire safety hazards, strengthened employees’ fire safety awareness in order to prevent similar accident. For details, please refer to relevant announcements dated 30 May 2019 published by the Company on China Securities Journal, Securities Daily, as well as the websites of SSE (www.sse.com.cn) and SEHK (www.hkex.com.hk).

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

Applicable ✓ Not applicable



XIII. THE COMPANY'S EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND THE IMPACT THEREOF

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

✓ Applicable Not applicable

Summary of Events

Enquiry Index

On 27 December 2019, the Company convened the eighteenth meeting of the second session of the Board of Directors and the sixth meeting of the Supervisory Committee in 2019, at which such resolutions as the Resolution on the Share Option Incentive Scheme of Sinotrans Limited (draft) and its Summary (關於〈中國外運股份有限公司股票期權激勵計劃(草案)〉及其摘要的議案), the Resolution on the Share Option Incentive Scheme of Sinotrans Limited (Phase I) (draft) and its Summary(關於〈中國外運股份有限公司股票期權激勵計劃(第一期)(草案)〉及其摘要的議案) and the Resolution on Appraisal Measures for Implementation of the Share Option Incentive Scheme of Sinotrans Limited (關於〈中國外運股份有限公司股票期權激勵計劃實施考核辦法〉的議案) were considered and approved. The amendments to the share option incentive scheme have been considered and approved on 31 March 2020 at the 19th meeting of the second session of the Board of Directors. The above resolutions are still subject to the consideration and approval by the shareholders at the 2020 first extraordinary general meeting, 2020 first A Shares class meeting and 2020 first H Shares class meeting.

For details, please refer to the announcements of the Company dated 27 December 2019 and 31 March 2020 on the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk).

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

Equity incentives

Applicable ✓ Not applicable

Other explanations

Applicable ✓ Not applicable

Employee stock ownership plan

Applicable ✓ Not applicable

Other incentives

Applicable ✓ Not applicable





XIV. CONNECTED TRANSACTIONS, MAJOR RELATED PARTY TRANSACTIONS

(I) Connected Transactions (Disclosed in Accordance with the SEHK Listing Rules)

1. Continuing Connected Transactions

Significant related party transactions entered by the Group in the year ended 31 December 2019 are disclosed in Note X to the financial statements.

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

Revenue/(Expenses)	Note	2019 RMB
Transactions with China Merchants Group		
Provision of transportation and logistics services	1	1,352,809,188.33
Receiving of transportation and logistics services		1,684,911,767.16
Rental expenses		124,483,477.76
Transaction with China Merchants Property		
Purchase of goods	2	10,200,277.29
Receiving services from Finance Company		
Receiving deposit services – maximum daily balance	3	3,840,372,185.49
Transactions with Connected Non-Wholly-Owned Subsidiaries of the Company		
Provision of transportation and logistics services	4	128,562,762.03
Receiving of transportation and logistics services		49,340,067.39
Entrusted Management Agreement with Sinotrans & CSC Group		
Charging entrusted management fees	5	25,471,698.11

Note 1: The reason why the transactions with China Merchants Group are deemed as connected transactions is that China Merchants is the controlling shareholder of the Company. On 10 November 2017, the Company entered into the Master Services Agreement with China Merchants in relation to the provision and receiving of transportation and logistics services, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the annual cap of the amount of transportation and logistics services provided by the Group to China Merchants Group shall not exceed RMB2,500 million, RMB3,250 million and RMB4,225 million in 2018, 2019 and 2020, respectively; the annual cap of the amount of transportation and logistics services received by the Group from China Merchant Group shall not exceed RMB3,500 million, RMB4,550 million and RMB5,915 million in 2018, 2019 and 2020, respectively. On 10 November 2017, the Company entered into the Master Lease Agreement in respect of property leasing services with China Merchants, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the annual cap of the amount of property leased by the Group from China Merchants Group shall not exceed RMB300 million, RMB330 million and RMB363 million in 2018, 2019 and 2020, respectively.

Note 2: The reason why the transaction with China Merchants Property Management Co., Ltd.* (深圳招商物業管理有限公司, hereinafter referred to as "China Merchants Property") is deemed as a connected transaction is that China Merchants Property is a subsidiary of China Merchants. On 29 October 2018, the Company entered into the Master Purchase Agreement with China Merchants Property, 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. The term of the agreement is from 1 July 2018 to 31 December 2020, according to which the total amount of office supplies and equipment purchased by the Group from China Merchants Property shall not exceed RMB121,108,600, RMB212,484,000 and RMB254,980,800 in 2018, 2019 and 2020 respectively.

Note 3: The reason why the transaction with Finance Company is deemed as a connected transaction is that Finance Company is held as to 51% and 49% by China Merchants and Sinotrans & CSC. On 10 November 2017, the Company entered into the Financial Services Agreement with Finance Company, pursuant to which the Company agreed Finance Company can provide deposit services and other financial services for it. The term of the agreement is from 1 January 2018 to 31 December 2020, according to which the daily outstanding balance of the Group's deposit at the Finance Company shall not exceed RMB4 billion for the year 2018, and RMB5 billion for each of the years 2019 and 2020.

Note 4: The reason why the transactions with connected non-wholly-owned subsidiaries of the Company are deemed as connected transactions is that such non-wholly-owned subsidiaries are held as to more than 10% equity interests by the subsidiaries of Sinotrans & CSC. On 10 November 2017, the Company entered into master services agreements with several connected non-wholly-owned subsidiaries, namely 山東中外運弘志物流有限公司(Sinotrans Shandong Hongzhi Logistics Co. Ltd*, hereinafter referred to as "Sinotrans Shandong Hongzhi"), 青島金運航空貨運代理有限公司(Qingdao Jinyun Air Cargo Freight Forwarding Co. Ltd.*, hereinafter referred to as "Qingdao Jinyun Air") and 上海外紅伊勢達國際物流有限公司(Shanghai Waihong Yishida International Logistics Co. Ltd.*, hereinafter referred to as "Shanghai Waihong Yishida") respectively, in relation to the provision and receipt of the transportation and logistics services (including freight forwarding services, shipping agency, storage and terminal services, trucking transportation, express services, shipping transportation and leasing of containers and other facilities) between members of the Group and the connected non-wholly-owned subsidiaries and their respective subsidiaries and associates, and the term of each agreement is for a period of three years commencing on 1 January 2018 and ending on 31 December 2020. Under each of the agreement, the cap for the provision of transportation and logistics services by the Group for Sinotrans Shandong Hongzhi and its associates shall not exceed RMB200 million, RMB260 million and RMB338 million for each of the years 2018, 2019 and 2020; the cap for the receipt of transportation and logistics services by the Group from Sinotrans Shandong Hongzhi and its associates shall not exceed RMB60 million, RMB78 million and RMB101.4 million for each of the years 2018, 2019 and 2020; the cap for the provision of transportation and logistics services by the Group for Qingdao Jinyun Air and its associates shall not exceed RMB5 million, RMB7.5 million and RMB11.25 million for each of the years 2018, 2019 and 2020; the cap for the receipt of transportation and logistics services by the Group from Qingdao Jinyun Air and its associates shall not exceed RMB7.5 million, RMB11.25 million and RMB16.87 million for each of the years 2018, 2019 and 2020; the cap for the provision of transportation and logistics services by the Group for Shanghai Waihong Yishida and its associates shall not exceed RMB1 million, RMB1 million and RMB1 million for each of the years 2018, 2019 and 2020; the cap for the receipt of transportation and logistics services by the Group from Shanghai Waihong Yishida and its associates shall not exceed RMB2.25 million, RMB2.25 million and RMB2.25 million for each of the years 2018, 2019 and 2020.

For the year 2019, the amounts of transportation and logistics services provided for and received from Sinotrans Shandong Hongzhi and its associates by the Group were RMB126 million and RMB44 million, respectively; the amounts of transportation and logistics services provided for and received from Qingdao Jinyun Air and its associates by the Group were RMB3 million and RMB5 million, respectively; and the amounts of transportation and logistics services provided for and received from Shanghai Waihong Yishida and its associates by the Group were RMB178.2 thousand and RMB101.5 thousand, respectively.

Note 5: The reason why the transaction with Sinotrans & CSC Group is deemed as a connected transaction is that Sinotrans & CSC is the controlling shareholder of the Company. On 6 May 2019, the Company entered into the new Entrusted Management Agreement with Sinotrans & CSC, pursuant to which the Company shall continue to provide the entrusted management services to Sinotrans & CSC for a term of three years from 2019 to 2021, in return for a fixed management fee of RMB15 million per annum and a variable management fee, with the total amount of entrusted management fees being no more than RMB100 million per annum. For details of the abovementioned continuing connected transactions, please refer to the relevant announcements as at the signing date of each agreement published by the Company on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).



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The Company has complied with the disclosure requirements under Chapter 14A of the SEHK Listing Rules in respect of such transactions. In order to comply with the relevant requirements of the SEHK Listing Rules, except for such transactions as purchase of goods and provision of entrusted management services did not reach the standard that requires to be considered at a shareholders' general meeting, the annual caps of the other connected transactions abovementioned for each of the years 2018, 2019 and 2020 (in the case that any of the percentage ratios (other than the profits ratio) in respect of annual caps of such connected transactions exceeds 5% on an annual basis) have been approved by independent Shareholders at the extraordinary meeting convened 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 Rule 14A.56 of the SEHK Listing Rules, 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 disclosed

- (1) On 27 September 2019, Sinoway Shipping Limited (廣運船務有限公司), a subsidiary of the Company, entered into the equity sales and purchase agreement with KTT, intending to purchase the 70% equity interests of Keppel Foshan for an estimated consideration of no more than RMB181,500,000; and entered into the equity sales and purchase agreement with Steamers (HK) Limited (實得力(香港)有限公司, a direct wholly-owned subsidiary of KTT), intending to purchase the 70% equity interests of Keppel Hong Kong for an estimated consideration of no more than RMB28,550,000. Sinotrans South China Co., Ltd.* (中國外運華南有限公司), a subsidiary of the Company, entered into the equity sales and purchase agreement with Sinotrans Guangdong, a connected party of the Company, intending to purchase the 30% equity interests of Keppel Foshan for an estimated consideration of no more than RMB77,790,000. As at the above transaction date, Sinotrans Guangdong is the substantial shareholder of Keppel Foshan, and Sinotrans Guangdong (Hong Kong) Limited* (廣東外運(香港)有限公司, a wholly-owned subsidiary of Sinotrans Guangdong) is the substantial shareholder of Keppel Hong Kong. As Sinotrans Guangdong is a wholly-owned subsidiary of Sinotrans & CSC, which is the controlling shareholder of the Company, it is therefore a connected person of the Company. Thus, the abovementioned transactions constitute connected transactions of the Company under Chapter 14A of the SEHK Listing Rules. As at the date of this report, the abovementioned transactions have been completed. Keppel Foshan has become a wholly-owned subsidiary of the Company, and Keppel Hong Kong has become the subsidiary owned as to 70% by the Company.

- (2) On 17 October 2019, the Company entered into the underwriting agreement in respect of the underwriting of the first tranche of 2019 RMB receivables asset-backed notes (hereinafter referred to as “RMB ABN”) with Huaneng Guicheng Trust Co., Ltd.* (華能貴誠信託有限公司), Bank of China Limited* (中國銀行股份有限公司) and China Merchants Securities Co., Ltd.* (招商證券股份有限公司, a connected party of the Company, hereinafter referred to as “China Merchants Securities”), pursuant to which the underwriting fees paid to China Merchants Securities by the Company are estimated to be no more than RMB0.66 million; meanwhile, if China Merchants Securities is required to perform its obligations to underwrite the priority products of first tranche of 2019 RMB ABN under the underwriting agreement by way of standby commitment underwriting, the amount to be subscribed by China Merchants Securities is estimated to be no more than RMB330 million. As at the foresaid transaction date, China Merchants Securities is a subsidiary of China Merchants, the controlling shareholder of the Company, and therefore is a connected person of the Company. Thus, the foresaid transaction constitutes a connected transaction of the Company under Chapter 14A of the SEHK Listing Rules. As at the date of this report, the Company has completed the issuance of the first tranche of 2019 RMB ABN.

For details, please refer to the relevant announcements of the Company dated 27 September 2019 and 17 October 2019 on the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk).





(II) The Related Party Transactions in Relation to the Daily Operations (Disclosed in Accordance with the SSE Listing Rules)

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

Applicable ✓ Not applicable

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

✓ Applicable Not applicable

- (1) On 10 November 2017, the Company entered into the Master Services Agreement with China Merchants Group, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the annual cap of the amount of transportation and logistics services provided by the Group to China Merchants Group shall be RMB2,500 million, RMB3,250 million and RMB4,225 million in 2018, 2019 and 2020, respectively; the annual cap of the amount of transportation and logistics services received by the Group from China Merchant Group shall be RMB3,500 million, RMB4,550 million and RMB5,915 million in 2018, 2019 and 2020, respectively. In 2019, the transportation and logistics services provided by the Group to China Merchants Group amounted to RMB1,353 million, while the transportation and logistics services received from China Merchants Group was RMB1,685 million.
- (2) On 10 November 2017, the Company entered into the Master Lease Agreement with China Merchants Group, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the annual cap of the amount of property leased by the Group from China Merchants Group shall be RMB300 million, RMB330 million and RMB363 million in 2018, 2019 and 2020, respectively. In 2019, the expenses of the Group in respect of leasing of properties from China Merchants Group was RMB124 million.
- (3) On 10 November 2017, the Company entered into the Financial Services Agreement with the Finance Company, the term of which is from 1 January 2018 to 31 December 2020. According to the agreement, the daily outstanding balance of the Group's deposit at the Finance Company shall not exceed RMB4 billion for the year of 2018, and RMB5 billion for the year of 2019 and 2020 respectively. In 2019, the Group's daily maximum deposit balance at the Finance Company was RMB3,840 million.

The aforesaid continuing related-party transactions (1)-(3) have been considered and approved at the extraordinary general meeting convened on 28 December 2017. For details, please refer to the announcements dated 10 November 2017 and 28 December 2017 published by the Company on the website of SEHK (www.hkex.com.hk).

- (4) On 7 March 2019, the Company convened the 2019 first extraordinary general meeting, at which the Proposal in Relation to the Continuing Related-party Transaction with China Merchants Bank was considered and approved. According to the proposal, no limit will be imposed on the loan issued by China Merchants Bank. The annual cap of deposit is RMB3,500 million and RMB4,000 million in 2019 and 2020, respectively. As at 31 December 2019, the Group's deposit balance at China Merchants Bank was RMB408 million.

For details, please refer to relevant materials for general meeting and announcements dated 21 January 2019 and 7 March 2019 published by the Company on SSE (www.sse.com.cn).

3. Events Not Disclosed in the Temporary Announcements

Applicable ✓ Not applicable

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

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

Applicable ✓ Not applicable

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

Applicable ✓ Not applicable

3. Events Not Disclosed in the Temporary Announcements

Applicable ✓ Not applicable

4. The Performance Achievements during the Reporting Period Shall be Disclosed if Agreement upon Performance is Involved

Applicable ✓ Not applicable

(IV) Significant Related Party Transactions involving Joint External Investments

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

Applicable ✓ Not applicable

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

Applicable ✓ Not applicable

3. Events Not Disclosed in the Temporary Announcements

Applicable ✓ Not applicable

(V) Claims and Liabilities between Related Parties

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

Applicable ✓ Not applicable

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

Applicable ✓ Not applicable





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3. Events Not Disclosed in the Temporary Announcements

✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Related parties	Capital provided to related parties			Capital provided by related parties to the Company		
	Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Fellow subsidiary	3,963,772,223.96	76,645,335.61	4,040,417,559.57	5,237,465,694.13	-3,744,974,117.27	1,492,491,576.86
Joint venture and associate	743,800,214.87	-60,063,411.53	683,736,803.34	153,775,053.71	28,948,482.82	182,723,536.53
Other related parties	10,934,882.28	-3,188,464.53	7,746,417.75	-	35,758,741.22	35,758,741.22
Total	4,718,507,321.11	13,393,459.55	4,731,900,780.66	5,391,240,747.84	-3,680,266,893.23	1,710,973,854.61

Reasons for the connected debts and liabilities Proceeds in dealings with related parties

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

(I) Trust, Contracting and Leasing

1. Trust

Applicable ✓ Not applicable

2. Contracting

Applicable ✓ Not applicable

3. Leasing

Applicable ✓ Not applicable



(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)						Is the guarantee overdue	Guarantee amount	Is counter Guarantee available	Guarantee provided to the related parties	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					
Sinotrans Guangdong Company Limited	Subsidiaries	Shenzhen Haixing Harbor Development Co., Ltd.	98,340,000.00	1 July 2019	1 July 2019	1 July 2037	Financing guarantee	No	No	-	No	Yes	Associates Ventures
Sinotrans Guangdong Company Limited	Subsidiaries	Dongguan Humen Port International Container Terminal Co., Ltd	16,383,681.74	27 August 2015	27 August 2015	9 January 2023	Financing guarantee	No	No	-	No	Yes	Joint Ventures
Sinotrans Bulk Logistics Company Limited	Subsidiaries	Sinotrans Sarens Logistics Company Limited	14,937,055.48	6 June 2016	1 July 2016	30 June 2021	Financing guarantee	No	No	-	No	Yes	Joint Ventures
Total guaranteed amount during the Reporting Period (excluding guarantees provided to subsidiaries)												-	
Balance of total guarantees as at the end of the Reporting Period (A) (excluding guarantees provided to subsidiaries)												129,660,737.22	
Guarantees provided by the Company and its subsidiaries to subsidiaries													
Total guaranteed amount to subsidiaries during the Reporting Period												-	
Total guaranteed balance to subsidiaries as at the end of the Reporting Period (B)												5,237,040,585.58	
Total guarantees (including guarantees to subsidiaries) provided by the Company													
Total guaranteed amount (A+B)												5,366,701,322.80	
Total guaranteed amount as a percentage of the net asset value of the Company (%)												17.74	
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)												4,895,085,003.55	
Total guaranteed amount in excess of 50% of net asset value (E)												-	
Total guaranteed amount of the above three items (C+D+E)												4,895,085,003.55	
Statement on the contingent joint liability in connection with unexpired guarantees												Nil	
Details of guarantee												In addition to the above guarantees, the Company and its holding subsidiaries provide guarantees for the credit lines applied for by companies within the scope of the consolidated statements. As of 31 December 2019, the total credit guarantees were RMB4,664,600,000.00.	

(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





Chapter 6 Significant Matters

Other circumstances

Applicable ✓ Not applicable

(3) Provision for impairment losses of entrusted wealth management

Applicable ✓ Not applicable

2. Entrusted Loan

(1) Overall 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

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. For details, please refer to the circular disclosed by the Company on the website of the SEHK on 18 April 2018. On 8 October 2018, the merger by absorption through share swap was unconditionally approved by the CSRC. As at 10 January 2019, the Company has completed the issuance of 1,351,637,231 RMB ordinary shares (A shares), and public investors of ordinary shares of Sinoair have exchanged the 353,600,322 A shares of Sinoair for 1,351,637,231 A shares of the Company at a ratio of 1:3.8225, and the issuing price is RMB5.24 per share (adjusted). On 18 January 2019, A shares (total 5,255,916,875 shares) of the Company were listed on SSE. As at the date of this report, the Company has completed the business registration of the registered capital change. At present, the Company is carrying forward the relevant legal procedures for the cancellation of the corporate qualification of Sinoair and the transfer of all its assets and liabilities to the Group.

XVII. Work in Performing Social Responsibility

(I) Details of poverty alleviation carried out by listed companies

✓ Applicable Not applicable

1. Targeted poverty alleviation plan

✓ Applicable Not applicable

2019 is the key year to win the battle against poverty. Under the overall arrangement of China Merchants, Sinotrans has, based on the general objective of ensuring rural poor people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing, which is proposed by the central government, carried out targeted poverty alleviation. Specifically, taking into account the urgent needs of poor counties in the battle against poverty, with China Merchants Group Foundation as a professional unified platform for public welfare, we exerted all-round efforts on project implementation and delivering visible results of poverty alleviation – we steadily advanced our work in various areas, concentrated on addressing prominent issues to ensure poor people have access to compulsory education, basic medical care, and housing security, and extended the industrial chain, so as to raise income for poor households and lift them out of poverty.

2. Summary of annual targeted poverty alleviation

✓ Applicable Not applicable

In 2019, Sinotrans donated RMB11 million to the China Merchants Group Foundation, which would be planned to be used for poverty alleviation by such Foundation. In 2019, the China Merchants Group Foundation actually spent RMB62.239 million in targeted poverty alleviation, specifically for the implementation of 9 projects concerning housing, education, and poverty alleviation through cultivating local businesses. Of which, RMB57.252 million was spent in national poverty-stricken counties located in districts like Weining, Guizhou Province, Qichun, Hubei Province, Yecheng and Shache, Xinjiang Autonomous Region; RMB4.987 million was contributed to the aid funds granted to Chuxiong Prefecture, Yunnan Province. The main targeted poverty alleviation projects that Sinotrans has participated in were as follows:



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(1) Targeted poverty alleviation project for poor villages and towns in Weining, Guizhou Province

Sinotrans supported the Weining Poverty Alleviation Office to carry out house renovation and repair for 6 poor towns and villages, so as to ensure the housing safety for the poor households, which has directly benefited 239 households who have been recorded as poor ones; supported World Vision to carry out activities such as life skills training for teachers and psychological counseling for children in distress in 4 schools in Weining, which has directly benefited 1,563 teachers and students; supported the iVertus Foundation to implement the Village Doctors' Virtues and Skills Training Program in Weining, 50 doctors at community-level being trained to improve the overall medical treatment.

(2) Public Brand Project for Agricultural Products of Weining, Guizhou Province

In order to solve the problems met by Weining in developing agriculture, like lacking of unified agricultural product brands, market competitiveness, and large-scale development, we supported Weining County to create a public brand for agricultural products produced by the county, and design the potato expo logo and the "Sanbai" vegetable brand logo. The use of these logos in agricultural product promotion conferences, advertisements and other scenes effectively helped Weining improve the overall image of their agricultural products and further enlarge and strengthen their dominant leading industries.

(3) Cold Chain Project for Weining's Agricultural Products

Weining is located in a remote alpine region with high logistics transportation costs, causing difficulty for the sales of its agricultural products. To this end, we supported Weining to develop cold chain projects in the form of giving subsidy to logistics companies, helping Weining to further improve the cold chain transportation capacity of agricultural products, and thus facilitating local distinctive products to go out of the mountain. Since the project started in September 2019, it has transported a total of 34 vehicles of agricultural products that worth more than RMB1.2 million.

(4) Targeted Poverty Alleviation Project in Qichun, Hubei Province

Sinotrans supported the construction of poverty alleviation workshops in Shimashan Village, Liuhe Town, Qichun, Hubei, and gave priority to the employment of the poor households in Shimashan Village, so as to let poor households get salary and village as a collective get rent, helping Shimashan Village become richer steadily.

(5) Targeted Poverty Alleviation Project in Chuxiong, Yunnan Province

Sinotrans supported the infrastructure improvement project of Waipulada Village, Yongren County, the comprehensive community development project of Yongren County, and the project of poverty reduction through education in Wuding County, which strengthened these two counties' ability to get rid of poverty from infrastructure construction, community development, and quality education for poor rural children.



3. Effectiveness of targeted poverty alleviation

✓ Applicable Not applicable

Unit: Ten thousand Currency: RMB

Details	Amount/persons
I. Overall situation	
Of which: 1. Cash	1,100
2. Materials equivalent to cash	
3. Number of people helped to lift out poverty	21,579
II. Inputs for each category	
1. Poverty reduction through cultivating local businesses	
Of which: 1.1 project type	
<input type="checkbox"/> Agriculture and forestry industry	
<input type="checkbox"/> Tourism	
<input type="checkbox"/> E-commerce	
<input type="checkbox"/> Return on assets	
<input type="checkbox"/> Science and technology	
<input type="checkbox"/> Others	
1.2 Number of projects	3
1.3 Capital Investment	335
1.4 Number of people helped to lift out poverty	20,497
2. Poverty reduction through transfer employment	
Of Which: 2.1 investment in vocational training	0
2.2 Number of vocational training (person/time)	0
2.3 Number of people in poverty helped to find employment	0
3. Poverty reduction through relocation	
Of which: number of relocated households we helped to get employed	0
4. Poverty alleviation through education	
Of which: 4.1 Amount of funding for students	0
4.2 Number of students we helped	0
4.3 Input in improving education resources in poverty areas	95
5. Poverty alleviation through providing better healthcare	
Of which: Amount of medical and health resources invested in poor areas	100
6. Poverty alleviation through better ecological protection	
Of which: 6.1 project name	
<input type="checkbox"/> Carry out ecological protection and construction	
<input type="checkbox"/> Establish compensation mechanism for ecological protection	
<input type="checkbox"/> Establish posts for ecological public welfare	
<input type="checkbox"/> Others	
6.2 Amount invested	0




 Chapter 6
Significant Matters

Details	Amount/persons
7. Guaranteeing basic living standard for people unable to work	
Of which: 7.1 Amount of investment to help left-behind children, women and elderly in rural areas	0
7.2 number of left-behind children, women and elderly in rural areas we helped	0
7.3 Amount of investment to help poor people with disabilities	0
7.4 number of poor people with disabilities we helped	0
8. Poverty alleviation through social assistance	
Of which: 8.1 Amount invested through eastern and western cooperation in poverty alleviation	0
8.2 Amount invested to targeted area	0
8.3 Poverty Alleviation Fund	0
9. Other projects	
Of which: 9.1 Number of projects	3
9.2 Amount invested	570
9.3 Number of people we helped to lift out poverty	1,082
9.4 Other projects	mainly includes infrastructure construction, renovation of dilapidated houses, and community development projects

4. Follow-up targeted poverty alleviation plan

- Applicable Not applicable

In 2020, Sinotrans will continue to implement the national strategy for poverty alleviation and development. Under the overall arrangement plan of China Merchants Group, it will continue to focus on solving the prominent issues in ensuring that rural poverty people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing and complete the targeted poverty reduction tasks.

(1) Continuing to make up for shortcomings and strengthening the foundation for poverty alleviation

The shortcomings of the deeply impoverished areas are still to be addressed: the incomplete infrastructure and transportation system have severely restricted the development of these areas. In accordance with the requirements of ensuring that rural poor people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing, efforts will continue to be made to solve problems concerning education, medical care and housing in poor areas.

(2) Exploring long-term poverty alleviation models to promote rural development

With the rapid development of the agricultural industry in poor counties, cold chain logistics and its upstream and downstream supporting services have become the bottleneck of the development of the agricultural industry chain. The Company will continue to take advantage of its business. That is, in terms of supporting distinctive agricultural products, strengthen professional team participation and help improve the agricultural industry chain, thus forming a complete system to ensure commercial viability, laying a solid foundation for the economic development of the county, and realizing rural revitalization and development.

(3) Strengthening the standardized management of projects and maximizing their benefits

It will strengthen project management, adhere to the principle of transparency, promote the standardized use of funds and scientific follow-up management for poverty alleviation projects so as to ensure the healthy development of poverty reduction projects, and give full play to their benefits, thus laying a solid foundation for the sustainable development of poor counties.

(II) Working Situation for Fulfilling Social Responsibilities

✓ Applicable Not applicable

For details, please refer to the 2019 Social Responsibilities Report (ESG Report) disclosed on the website of SSE (www.sse.com.cn) and the website of the SEHK (www.hkex.com.hk).

(III) Environmental Information**1. Explanation on Environmental Protection of Companies and Their Significant Subsidiaries Classified as the Key Pollutant Discharging Units Announced by the Environmental Protection Department**

Applicable ✓ Not applicable

2. Environmental Protection of the Companies Other than Key Pollutant Discharging Units

✓ Applicable Not applicable

For details, please refer to the 2019 Social Responsibilities Report (ESG Report) disclosed on the website of SSE (www.sse.com.cn) and the website of the SEHK (www.hkex.com.hk).

3. Explanation of Reasons for Non-Disclosure of Environmental Information of Companies other than Key Pollutant Discharging Units

Applicable ✓ Not applicable

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

Applicable ✓ Not applicable

(IV) Other Explanation

Applicable ✓ Not applicable

XVIII. CONVERTIBLE COMPANY BONDS

Applicable ✓ Not applicable



Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders

I. CHANGES IN SHAREHOLDING OF ORDINARY SHARES

(I) Changes in Ordinary Shares

1. Statement of Changes in Ordinary Shares

		Before the change		Increase/Decrease of the change (+, -)				After the change		
		Number	Percentage (%)	Issuance of new shares	Bonus Share	Conversion of common reserve		Sub-total	Number	Percentage (%)
						Others	Others			
I.	Restricted shares	3,904,279,644	64.54						3,904,279,644	52.75
	1. State-owned shares									
	2. State-owned legal person shares	3,904,279,644	64.54						3,904,279,644	52.75
	3. Other domestic shares									
	Of which: domestic									
	non-state-owned legal person shares									
	domestic natural person shares									
	4. Foreign shares									
	Of which: overseas legal person shares									
	overseas natural person shares									
II.	Tradable shares without restrictions	2,144,887,000	35.46	1,351,637,231			1,351,637,231	3,496,524,231	47.25	
	1. Ordinary shares dominated in RMB			1,351,637,231			1,351,637,231	1,351,637,231	18.26	
	2. Foreign shares domestically listed									
	3. Foreign shares listed overseas	2,144,887,000	35.46					2,144,887,000	28.98	
	4. Others									
III.	Total ordinary shares	6,049,166,644	100.00				1,351,637,231	7,400,803,875	100.00	

Unit: Share

After the change

Conversion of
common
reserve

Percentage

Number

(%)

Issuance of
new shares

Bonus Share

fund

Others

Sub-total

Number

(%)

I.

Restricted shares

3,904,279,644

64.54

3,904,279,644

52.75

1. State-owned shares

2. State-owned legal person

shares

3,904,279,644

64.54

3,904,279,644

52.75

3. Other domestic shares

Of which: domestic

non-state-

owned legal

person shares

domestic

natural person

shares

4. Foreign shares

Of which: overseas legal

person shares

overseas natural

person shares

II. Tradable shares without

restrictions

2,144,887,000

35.46

1,351,637,231

1,351,637,231

3,496,524,231

47.25

1. Ordinary shares dominated in

RMB

1,351,637,231

1,351,637,231

1,351,637,231

18.26

2. Foreign shares domestically

listed

3. Foreign shares listed overseas

2,144,887,000

35.46

2,144,887,000

28.98

4. Others

III. Total ordinary shares

6,049,166,644

100.00

1,351,637,231

7,400,803,875

100.00

2. Changes in Ordinary Shares

✓ Applicable Not applicable

On 10 January 2019, the Company completed the transfer and registration procedure for the 1,351,637,231 A Shares at the Shanghai branch of China Securities Depository and Clearing Company Limited, which were issued by the Company for merger of Sinoair by absorbing through share swap; and the original 3,904,279,644 non-tradable Domestic Shares of the Company have been converted into A Shares. The aforementioned 5,255,916,875 A Shares in total have been listed on the SSE on 18 January 2019. For details, please refer to relevant announcement dated 12 January 2019 published on China Securities Journal and Securities Daily, and announcement dated 11 January 2019 published on the website of Hong Kong Stock Exchange (www.hkex.com.hk). The share capital of the Company before and after changes in Shares is as follows:

Class of Shares	As at 31 December 2018 (Before Issuing A Shares)		As at 10 January 2019 (After Issuing A Shares)	
	Number of Shares (shares)	Percentage of Shares	Number of Shares (shares)	Percentage of Shares
A Shares/Domestic Shares	3,904,279,644	64.54%	5,255,916,875	71.02%
H Shares	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%

Except for the abovementioned, during the Reporting Period, there is no change in the total number of ordinary shares and shareholding structure of the Company.

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

On 10 January 2019, the Company completed the merger of Sinoair by absorption through share swap. Upon the completion of the merger of Sinoair by absorption through share swap, basic earnings per share of the Company for 2019 will be RMB0.38 and net assets per share as at the end of 2019 will be RMB3.84. If failing to implement the merger of Sinoair by absorption through share swap, basic earnings per share of the Company for 2019 will be RMB0.39 and net assets per share as at the end of 2019 will be RMB4.08.

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

Applicable ✓ Not applicable



Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders

(II) Changes in Restricted Shares

Applicable Not applicable

II. SECURITY ISSUANCE AND LISTING

(I) Security Issuance During the Reporting Period

Applicable Not applicable

Unit: share Currency: RMB

Type of share and derivative	Date of issue	Issue price (or coupon rate)	Amount issued	Date of listing	Shares permitted to be traded	Termination date
Ordinary Share						
Issuance of A shares	10 January 2019	RMB5.24 per share	1,351,637,231 shares	18 January 2019	1,351,637,231	-
Other Derivatives						
2019 First Tranche of RMB targeted asset-backed notes	19 December 2019	Priority issue rate of 3.45%	RMB1.1 billion	-	-	26 June 2020

Notes on issuance of securities during the Reporting Period (please specify respectively for the bonds with different interest rate in the duration):

Applicable Not applicable

- The 1,351,637,231 A Shares issued by the Company for merger of Sinoair by absorbing through share swap have been listed on the SSE on 18 January 2019. For details, please refer to "XVI. STATEMENT OF OTHER MATERIAL MATTERS" in "Chapter 6 Significant Matters" in this report.
- According to the authorization of the shareholders' general meeting and the Board, the Company applied to the National Association of Financial Market Institution Investor for the registration and issuance of receivables RMB and USD asset-backed notes. Among them, the Company's 2019 First tranche of RMB targeted asset-backed notes have been issued in the National Association of Financial Market Institution Investor on 19 December 2019 with a total issuance amount of RMB1.1 billion; the Company has not yet obtained the Confirmation of Registration Notice from the National Association of Financial Market Institution Investor in relation to USD asset-backed notes. For details, please refer to the "Announcement on Proposed Issuance of Accounts Receivable Asset-backed Notes and Related Party Transactions" (Lin 2019-051) and "Announcement on the Issuance of the First Tranche of RMB Targeted Asset-Backed Notes in 2019" (Lin 2019-059) disclosed on the SSE website (www.sse.com.cn).

(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

On 18 January 2019, the 1,351,637,231 A Shares issued by the Company for merger of Sinoair by absorbing through share swap have been listed on the SSE. The total number of issued shares of the Company increased from 6,049,166,644 shares to 7,400,803,875 shares. After the share merger and absorption, the minority shareholders' shareholding ratio increased, but Sinotrans & CSC remained the controlling shareholder of the Company, China Merchants remained the actual controller of the Company, and there was no significant change in the Company's shareholder structure. The original minority shareholders' rights and interests of Sinoair were all converted into Sinotrans' shareholders' equity attributable to the parent. Therefore, the absorption and merger changed the structure of the Company's owner's equity, but it did not change the Company's consolidated asset and liability structure.

(III) Existing Internal Staff Shares

Applicable ✓ Not applicable

III. SHAREHOLDERS AND ACTUAL CONTROLLERS

(I) Total Number of Shareholders

Total Number of ordinary Shareholders at the end of the Reporting Period (shareholders)	79,551
At the end of last month before the announcement date of annual report (shareholders)	77,254

At the end of the Reporting Period, the Company has 79,551 shareholders in total, including 79,426 A shareholders and 125 H shareholders. At the end of last month (February 2020) before the announcement date of annual report, the Company has 77,254 shareholders in total, including 77,129 A shareholders and 125 H shareholders.

(II) The Shareholding of the Top 10 Shareholders and Top 10 Outstanding Shareholders (or Shareholders Unlock-up) at the End of the Reporting Period

Unit: share

Name of Shareholders (Full Name)	Shareholding of the top 10 shareholders				Pledged or frozen status		
	Increase or decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares lock-up	Share Status	Number	Nature of shareholders
Sinotrans & CSC Holdings Co., Ltd.	0	2,461,596,200	33.26	2,461,596,200	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED	81,879	2,107,475,449	28.48	0	Unknown	Unknown	Overseas legal person
China Merchants Group Limited	157,913,995	1,600,597,439	21.63	1,442,683,444	Nil	0	State-owned legal person
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	51,346,878	51,346,878	0.69	0	Nil	0	State-owned legal person



Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders

Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	41,971,723	41,971,723	0.57	0	Nil	0	Overseas legal person
China National Machinery Imp. & Exp. Corp. (中國機械進出口(集團)有限公司)	37,849,623	37,849,623	0.51	0	Nil	0	State-owned legal person
DEUTSCHE POST BETEILIGUNGEN HOLDING	0	35,616,000	0.48	0	Unknown	Unknown	Overseas legal person
China Securities Finance Co., Ltd. (中國證券金融股份有限公司)	31,129,481	31,129,481	0.42	0	Nil	0	State-owned legal person
Chen Jingjian	17,343,628	17,343,628	0.23	0	Nil	0	Domestic natural person
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	15,326,447	15,326,447	0.21	0	Nil	0	Other

Shareholding of the Top 10 Shareholders Unlock-up

Name of shareholders	Number of shares unlock-up	Class and number of shares	
		Class	Number
HKSCC NOMINEES LIMITED	2,107,475,449	Foreign shares listed overseas	2,107,475,449
China Merchants Group Limited	157,913,995	Ordinary shares denominated in RMB	157,913,995
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	51,346,878	Ordinary shares denominated in RMB	51,346,878
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	41,971,723	Ordinary shares denominated in RMB	41,971,723
China National Machinery Imp. & Exp. Corp. (中國機械進出口(集團)有限公司)	37,849,623	Ordinary shares denominated in RMB	37,849,623
DEUTSCHE POST BETEILIGUNGEN HOLDING	35,616,000	Foreign shares listed overseas	35,616,000
China Securities Finance Co., Ltd. (中國證券金融股份有限公司)	31,129,481	Ordinary shares denominated in RMB	31,129,481
Chen Jingjian	17,343,628	Ordinary shares denominated in RMB	17,343,628

Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	15,326,447	Ordinary shares denominated in RMB	15,326,447
BTG Hotels (Group) Co., Ltd.(北京首旅酒店(集團)股份有限公司)	13,354,749	Ordinary shares denominated in RMB	13,354,749
Explanations on the related-party relations or acting in concert among the above shareholders	Sinotrans & CSC is a wholly-owned subsidiary of China Merchants.		
Explanations on the shares and voting rights restored of preferred shareholders	Nil		

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

✓ Applicable Not applicable

Unit: share

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

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

(III) Strategic Investors or General Corporations Becoming Top 10 Shareholders Due to the Placement of New Shares

Applicable ✓ Not applicable



Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders

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

As at 31 December 2019, so far as the Directors of the Company were aware, the following persons (other than Directors, Supervisors and chief executives) had interests and short positions in the Shares of the Company which were required to be disclosed to the Company and Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of SFO, or to be recorded in the register kept by the Company pursuant to Section 336 of SFO.

Name	Corporate interests	Class of Shares	Percentage in total issued Share capital	Percentage in issued H Share capital
China Merchants (Note 1)	4,062,193,639 (L)	A Shares	54.89%	
	107,183,000 (L)	H Shares	1.45%	4.997%
Pandanus Associates Inc. (Note 2)	195,806,000 (L)	H Shares	2.65%	9.13%
BlackRock, Inc. (Note 3)	154,355,573 (L)	H Shares	2.09%	7.20%
Citigroup Inc. (Note 4)	154,113,023 (L)	H Shares	2.08%	7.18%
	149,788,995 (P)	H Shares	2.02%	6.98%
LSV ASSET MANAGEMENT (Note 5)	128,534,000 (L)	H Shares	1.74%	5.99%
FIDELITY FUNDS (Note 6)	110,042,000(L)	H Shares	1.49%	5.13%

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

Notes:

- China Merchants holds 56.34% of the Company's total issued shares. China Merchants directly held 1,600,597,439 A Shares (long position), and indirectly held 2,461,596,200 A Shares (long position) and 107,183,000 H Shares (long position) through Sinotrans & CSC, its wholly owned subsidiary, and Sinotrans & CSC indirectly held 107,183,000 H Shares (long position) through its wholly owned subsidiaries, among which Sinotrans (Hong Kong) Holdings Ltd. held 106,683,000 H Shares (long position), and Sinotrans Shipping Inc. held 500,000 H Shares (long position).
- According to the Disclosure of Interests Form submitted by Pandanus Associates Inc. on the website of Hong Kong Stock Exchange, 195,806,000 H Shares (long position) are interests of corporations controlled by substantial shareholders, of which 38,566,000 H Shares (long position) are reported as unlisted derivatives settled in cash.
- According to the Disclosure of Interests Form submitted by BlackRock, Inc. on the website of Hong Kong Stock Exchange, 154,355,573 H Shares (long position) are interests of corporations controlled by substantial shareholders.
- According to the Disclosure of Interest Form submitted by Citigroup Inc. on the website of Hong Kong Stock Exchange, Citigroup Inc. held 3,136,000 H Shares (long position) in the capacity of security interest holder, and held 149,788,995 H Shares (long position) in the capacity of approved lending agent. 1,188,028 H Shares (long position) are interests of corporations controlled by substantial shareholders.
- According to the Disclosure of Interests Form submitted by LSV ASSET MANAGEMENT on the website of Hong Kong Stock Exchange, LSV ASSET MANAGEMENT held 87,013,000 H Shares (long position) in the capacity of investment manager. 41,521,000 H Shares (long position) are deemed interest through its general partnership interest in certain limited partnerships.
- According to the Disclosure of Interests Form submitted by FIDELITY FUNDS on the website of Hong Kong Stock Exchange, FIDELITY FUNDS held 110,042,000 H Shares (long position) in the capacity of beneficial owner.

Save as disclosed above, as at 31 December 2019, so far as the Directors of the Company were aware, there was no other person (other than Directors, Supervisors or chief executives) who had any interests and short positions in the Shares of the Company which would fall to be recorded in the register kept by the Company pursuant to Section 336 of SFO and disclosed to the Company and Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of SFO.

IV. CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

(I) Controlling Shareholder

1 Legal person

✓ Applicable Not applicable

Name	Sinotrans & CSC Holdings Co., Ltd.
Person in charge or legal representative	Song Dexing
Incorporation Date	9 June 1984
Primary Operating Business	Non-vessel operating business; 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 10,325.1 thousand shares in CJ Phoenix (SZ.000520), representing 1.02% of its total equities; it holds 1,357.4257 million shares in NJTC (Nanjing Tanker Corporation, SH.601975), representing 27.02% of its total equities.
Other circumstances	N/A

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

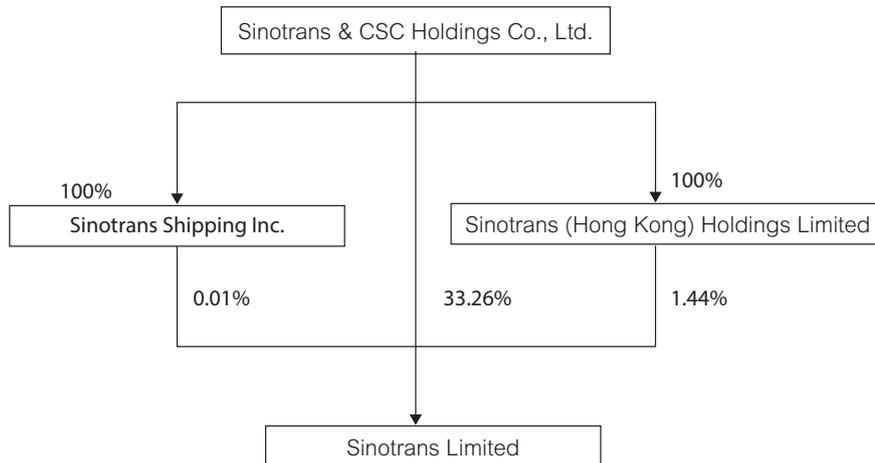
Applicable ✓ Not applicable



Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders

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

✓ Applicable Not applicable



(II) Actual 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.)

Shareholding of other controlling and shareholding companies listed domestically and overseas during the Reporting Period	<p>Holding 81.92% equity of China Merchants Port Group Co., Ltd.; holding 78.29% equity of Yingkou Port Liability Co., Ltd.; holding 75.01% equity of DaLian Port (PDA) Company Limited; holding 74.35% equity of China Merchants Land Limited; holding 68.72% equity of China Merchants Expressway Network & Technology Holdings Co., Ltd.; holding 64.54% equity of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司); holding 62.77% equity of China Merchants Port Holdings Co., Ltd.; holding 54.28% equity of China Merchants Energy Shipping Co., Ltd.; holding 51.16% equity of China Merchants Property Operation Co., Ltd. (招商局積餘產業運營服務股份有限公司); holding 29.97% equity of China Merchants Bank Co., Ltd.; holding 29.94% equity of Anhui Expressway Company Limited; holding 27.59% equity of CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED; holding 27.02% equity of Nanjing Tanker Corporation; holding 26.77% equity of Shanghai International Port(Group) Co., Ltd.; holding 24.56% equity of China International Marine Containers (Group) Ltd.; holding 24.88% equity of Sichuan Expressway Company Limited; holding 19.08% equity of Jinzhou Port Co., Ltd.; holding 17.75% equity of Fujian Expressway Development Co. Ltd.; holding 16.52% equity of Heilongjiang Transport Development Co., Ltd.; holding 16.02% equity of Shandong Expressway Company Limited (山東高速股份有限公司); holding 15.53% equity of Hubei Chutian Smart Communication Co., Ltd.; holding 15.43% equity of Henan Zhongyuan Expressway Co., Ltd.; holding 14.05% equity of Jilin Expressway Company Limited (吉林高速公路股份有限公司); holding 13.86% equity of Guangxi Wuzhou Communications Co., Ltd.; holding 12.36% equity of Great Wall Securities Co., Ltd.; holding 11.69% equity of Jiangsu Expressway Company limited; holding 7.04% equity of Hyundai Capital Co., Ltd.; holding 6.03% equity of S.F. Holding Co., Ltd. (順豐控股股份有限公司); holding 4.02% equity of Shenzhen Expressway Co., Ltd.; holding 3.09% equity of Ningbo Zhoushan Port Company Limited; holding 2.54% equity of Qingdao Port International Co., Ltd.; holding 1.28% equity of Chang Jiang Shipping Group Phoenix Co.,Ltd.; holding 1.20% equity of, Oriental Times Internet Media Co., Ltd.(東方時代網路傳媒股份有限公司); holding 0.53% equity of China Shipbuilding Industry Company Limited; holding 0.37% equity of Hunan Sunward Intelligent Machinery Co., Ltd. (湖南山河智能機械股份有限公司); holding 0.16% equity of CMMB Vision Holdings Limited.</p>
Other circumstances	N/A



Chapter 7 Movement of Ordinary Shares and Particulars of Shareholders

2 Natural person

Applicable Not applicable

3 A special explanation on no actual controllers of the company

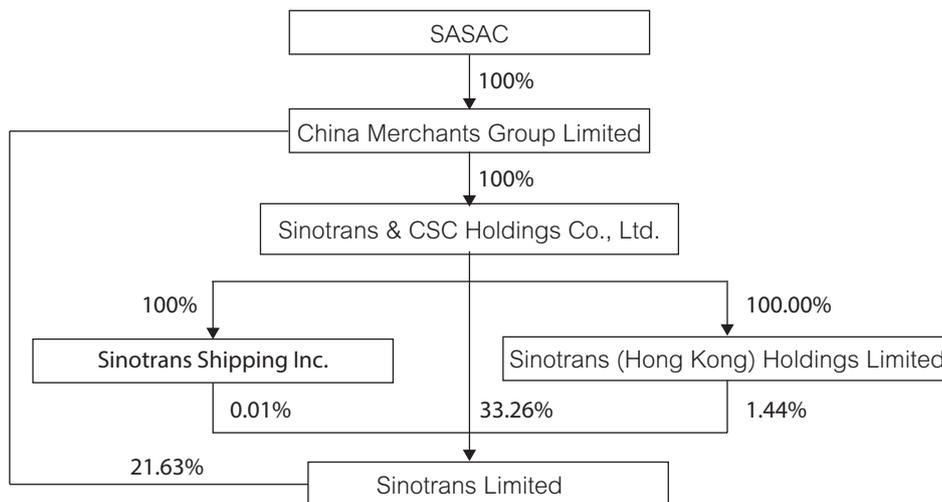
Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable



6 Actual 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 Actual 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 actual controller, China Merchants 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 42 months from the listing of A shares of Sinotrans, namely from 18 January 2019 to 17 July 2022.





Chapter 8 Particulars 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

Name	Position (Note)	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	Unit: shares	
										Total pre-tax remuneration received from the Company during the Reporting Period (RMB10,000 yuan)	Whether to get remuneration from related parties of the Company
Li Guanpeng	Chairman	Male	53	26 February 2019		0	0	0	/	204.10	N
	Executive Director			31 March 2014							
	President (Resigned)			8 February 2014	22 April 2019						
Song Dexing	Vice Chairman	Male	56	1 June 2018		0	0	0	/	0	Y
	Executive Director			15 December 2016							
Song Rong	Executive Director	Male	47	1 June 2018		0	0	0	/	191.64	N
	President			22 April 2019							
	Vice President (Resigned)			28 December 2015	22 April 2019						
Su Jian	Non-executive Director	Male	47	5 June 2019		0	0	0	/	0	Y
Xiong Xianliang	Non-executive Director	Male	52	5 June 2019		0	0	0	/	0	Y
Jiang Jian	Non-executive Director	Male	55	5 June 2019		0	0	0	/	0	Y
Jerry Hsu	Non-executive Director	Male	69	18 June 2003		0	0	0	/	0	N
Wang Taiwen	Independent non-executive Director	Male	73	28 December 2017		0	0	0	/	14.74	N
Meng Yan	Independent non-executive Director	Male	64	1 June 2018		0	0	0	/	14.74	N
Song Haiqing	Independent non-executive Director	Male	41	1 June 2018		0	0	0	/	14.74	N
Li Qian	Independent non-executive Director	Female	51	1 June 2018		0	0	0	/	14.74	N
Liu Yingjie	Chairman of Supervisory Committee	Male	47	12 June 2019		0	0	0	/	0	Y
	Supervisor			5 June 2019							
Zhou Fangsheng	Independent Supervisor	Male	70	30 December 2011		0	0	0	/	9.52	N
Fan Zhaoping	Independent Supervisor	Male	65	1 June 2018		0	0	0	/	9.52	N
Ren Dongxiao	Staff representative Supervisor	Female	54	14 January 2014		0	0	0	/	70.25	N
Mao Zheng	Staff representative Supervisor	Female	53	14 March 2019		0	0	0	/	84.45	N



Chapter 9 Directors, Supervisors, Senior Management and Employees

Name	Position (Note)	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 (RMB10,000 yuan)	Whether to get remuneration from related parties of the Company
Chen Xianmin	Vice President	Male	55	16 May 2018		0	0	0	/	147.54	N
Wu Xueming	Vice President	Male	56	4 August 2010		0	0	0	/	156.54	N
	Executive Director (Resigned)			1 June 2018	22 April 2019						
Tian Lei	Vice President	Male	54	10 May 2018		0	0	0	/	129.69	N
Chen Hairong	Vice President	Male	56	10 May 2018		0	0	0	/	129.69	N
Wang Jiuyun	CFO	Male	53	20 December 2016		0	0	0	/	127.73	N
Li Shichu	Secretary of the Board	Male	49	28 December 2016		0	0	0	/	127.74	N
Gao Xiang	CDO (IT director)	Male	47	14 September 2016		0	0	0	/	146.97	N
Wang Hong (Resigned)	Executive Director, Chairman	Male	57	1 June 2018	26 February 2019	0	0	0	/	0	Y
Wang Lin (Resigned)	Executive Director	Male	60	31 March 2017	22 April 2019	0	0	0	/	72.81	N
Total	/	/	/	/	/	0	0	0	/	1667.15	/

Name Major work experience

Li Guanpeng

Born in 1966, is the Chairman 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 Company Limited. 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 Company Limited. From August 2013 to January 2014, Mr. Li acted as Vice President of the Company. From February 2014 to April 2019, Mr. Li was appointed as the President of the Company. Mr. Li was appointed as the executive Director of the Company in March 2014. Mr. Li was appointed as the Secretary of the Communist Party Committee of the Company in May 2018. In January 2019, Mr. Li was appointed as the Chairman of DHL-Sinotrans International Air Courier Ltd.. In February 2019, Mr. Li was appointed as the Chairman of the Company.

Name	Major work experience
Song Dexing	<p>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 Manger 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 October 2017, Mr. Song was appointed as the chairman of Nanjing Port (Group) Co., Ltd. In November 2017, Mr. Song was appointed as the Secretary of the Communist Party Committee of Sinotrans & CSC Holdings Co., Ltd. In September 2018, Mr. Song was appointed as the business director of Transportation and Logistics, the director of the Transportation and Logistics Division/Beijing Headquarters of China Merchants 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 Co., Ltd. (Stock Code: SH601872). Since December 2018, Mr. Song has been serving as the director of China Merchants Port Group Co., Ltd. (Stock Code: SZ001872). Mr. Song was appointed as the executive Director of the Company in December 2016. Mr. Song was appointed as the Vice Chairman of the Company in June 2018.</p>



Chapter 9 Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Song Rong	<p>Born in 1972, is the executive Director and president of the Company and also the member of the Executive Committee of the Board. Mr. Song 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 I. 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 and Secretary of the Communist Party Committee of the Company in December 2015. From September 2017 to August 2018, Mr. Song served as the General Manager and Vice Secretary of the Communist Party Committee of Sinotrans Logistics. Mr. Song served as the Chairman of Sinotrans Logistics in August 2018, and has served as Secretary of the Communist Party Committee from August 2018 to May 2019. Mr. Song was re-appointed as the Vice President and Vice Secretary of the Communist Party Committee of the Company in May 2018. Mr. Song was appointed as the executive Director of the Company in June 2018. Mr. Song also served as the Chairman of Sinotrans Chemical International Logistics Co., Ltd. in November 2018. Mr. Song was appointed as the President of the Company in April 2019.</p>
Su Jian	<p>Born in 1972, is the non-executive Director of the Company. Mr. Su graduated from Shanghai University of Finance and Economics in 1993 with a bachelor's degree in economics. Mr. Su joined China Merchants Group in July 1993 and worked in Guangzhou Merchants International Travel Company. Then Mr. Su successively served as Senior Officer of Finance Department of China Merchants, Senior Manager of Finance Department of China Merchants Shekou Industrial Zone Co., Ltd., Senior Manager and Assistant General Manager of Finance Department of China Merchants. Mr. Su served as Deputy General Manager of the Finance Department of China Merchants from June 2012 to February 2014, Deputy General Manager/Deputy Head of Human Resources Department of China Merchants from February 2014 to May 2016, Secretary of the Communist Party Committee and Vice President of China Merchants Industry Group Co., Ltd. from May 2016 to January 2017, and Deputy Head of Finance Department (Property Department) of China Merchants (in charge of the operation of the Department) from January 2017 to July 2017. Since July 2017, Mr Su has been serving as Head of Finance Department (Property Department) of China Merchants. Mr. Su has been serving as a director of China Merchants Securities Co., Ltd. (Stock Code: SH600999 and HK06099) since May 2017, China Merchants Expressway Network & Technology Holdings Co., Ltd. (Stock Code: SZ001965) since January 2018, China Merchants Port Holdings Co., Ltd. (Stock Code: HK00144) since October 2017 and China Merchants Port Group Co., Ltd. (Stock Code: SZ001872) since December 2018. Mr. Su also served as a director of China Merchants Energy Shipping Co., Ltd. (Stock Code: SH601872) from May 2017 to January 2019. Mr. Su was appointed as the non-executive Director of the Company in June 2019.</p>



Name	Major work experience
Xiong Xianliang	<p>Born in 1967, is the non-executive Director of the Company. Mr. Xiong graduated from Nankai University in January 1994, with a Ph.D in Economics, and was granted Research Fellow by the Development and Research Center of the State Council in September 2000. Mr. Xiong successively served as Assistant Research Fellow, Associate Research Fellow, Research Fellow and Division Head of the Development and Research Center of the State Council from March 1994 to December 2000. Then Mr. Xiong served as Deputy Head of Chongqing Development and Planning Committee and Chongqing Western Regions Development Office from December 2000 to December 2004, Deputy Chief of Comprehensive Department of the Office of Western Regions Development Leading Group of the State Council (a temporary post) from July 2003 to December 2003, Counsel of Comprehensive Department and Industry and Trade Department in the Research Office of the State Council from December 2004 to October 2011 successively, and Head of Strategy and Research Department of China Merchants from October 2011 to March 2015. Mr. Xiong has been serving as Head of Strategy and Development Department of China Merchants since March 2015, Head of Development and Research Center of China Merchants and Dean of Institute of Science, Technology and Innovation, China Merchants since August 2018. Mr. Xiong served as a director of China Merchants Bank Co., Ltd. (Stock Code: SH600036 and HK03968) from June 2012 to June 2014. Mr. Xiong has been serving as a director of China Merchants Securities Co., Ltd. (Stock Code: SH600999 and HK06099) since December 2014 and China Merchants Port Holdings Co., Ltd. (Stock Code: HK00144) since June 2018. Mr. Xiong was appointed as the non-executive Director of the Company in June 2019.</p>
Jiang Jian	<p>Born in 1964, is the non-executive Director of the Company. Mr. Jiang graduated from Dalian Maritime Institute in July 1988 with a bachelor's degree in engineering, and graduated from Dalian Maritime University through part-time study in October 2007 with a Ph.D in engineering. Mr. Jiang joined the China National Foreign Trade Transportation Corporation in 1988, and successively served in Liaoning Branch of China National Foreign Trade Transportation Corporation and Liaoning Foreign Trade Container Shipping Co., Ltd. Mr. Jiang successively served in Sinotrans Liaoning Company and Sinotrans Liaoning Company Limited from May 1998 to October 2008. Mr. Jiang served as Assistant President of China National Foreign Trade Transportation (Group) Corporation and Sinotrans & CSC Holdings Co., Ltd. from October 2008 to December 2015 successively, and Vice President of Sinotrans & CSC Holdings Co., Ltd. from October 2015 to July 2016. Mr. Jiang has been serving as Head of the Disciplinary Committee Office of China Merchants since July 2016, Deputy Secretary of the Disciplinary Committee and Head of the Supervision Department of China Merchants since November 2016 and Head of the Communist Party Committee Inspection Leading Group Office in China Merchants from May 2018 to September 2019. Mr. Jiang was appointed as the non-executive Director of the Company in June 2019.</p>





Chapter 9

Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Jerry Hsu	<p>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. Before December 2015, Mr. Hsu was CEO of DHL Express Asia Pacific and a member of the DHL Express Global Management Board responsible for China, Hong Kong, Taiwan, Japan, Korea, South East Asia, India and South Asia, Oceania and other markets and regions. Before September 2002, Mr. Hsu was the International Area Director of DHL responsible for Hong Kong, Singapore, Taiwan, South Korea, Mongolia and North Korea and other countries or regions. Prior to joining DHL in January 2001, Mr. Hsu held various senior management positions in Daimler Chrysler 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.</p> <ul style="list-style-type: none"> • 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 Investor"). • 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 SEHK Listing Rules, the Strategic Investor's nominee director above has interests (by way of minority equity interests or stock options or directorships) in competing businesses (i.e. those of the Strategic Investors, each being a major international company in the transportation and logistics industry), and the Company has been and continues to carry on its own businesses that are independent of and at arms-length from, those businesses and also deal with businesses through its joint ventures and cooperation arrangements with those Strategic Investors.



Name	Major work experience
Wang Taiwen	<p>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 graduated from Dalian Railway Institute in 1962. Mr. Wang started his career in Ziyang Internal Combustion Locomotive Co., Ltd. of China Ministry of Railway and worked successively as an engineer, Branch Factory Manager, General Manger and the Secretary of Communist Party Committee. Then he acted as President, Chairman and Secretary of Communist Party Committee of China Railway Locomotive and Rolling Stock Industry Corporation, and later as Chairman and Secretary of Communist Party Committee of China Southern Locomotive and Rolling Stock Industry (Group) Corporation. He also acted as an independent non-executive director in China Railway Group Limited. From October 2006 to December 2012, Mr. Wang served successively as an external director of China National Foreign Trade Transportation (Group) Corporation and an external director of SINOTRANS & CSC. Mr. Wang is the independent non-executive director of China Automation Group Limited (Stock Code: HK00569, delisted on 28 October 2019) and the Independent Director of Guangdong Huatie Tongda Highspeed Railway Equipment Corporation (Stock Code: SZ000976). Mr. Wang was appointed as the independent non-executive director of the Company in December 2017.</p>
Meng Yan	<p>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 an independent director of Beijing Capital Co., Ltd. (Stock Code: SH600008), an independent director of Beijing Bashi Media Co., Ltd. (Stock Code: SH600386), an independent non-executive director of Jolimark Holdings Limited (Stock Code: HK2028), and an independent non-executive director of China Longyuan Power Group Corporation Limited (Stock Code: HK916). Mr. Meng was appointed as the independent non-executive director of the Company in June 2018.</p>





Chapter 9

Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Song Haiqing	<p>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 Yatsen 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.</p>
Li Qian	<p>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 HYLANDS 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.</p>
Liu Yingjie	<p>Born in 1972, is the chairman of the Supervisory Committee of the Company. Mr. Liu graduated from Capital University of Economics and Business in August 1995, with a bachelor's degree in economics. Mr. Liu successively served as Deputy Division Chief, Division Chief of Comprehensive Audit Division and Division Chief of Computerized Audit Division in the Supervision Department of China Cosco Shipping Corporation Limited from August 1995 to March 2014. Mr. Liu has successively served as Assistant General Manager of Audit Department, Deputy Head and Head of Risk Management Department, Head of the Risk Management Department/Legal Compliance Department and Head of Audit Center since he joined China Merchants in April 2014. Mr. Liu has been serving as the chairman of supervisory committee of China Merchants Port Group Co., Ltd. (Stock Code: SZ001872) since December 2018. Mr. Liu was appointed as the Supervisor and the chairman of the Supervisory Committee of the Company in June 2019.</p>



Name	Major work experience
Zhou Fangsheng	<p>Born in 1949, is the Independent Supervisor of the Company. 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 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. Currently, Mr. Zhou serves as an independent non-executive director of Hengan International Group Company Limited (Stock Code: HK01044), an independent non-executive director of China National Building Material Co., Ltd. (Stock Code: HK03323), and an independent director of Chenguang Biotech Group Co., Ltd. (Stock Code: SZ300138). Mr. Zhou was appointed as the Independent Supervisor of the Company in December 2011.</p>
Fan Zhaoping	<p>Born in 1954, is the independent 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 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. Mr. Fan was appointed as the supervisor of the Company in June 2018. Mr. Fan was appointed as an independent director of CIMC Vehicles (Group) Co., Ltd. (Stock Code: HK01839) in May 2019.</p>
Ren Dongxiao	<p>Born in 1965, is the Staff Representative Supervisor of the Company. Ms. Ren studied Japanese language and graduated from Dalian University of Foreign Languages in 1988. 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 from July 2008 to September 2010. Since September 2010, Ms. Ren has worked as the Vice-chairman of Labor Union of the Company. Ms. Ren acted as Assistant General Manager of President's Office, Assistant General Manager, Deputy General Manager of Party & Mass Affairs Department of the Company from October 2010 to September 2018. In September 2018, Ms. Ren has acted as an advisor of Office of Party Committee and Publicity Office of Party Committee. Ms. Ren was appointed as the Staff Representative Supervisor of the Company in January 2014.</p>



Chapter 9 Directors, Supervisors, Senior Management and Employees

Name	Major work experience
Mao Zheng	<p>Born in 1966, is the Staff Representative Supervisor of the Company. Ms. Mao 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. From March 2018 to December 2019, Ms. Mao was appointed as Deputy General Manager in Human Resource Department of the Company, and from September 2018 to December 2019, Ms. Mao was appointed as Deputy Director in Organizational Department of Party Committee of the Company. In December 2019, Ms. Mao was appointed as an advisor in Human Resource Department of the Company. Ms. Mao was appointed as the Staff Representative Supervisor of the Company in March 2019.</p>
Chen Xianmin	<p>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 Sinotrans Logistics, General Manager of Guangzhou Branch, General Manager of Business Development Department, Director of Customer Service. From December 2010 to April 2014, Mr. Chen was the Assistant to the General Manager of Sinotrans Logistics. From April 2014 to January 2016, he was appointed as the Deputy General Manager of Sinotrans Logistics. From January 2016 to August 2018, Mr. Chen was appointed as the Executive Deputy General Manager of Sinotrans Logistics. In August 2018, Mr. Chen was appointed General Manager of Sinotrans Logistics. In May 2018, Mr. Chen was appointed as the Vice President of the Company.</p>
Wu Xueming	<p>Born in 1963, is the Vice President 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 Co., Ltd. and he served as Executive Director of China Marine 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 from June 2015 to April 2019.</p>

Name	Major work experience
Tian Lei	<p>Born in 1965, is the Vice President and General Counsel 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 Sinotrans Logistics, 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 Sinotrans Logistics and from June 2011, served as the General Legal Counsel. From April 2014 to August 2018, Mr. Tian was appointed as the Deputy General Manager and General Counsel of Sinotrans Logistics. In May 2018, Mr. Tian was appointed as the Vice President of the Company. He was appointed as the General Counsel of the Company in June 2019.</p>
Chen Hairong	<p>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 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 Sinotrans Logistics, Deputy Manager of Anda Passenger Company, Deputy General Manager of Shanghai Branch and General Manager of Human Resources Department. From December 2010 to December 2013, he served as the Director of Shanghai Office of China Merchants. From January 2013 to January 2015, he served as the Assistant General Manager of Sinotrans Logistics. From January 2015 to August 2018, Mr. Chen was appointed as Deputy General Manager and member of the Party Committee of Sinotrans Logistics. In May 2018, Mr. Chen was appointed as the Vice President of the Company.</p>



Chapter 9 Directors, Supervisors, Senior Management and Employees

Name	Major work experience
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 December 2001, Mr. Wang served in TNT Skypak-Sinotrans Int'l Express Company as the National Accounting & Finance Manager, Manager of the Accounting & Finance Department of New Asia Ltd., the F&A Manager of International United Shipping Agency (Hong Kong) Co., Ltd., Manager of Overseas Section of Financing and Accounting Department of China National Foreign Trade Transportation (Group) Corporation. From January 2002 to April 2004, Mr. Wang was appointed as Chief Financial Officer of North China Region of Sinotrans Air Transportation Development Co., Ltd. From May 2004 to August 2006, Mr. Wang was appointed as the General Manager of the Financing and Accounting Department of Sinoair. From August 2006 to April 2013, Mr. Wang was appointed as the Deputy General Manager of Sinoair. From November 2010 to April 2013, Mr. Wang held a concurrent post as the Chief Financial Officer of Sinoair. From April 2013 to December 2017, Mr. Wang was appointed as the General Manager of the Accounting & Financial Department of the Company. Mr. Wang was appointed as a director of DHL-Sinotrans International Air Courier Ltd in December 2015. In December 2016, Mr. Wang was appointed as the Chief Financial Officer of the Company.
Li Shichu	Born in 1970, is the Board Secretary/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. In August 2019, Mr. Li was appointed as a director of DHL-Sinotrans International Air Courier Ltd.
Gao Xiang	Born in 1972, is the Chief Information Officer of the Company (IT director). Mr. Gao graduated from Nankai University in 1995. 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. In September 2016, Mr. Gao was appointed as the Chief Digital Officer (IT director) of the Company.

Other information

Applicable

✓ Not applicable



(II) Share Incentives to Directors, Senior Management Personnel during the Reporting PeriodApplicable 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	Date of term commencement	Date of term expiration
Song Dexing	China Merchants Group Limited	Business director of Transportation and Logistics, the director of the Transportation and Logistics Division/business director of Transportation and Logistics, head of Beijing Headquarters of China Merchants	September 2018	
	Sinotrans & CSC Holdings Co., Ltd.	General Manager	June 2016	
	Sinotrans & CSC Holdings Co., Ltd.	Executive Director	September 2018	
Su Jian	China Merchants Group Limited	Head of Finance Department (Property Department)	July 2017	
Xiong Xianliang	China Merchants Group Limited	Head of Strategy and Development Department	March 2015	
	China Merchants Group Limited	Head of Development and Research Center	August 2018	
Jiang Jian	China Merchants Group Limited	Head of Disciplinary Committee Office	July 2016	
	China Merchants Group Limited	Deputy Secretary of Disciplinary Committee, Head of Supervision Department	November 2016	
	China Merchants Group Limited	Head of the Communist Party Committee Inspection Leading Group Office	May 2018	September 2019
Liu Yingjie	China Merchants Group Limited	Head of the Risk Management Department/Legal Compliance Department and Head of the Audit Center	September 2018	
Wang Hong (resigned)	China Merchants Group Limited	Deputy General Manager	December 2015	
Explanation on position in the shareholder's entity	N/A			



Chapter 9 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	Date of term commencement	Date of term expiration
Li Guanpeng	DHL-Sinotrans International Air Courier Ltd.	Chairman	January 2019	
Song Dexing	Nanjing Port (Group) Co., Ltd.	Chairman	October 2017	
	China Merchants Energy Shipping Company Limited	Vice Chairman	June 2018	
	China Merchants Port Group Co., Ltd.	Director	December 2018	
	Liaoning Port Group Limited (遼寧港口集團有限公司)	Director	September 2019	
Song Rong	China Merchants Loscam International Holdings Co., Ltd.	Chairman	December 2018	
	Shanghai Lianhe Cold Chain Logistics Co., Ltd.	Director	May 2018	
Su Jian	Sinotrans PFS Company Limited	Director	June 2018	December 2019
	China Merchants Securities Co., Ltd.	Director	May 2017	
	China Merchants Expressway Network & Technology Holdings Company Limited	Director	January 2018	
	China Merchants Port Holdings Company Limited	Director	October 2017	
	China Merchants Port Group Co., Ltd.	Director	December 2018	
	China Merchants Energy Shipping Company Limited	Director	May 2017	January 2019
	China Merchants Industry Group Co., Ltd.	Director	September 2017	
Xiong Xianliang	China Merchants Chongqing Communications Technology Research & Design Institute CO., LTD.	Director	September 2017	
	Institute of Science, Technology and Innovation, China Merchants Group	Dean	August 2018	
	China Merchants Securities Co., Ltd.	Director	December 2014	
Wang Taiwen	China Merchants Port Holdings Company Limited	Director	June 2018	
	Guangdong Huatie Tongda High-speed Railway Equipment Corporation	Independent Director	March 2016	
	China Automation Group Ltd.	Independent Non-executive Director	October 2009	
Meng Yan	Beijing Huansheng Technology Co., Ltd. (北京寰升科技有限公司)	Chairman	June 2018	
	Wuxi JinXin Group Co., Ltd.	Director	July 2018	
	Central University of Finance and Economics	Professor, PhD Supervisor	September 1997	
	Jolimark Holdings Limited	Independent Non-executive Director	March 2005	
	China Longyuan Power Group Corporation Limited	Independent Non-executive Director	July 2009	
	Beijing Bashi Media Co., Ltd. Beijing Capital Co., Ltd.	Independent Director Independent Director	April 2016 December 2017	

Name of officer	Name of the other entities	Position in the other entities	Date of term commencement	Date of term expiration
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)/Beijing HYLANDS Law Firm Shanghai Branch	Partner	November 2015	
Liu Yingjie	China Merchants Port Holdings Company Limited	Chairman of the Supervisory Committee	December 2018	
	China Merchants Energy Shipping Company Limited	Supervisor	May 2017	April 2019
Zhou Fangsheng	Hengan International Group Company Limited	Independent Non-executive Director	January 2013	
	China National Building Material Company Limited	Independent Non-executive Director	May 2016	
	ChenGuang Biotechnology Group Co., Ltd.	Independent Director	January 2016	
Fan Zhaoping	CIMC Vehicles (Group) Co., Ltd.	Independent Director	May 2019	
Wu Xueming	Nissin-SinoTrans International Logistics Co., Ltd.	Chairman	April 2015	
	New Land Bridge (Lianyungang) Terminal Company Limited	Chairman	March 2016	August 2019
Chen Hairong	China United Tally Co., Ltd.	Vice Chairman	December 2015	November 2019
	China Merchants Yingkai Investment Development (Shenzhen) Co., Ltd. (招商盈凱投資發展(深圳)有限公司)	Executive Director, General Manager, Legal Representative	May 2019	
Wang Jiuyun	Sinotrans PFS Company Limited	Supervisor	March 2014	
	DHL-Sinotrans International Air Courier Ltd.	Director	December 2015	
	China Merchants Hainan Investment Development Co., Ltd. (招商局海南投資開發有限公司)	Director	December 2018	
Li Shichu	DHL-Sinotrans International Air Courier Ltd.	Director	August 2019	
	China United Tally Co., Ltd.	Vice Chairman	November 2019	
Wang Hong (resigned)	China International Marine Containers (Group) Co., Ltd.	Chairman	December 2015	
Position in other entities	The above positions do not include those of directors, supervisors and senior management in Sinotrans and its subsidiaries and shareholders' entities.			





Chapter 9

Directors, Supervisors, Senior Management and Employees

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 Committee of the Board makes recommendations to the Board on the remuneration policy and structure of directors and senior management of the Company, formulates remuneration packages for senior management, and makes recommendations to the Board on the remuneration of directors. The remuneration of senior management is determined by the Board. The remuneration of directors and supervisors who are non-employee representative are determined by the general meeting.
Basis for determining the remuneration of directors, supervisors and senior management	The remuneration of directors, supervisors and senior management are determined in accordance with the Articles of Association and the Management Measures for the Remuneration and Assessment of Senior Management of Sinotrans.
Actual payment of remuneration of directors, supervisors and senior management	For the remuneration payable to directors, supervisors and senior management who are currently serving or have served during the Reporting Period, please refer to the "I. 1. Changes in Shareholding and Remuneration of Present Directors, Supervisors and Senior Managers and the Ones Resigned During Reporting Period" of this section.
Total payment of remuneration before tax 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 RMB16.6715 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.



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

✓ Applicable Not applicable

Name	Position	Changes	Reasons for changes
Li Guanpeng	Chairman	Elected	Chairman Change
Su Jian	Non-executive Director	Elected	Director Change
Xiong Xianliang	Non-executive Director	Elected	Director Change
Jiang Jian	Non-executive Director	Elected	Director Change
Liu Yingjie	the Supervisor and the chairman of the Supervisory Committee	Elected	Supervisor Election
Mao Zheng	Staff representative Supervisor	Elected	Supervisor Election
Song Rong	President	Appointed	Work Adjustment
Wang Hong (Resigned)	Director, Chairman	Resigned	Work Adjustment
Wang Lin (Resigned)	Executive Director	Resigned	Work Adjustment
Wu Xueming (Resigned)	Executive Director	Resigned	Work Adjustment
Li Guanpeng (Resigned)	President	Resigned	Work Adjustment
Song Rong (Resigned)	Vice President	Resigned	Work Adjustment

- On 26 February 2019, Mr. Wang Hong, the chairman and executive Director of the Company resigned his position as a Director. On the same day, the Company held the 8th meeting of the second session of the Board, at which the Proposal in Relation to the Election of Mr. Li Guanpeng as the Chairman of the Company (Legal Representative) was considered and approved. The Board agreed to elect Mr. Li Guanpeng as the chairman of the Company (Legal Representative), with a term of office from the date of approval by the Board to conclusion of the second session of the Board.
- On 14 March 2019, the Company held the first staff representative meeting for the year of 2019, and agreed to elect Ms. Mao Zheng as the staff representative Supervisor of the Company, with a term of office from the date of approval by the staff representative meeting to conclusion of the second session of the Board.
- On 22 April 2019, Mr. Li Guanpeng, the president of the Company, resigned his position as the president. On the same day, the Company held the 10th meeting of the second session of the Board, at which the Proposal in Relation to the Appointment and Dismissal of Senior Management of the Company was considered and approved. The Board agreed to appoint Mr. Song Rong as the president of the Company, with a term of office from the date of approval by the Board to conclusion of the second session of the Board, and to dismiss Mr. Song Rong from the position of vice president of the Company.
- On 22 April 2019, Mr. Wang Lin and Mr. Wu Xueming, executive Directors of the Company, resigned their positions as Directors.
- On 5 June 2019, the Company convened 2018 Annual General Meeting, at which the Proposal in Relation to Election of Directors of the Company and the Proposal in Relation to Election of Supervisor of the Company were considered and approved. Mr. Su Jian, Mr. Xiong Xianliang and Mr. Jiang Jian were appointed as non-executive Directors of the Company, and Mr. Liu Yingjie was appointed as a Supervisor of the Company, with a term of office from the date of approval by the annual general meeting to conclusion of the second session of the Board.



Chapter 9 Directors, Supervisors, Senior Management and Employees

6. On 12 June 2019, the Company held the 3rd meeting of Supervisory Committee for the year of 2019, at which the Proposal in Relation to Election of Chairman of the Supervisory Committee of the Company was considered and approved. The Company agreed to elect Mr. Liu Yingjie as the chairman of Supervisory Committee of the Company, with a term of office from the date of approval by Supervisory Committee to conclusion of the second session of the Board.

Relevant announcements regarding above matters have been published on China Securities Journal, Securities Daily, as well as the websites of SSE (www.sse.com.cn) and SEHK (www.hkex.com.hk).

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

Applicable ✓ Not applicable

VI. EMPLOYEE OF THE PARENT COMPANY AND MAIN SUBSIDIARIES

(I) Employees

Number of employees with the parent company	578
Number of employees with main subsidiaries	33,173
Total number of employees	33,751
Retired employees for whom the parent company and main subsidiaries need to bear costs	3,014

Professions

Type of professions	Number of employees
Production	23,433
Sales	1,841
Technical	492
Financial	1,782
Administrative	1,489
Management	4,171
Others	543
Total	33,751

Level of education

Type of level of education	Number of employees
Master's degree or above	1,401
Bachelor	12,774
College	10,360
Senior high school	6,577
Junior high school or below	2,639
Total	33,751



(II) Remuneration Policy

- ✓ Applicable Not applicable

A remuneration and benefit management system that matches the Company's characteristics has been established by the Group pursuant to the Labour Contract Law and relevant laws and regulations, to formalize 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.

(III) Training Plan

- ✓ Applicable Not applicable

In 2019, the offline training of the Group accumulated to 1,234,551 hours, while 15,122 online courses were completed (31,756 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 techniques 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	658,000
Total payment for labor outsourcing	RMB27.1375 million

VII. OTHERS

- ✓ Applicable Not applicable

(I) Directors' and Supervisors' Service Contracts and Remuneration

Pursuant to the Company's announcement dated 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 "I. 1. Changes in Shareholding and Remuneration of Present Directors, Supervisors and Senior Managers and the Ones Resigned During Reporting Period" of this Chapter.

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





Chapter 9

Directors, Supervisors, Senior Management and Employees

(II) Directors' and Supervisors' Interests in Shares

As at 31 December 2019, none of the Directors, president, Supervisors or their associates had any interests in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are considered or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be recorded 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.

(III) Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

For the year ended 31 December 2019, 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 Reporting Period, 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.

(IV) 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. For 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, please refer to the section entitled "Relationship with Sinotrans & CSC Group" in the prospectus of the Company dated 29 January 2003.

In 2018, in order to facilitate the merger of Sinoair by absorption through share swap, Sinotrans & CSC, the controlling shareholder of the Company, undertook that, within three years from the effective date of the undertaking, Sinotrans & CSC Group will take measures to gradually realize the withdrawal of operation by the Entrusted Companies in the integrated logistics business according to the actual situation, and solve the problem of substantial horizontal competition with the Company and its subsidiaries. On 6 May 2019, the Company entered into a new Entrusted Management Agreement with Sinotrans & CSC, pursuant to which, the Company can effectively avoid the potential competition with Sinotrans & CSC Group by managing the Entrusted Companies.

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

At no time during the year ended 31 December 2019 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.



Chapter 10 Corporate Governance (Corporate Governance Report)

I. RELEVANT INFORMATION OF CORPORATE GOVERNANCE

✓ Applicable Not applicable

During the Reporting Period, the Company kept improving its corporate governance structure in accordance with the Company Law, the Securities Law, and the Code of Corporate Governance for Listed Companies decreed by the CSRC and other applicable laws and regulations, as well as the requirements on corporate governance by the SSE and the SEHK. The Company has set up and kept improving the internal control system and constantly promotes the standardized and systematic management to enhance corporate governance. So far, 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:

(I) Strengthening Standardized Operation of Corporate Governance

The General Meeting is the highest authority of the Company. In accordance with the Articles of Association and other regulations, the Company adopted the mode combining online voting with on-site voting to organize general meetings and strictly implemented voting procedures to actively safeguard the legitimate rights and interests of its shareholders. The convening, proposal, holding, voting and resolution of general meetings are legal and valid, and witnessed by lawyers on the spot. During the Reporting Period, the Company convened one annual general meeting and two extraordinary general meetings.

The Board is the operational decision-making authority of the Company, responsible to the general meeting, conscientiously implements the resolutions of the general meetings, and performs the duties of the Board in terms of corporate strategy implementation, decision-making of major projects, risk prevention and control, incentives and constraints, and improvement of corporate governance. All directors of the Company conscientiously understood and considered every proposal with due diligence and in good faith in accordance with the duties set out in the Articles of Association and the Procedural Rules for the Board, ensuring the scientificity and effectiveness of the decisions made by the Board. In addition, the Board has four special committees, namely the Executive Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. During the Reporting Period, all committees 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 12 meetings of the Board, 6 meetings of the Audit Committee, 1 meeting of the Nomination Committee and 2 meetings of the Remuneration Committee.

The Supervisory Committee, as the Company's supervisory organization, carefully reviews and supervises the Company's finance, auditing, and the legal compliance of the Company's directors and senior management. During the Reporting Period, the Company convened 6 meetings of the Supervisory Committee and completed the work of by-election of supervisors.

The management, as the Company's executive agency, is responsible to the Board of Directors. In accordance with the Articles of Association and the authorization of the Board, the management convened the president's office meetings to discuss material matters of the Company, strictly implemented the resolutions of the Board and general meetings, and reported to the Board on the operation and management.





Chapter 10 Corporate Governance (Corporate Governance Report)

(II) Improving the Construction of Corporate Governance System

As an A + H listed company, the Company continues to improve its corporate governance system and build a well-established compliance system. During the Reporting Period, in accordance with the relevant regulations of the CSRC and the Listing Rules in Listing Places, and based on the actual situation of the Company, the relevant provisions of the Articles of Association, the Rules of Procedure of the Executive Committee of the Board of Directors, and the Working Rules of the General Manager were revised, and the Rules for the Work of the Annual Report of the Audit Committee of the Board of Directors, the Working Rules for the Annual Report of Independent Directors, the Rules for the Management of Shares of the Company Held by Directors, Supervisors and Senior Management Personnel, the Management System for Capital Flow of Related Parties, the Responsibility for Major Errors in Annual Report Information Disclosure System, the Management System for Suspension and Exemption of Information Disclosure and other systems were formulated.

(III) Improving the Standardization of Information Disclosure

In accordance with the relevant requirements of the Listing Rules in Listing Places, the Company has fulfilled its information disclosure obligations in a true, accurate, complete and timely manner, and has continuously strengthened its information disclosure management. During the Reporting Period, the Company continued to strengthen internal compliance training and discussion in accordance with the requirements of the Listing Rules in Listing Places, and effectively improved the compliance and responsibility awareness of the Company's major information reporting entity, and continued to improve the standardization of information disclosure. During the Reporting Period, the Company disclosed 123 documents on the SSE and 212 H-share documents (in Chinese and English) on the SEHK.

(IV) Strengthening Investor Relationship Management

The Company attaches great importance to communication with investors, and believes that continuous and open contact with investors will help improve investors' understanding and confidence in the Company and improve the Company's governance. The Company maintains close communication with domestic and foreign investors through post-results conferences, investor hotlines, IR mailboxes, SSE e-interactions, roadshows and reverse roadshows, reception of investor visits, and participation in investment conferences, and creates opportunities for field research and understanding of the Company. At the same time, the Company's website provides information about the Company's investor relations, corporate governance and other latest information in a timely manner and is updated from time to time. By timely and fully informing investors of the management philosophy, market environment, operating conditions and development strategies, the Company has enhanced its transparency and deepened investors' understanding of the Company.

2019 is the first year of the Company's A-share listing. During the Reporting Period, the Company initially established A-share investor communication channels through diversified communication methods. It organized the A-share investor reverse roadshow for the first time, paid a site visit to Sinotrans Shanghai Fengxian Logistics Center, and answered more than 60 questions on the SSE e-interaction platform. In 2019, the Company held nearly 80 investor meetings (via on-site meetings and teleconferences), completed 5 roadshows and reverse roadshows, and participated in 14 investment conferences. At the same time, it regularly summarized the questions and suggestions concerned and provided by investors based on the communication, and gave internal feedback of the Key Issues Concerned in the Capital Market, to establish a two-way information transmission model, play a role of internal supervision and improvement, and further promote the improvement of corporate management.



The Company has reviewed and adopted the principles and provisions of the Corporate Governance Code as set out in Appendix 14 of the SEHK Listing Rules during the period from 1 January 2019 to 31 December 2019 as our code on corporate governance, and continued to strengthen and improve corporate governance according to the requirements of the regulatory authority. The Company has complied with all code provisions set out in the CG Code in 2019.

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

Applicable ✓ Not applicable

II. BRIEF INTRODUCTION OF SHAREHOLDERS' GENERAL MEETING

Session of Meeting	Date	Media in which resolutions were disclosed	Date of Disclosure
The 2019 First Extraordinary General Meeting	7 March 2019	Website of the SSE(www.sse.com.cn) and Website of the Hong Kong Stock Exchange(www.hkex.com.hk)	8 March 2019
The 2018 Annual General Meeting	5 June 2019	Website of the SSE(www.sse.com.cn) and Website of the Hong Kong Stock Exchange(www.hkex.com.hk)	6 June 2019
The 2019 Second Extraordinary General Meeting	16 September 2019	Website of the SSE(www.sse.com.cn) and Website of the Hong Kong Stock Exchange(www.hkex.com.hk)	17 September 2019

Information of General Meetings

✓ Applicable Not applicable

- (i) The 2019 First Extraordinary General Meeting of the Company was held on 7 March 2019 for considering and passing: 1) a proposal to amend the Articles of Association; 2) a proposal to increase the registered capital of the Company; 3) a proposal on continuing related party transactions with China Merchants Bank; 4) a proposal on the forecast of the guarantee in 2019.



Chapter 10 Corporate Governance (Corporate Governance Report)

- (ii) The 2018 Annual General Meeting of the Company was held on 5 June 2019 for considering and passing: 1) a proposal on the 2018 work report of the Board; 2) a proposal on the 2018 work report of the Supervisory Committee; 3) a proposal of debriefing the work report of independent Directors; 4) a proposal on the 2018 financial final report; 5) a proposal on the 2018 annual report of the Company; 6) a proposal on the 2019 financial budget; 7) a proposal on the 2018 profit distribution plan; 8) a proposal on the allowance distribution plan for independent Directors; 9) a proposal on the allowance distribution plan for independent supervisors; 10) a proposal on the application for authorization to issue debt financing instruments; 11) a proposal on the election of the supervisors of the Company; 12) a proposal on the appointment and removal of financial reports and internal control audit institutions; 13) a proposal on liability insurance renewal plans for Directors, supervisors and senior management; 14) a proposal on election of the Directors of the Company: 14.01 a proposal on election of Mr. Su Jian as a director of the Company, 14.02 a proposal on election of Mr. Xiong Xianliang as a director of the Company, 14.03 a proposal on election of Mr. Jiang Jian as a director of the Company.
- (iii) The 2019 Second Extraordinary General Meeting was held on 16 September 2019 for considering and passing: 1) a proposal to increase the estimated amount of external guarantees for 2019; 2) a proposal to renew the authorization to issue debt financing instruments.

III. SHAREHOLDERS' RIGHTS

The Company always attaches great importance to the protection of shareholders' rights with an ultimate goal to improve shareholders' value, and specifies the rights of shareholders in the Articles of Association.

(I) Shareholders' Right to Convene an Extraordinary General Meeting or a Class Meeting

- Pursuant to Article 73 of the Articles of Association, shareholders may request to convene an extraordinary general meeting in accordance with the following procedures:

Shareholders individually or jointly holding more than ten percent of voting shares of the Company shall have the right to request the Board of Directors for convening an extraordinary general meeting, and shall do so in writing. The Board of Directors shall, in accordance with laws, administrative regulations and the 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.

- In the event that the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of convening an extraordinary general meeting within five days after making a Board resolution. Any changes to the original request in the notice shall be approved by the relevant shareholders.
- In the event that the Board of Directors does not agree to convene the extraordinary general meeting or does not make any feedback within ten days after receiving the request, shareholders individually or jointly holding more than ten percent of voting shares of the Company shall have the right to propose to the Supervisory Committee the convening of an extraordinary general meeting, and shall do so in writing.

In the event that the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening an extraordinary general meeting within five days after receiving the request. Any changes to the original proposal in the notice shall be approved by the relevant shareholders.

In the event that the Supervisory Committee does not issue a notice of extraordinary general meeting within the prescribed time limit, it shall be deemed as being not to convene and preside over the extraordinary general meeting. Shareholders who individually or jointly have been holding more than ten percent of voting shares of the Company for consecutive ninety days may convene and preside over a meeting on their own.

2. Pursuant to Article 124 of the Articles of Association, shareholders may request to convene a class meeting in accordance with the following procedures:
 - (1) Two or more shareholders holding in aggregate 10 percent (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). The written request(s) 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.
 - (2) 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.
3. Pursuant to Article 74 of the Articles of Association, in the event that the Supervisory Committee or shareholders decide(s) to convene a shareholders' general meeting on its/their own, it or they shall notify the Board of Directors in writing and report the same to the local representative office of the CSRC and the stock exchange of the place where the Company is located for the record. Prior to the announcement of the resolution of the general meeting, the proportion of the shares with voting rights held by the shareholders must not be less than 10%. The shareholders who convene the meeting shall, when issuing the notice of the general meeting and the announcement of the resolutions of the general meeting, submit relevant certification materials to the local representative office of the CSRC and the stock exchange of the place where the Company is located.

(II) Shareholders' Right to Put Forward Provisional Proposals

Pursuant to Article 78 of the Articles of Association, shareholders individually or jointly holding more than three percent of voting shares of the Company may put forward provisional proposals and submit the same in writing to the convener ten days prior to the shareholders' general meeting. The convener shall issue a supplementary notice of shareholders' general meeting within two days after receiving the proposals and publish particulars of the provisional proposals.

(III) Shareholders' Right to Put Forward Enquiries to the Board

Pursuant to Article 97 of the 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 provides communication channels to receive suggestions or enquiries from shareholders on the Company's operations. Contact person and contact information of the Company are detailed in "Chapter 2 General Company Information and Key Financial Indicators" of this report.





Chapter 10 Corporate Governance (Corporate Governance Report)

IV. BOARD OF DIRECTORS

(I) Board Duties and Operations

The Board is the decision-making authority of the Company. The Board is accountable to the shareholders' general meeting and shall exercise the following authorities specified in the laws, administrative regulations and the Articles of Association and authorized by the shareholders at general meetings: to be responsible for the convening of the shareholders' general meetings and to report on its work to the shareholders' general meetings; to implement the resolutions of the shareholders' general meetings; to decide on the Company's business plans and investment plans; to formulate the Company's annual budget and final financial accounts; to formulate the Company's profit distribution plan and plan for making up losses; to formulate plans for the Company's proposals for increases or reductions of its registered capital and the issue of and listing of corporate debentures or other securities; to draft plans for material acquisition, share repurchase, merger, division, dissolution or change in corporate form; to determine matters relating to the Company's external investment, asset acquisition and disposal, asset pledge, asset management mandate, related party transactions and external guarantee within the authorization of the general meetings; to determine the establishment of the Company's internal management structure; to appoint or dismiss the Company's president and the secretary of the Board; and pursuant to the president's nominations to appoint or dismiss the vice presidents, the chief financial officer, the chief information technology officer and other senior managements of the Company and decide on their remuneration rewards and penalties; to establish the Company's basic management system, including basic compliance management system; to formulate proposals for any amendment to the Company's Articles of Association; to deal with information disclosure of the Company; to propose to the general meetings for appointment or replacement of the accounting firms serving as the auditors of the Company; to receive work report submitted by the president, to review his performance and to evaluate effectiveness of the compliance management of the Company, etc.

The Board has four special committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees convene a meeting pursuant to the rules of procedure respectively and perform the pre-approval procedure of the Board as authorized by the Board. The performances are detailed in "VII. 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" of this Chapter.

During the Reporting Period, 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.

During the Reporting Period, in accordance with the relevant provisions of the Company law, Listing Rules in Listing Places, the Articles of Association and the Rules of Procedure of the Board of Directors in relation to the notice period, voting procedure, resolution and conference records of the meeting, the Company organized and held Board meetings and fully guaranteed Directors to perform their duties. Especially, in accordance with rules and regulations including the Listing Rules in Listing Places, if a Director is connected with or is materially interested in any contract, transaction, arrangement or any other types of proposals to be considered by the Board, that Director shall abstain from voting on the relevant resolutions. Even though none of the Directors has a material interest in the transactions, for any Director concurrently holding positions in such connected party under the transactions, he or she shall abstain from voting at the Board meeting of the Company in respect of the relevant proposed resolution 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.

During the Reporting Period, the Company convened 12 Board meetings, including four regular meetings and eight extraordinary meetings to consider and approve 41 proposals including regular reports, major investments, profit distribution plans, acquisition of equity, and related party transactions.

For works done by the Board and senior management, please refer to “Chapter 5 Management Discussion and Analysis of Business Performance (Report of Board of Directors)” of this report.

(II) Composition of the Board of Directors

As at 31 December 2019, the Board of the Company comprised eleven Directors, and the Company has complied with the requirement about the constitution of the Board under the Listing Rules in Listing Places that the number of independent non-executive Directors must reach at least one-third of the number of the board members, including Mr. Li Guanpeng, being the Chairman, Mr. Song Dexing, being the Vice Chairman, Executive Director Mr. Song Rong and Non-executive Directors Mr. Su Jian, Mr. Xiong Xianliang, Mr. Jiang Jian and Mr. Jerry Hsu and independent non-executive Directors Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian. During the Reporting Period, the former Chairman Mr. Wang Hong resigned on 26 February 2019, and the former Executive Directors Mr. Wang Lin and Mr. Wu Xueming resigned on 22 April 2019.

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 “Chapter 9 Directors, Supervisors, Senior Management and Employees” of this annual report. The Company has uploaded the most updated list of the Board members with their roles and positions on the websites of the Hong Kong Stock Exchange and the Company, and identified the roles of the independent non-executive Directors in all corporate communications that disclose the names of the Directors.

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

(III) 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 or until the expiry of this session of the Board since their date of appointment or reappointment and are eligible for re-election upon the expiry of such term. Please refer to the chapter headed “Directors, Supervisors, Senior Management and Employees” of this annual report for further details.

The Company has a balanced composition of executive and non-executive Directors (including four non-executive Directors 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 accounting, finance, law and logistics industries expertise, who can make judgment in an objective and professional way. Some non-executive Directors were invited to serve as the members of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company, whose opinions have influence on the Board’s decisions, which helps the management determine the Company’s development strategies, ensures that the Board will prepare the financial reports and other mandatory reports with high standards, and maintains an appropriate system to protect the interests of shareholders and the Company.



Chapter 10 Corporate Governance (Corporate Governance Report)

The Nomination Committee of the Board has assessed the independence of each independent non-executive Director who was eligible for election or re-election, and 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 meetings. Independent non-executive Directors of the Company were not involved in the daily management of the Company and there were no relationships or circumstances which would constitute intervention to their practice of providing independent judgments. The Company has received annual confirmation letter of independence from all independent non-executive Directors and considers all independent non-executive Directors independent. During the Reporting Period, the independent non-executive Directors of the Company have issued independent opinions on matters including related party transactions, external guarantees, allowances for independent Directors, election of Directors, and share incentives, etc.

V. THE PERFORMANCE OF DIRECTORS' DUTIES

(I) The Attendance of Directors in Board Meetings and General 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 in person or not	No. of general meetings attended/No. of general meetings to be attended
Li Guanpeng	No	12	11	7	1	0	100%	No	1/3
Song Dexing	No	12	7	6	5	0	100%	Yes	0/3
Song Rong	No	12	11	8	1	0	100%	No	3/3
Su Jian	No	6	2	1	4	0	100%	Yes	0/1
Xiong Xianliang	No	6	5	3	1	0	100%	No	0/1
Jiang Jian	No	6	3	1	3	0	100%	Yes	0/1
Jerry Hsu	No	12	7	5	5	0	100%	Yes	1/3
Wang Taiwen	Yes	12	12	8	0	0	100%	No	1/3
Meng Yan	Yes	12	12	8	0	0	100%	No	1/3
Song Haiqing	Yes	12	11	8	1	0	100%	No	0/3
Li Qian	Yes	12	12	8	0	0	100%	No	1/3
Wang Hong (resigned)	No	2	2	2	0	0	100%	No	0/1
Wang Lin (resigned)	No	4	4	3	0	0	100%	No	0/1
Wu Xueming (resigned)	No	4	4	3	0	0	100%	No	1/1

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

✓ Applicable Not applicable

Mr. Song Dexing did not attend the Board meetings held on 26 September, 17 October, 29 October and 27 December 2019 in person due to other business commitments, and authorized other directors as his proxy to attend and/or vote on his behalf.

Mr. Su Jian did not attend the Board meetings held on 27 August, 26 September, 17 October and 29 October 2019 in person due to other business commitments, and authorized other directors as his proxy to attend and/or vote on his behalf.

Mr. Jiang Jian did not attend the Board meetings held on 26 September, 17 October and 29 October 2019 in person due to other business commitments, and authorized other directors as his proxy to attend and/or vote on his behalf.

Mr. Jerry Hsu did not attend the Board meetings held on 26 September, 17 October, 29 October and 27 December 2019 in person due to other business commitments, and authorized other directors as his proxy to attend and vote on his behalf.

Number of Board meetings held during the year	12
Including: Number of on-site meetings	5
Number of meetings held by way of telecommunication	7
Number of meetings held in a mixed model	0

Note: The means of telecommunication in the above forms include telephone or written meetings.

(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.



Chapter 10 Corporate Governance (Corporate Governance Report)

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 management of the Company provided a Report on Finance, Operations and Information Disclosure of the Company and Updates on Regulations of Securities Regulatory Authorities to the Directors on a regular basis so that the Directors can keep up with the operational information of the Company and regulatory requirements. In addition, the Company supported and actively organized the Directors to participate in courses and seminars organized by the Hong Kong Stock Exchange and other professional organizations in relation to the SFO, the SEHK Listing Rules and corporate governance practices in order to update and improve their relevant knowledge and skills. The Company Secretary also provided reading materials on latest amendments to applicable laws and rules and/or held seminars to/for the Directors. During the Reporting Period, based on the Listing Rules in Listing Places and other regulations, the Company prepared and provided to the Directors the Compilation of Listing Compliance Obligations and Codes of Conduct of Controlling Shareholders, Actual Controllers, Directors, Supervisors and Senior Management Personnel (hereinafter referred to as the Compliance Obligations and Code of Conduct) which covers the duties of Directors and independent Directors, prohibition of insider trading and market manipulation, disclosure of inside information, short-swing tradings, etc; in addition, the Company organized compliance lawyers and sponsors to conduct compliance training for Directors and other relevant personnel to continuously improve Directors' ability to perform their duties.

The participation of all current Directors in continuous professional development during the Reporting Period is set out below:

Current Directors	Reading the Compliance Obligations and Code of Conduct	Reviewing Updates on Regulations of Securities Regulatory Authorities	Interpretation of compliance requirements by Company Secretary at Board meetings	Training seminars organized by the SEHK and other professional organizations
Li Guanpeng	✓	✓	✓	✓
Song Dexing	✓	✓	✓	✓
Song Rong	✓	✓	✓	✓
Su Jian	✓	✓	✓	✓
Xiong Xianliang	✓	✓	✓	✓
Jiang Jian	✓	✓	✓	✓
Jerry Hsu	✓	✓	✓	✓
Wang Taiwen	✓	✓	✓	✓
Meng Yan	✓	✓	✓	✓
Song Haiqing	✓	✓	✓	✓
Li Qian	✓	✓	✓	✓



2. Delegation of Power of the Board

The Board is the decision-making administrative authority and 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 management is responsible for the Board and 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 delegated 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, Rule of Procedures of the Board and Working Rules of the General Manager of the Company.

VI. CHAIRMAN AND PRESIDENT

As at 31 December 2019, Mr. Li Guanpeng was the Chairman and Mr. Song Dexing was the Vice Chairman of the Board of the Company, and Mr. Song Rong was the President of the Company. There is a clear division of power and authority among the Chairman, Vice Chairman and President. The Chairman and the Vice Chairman are responsible for the management of the Board's operation, and ensure 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 and the Working Rules of the General Manager.

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 among the Chairman and the Vice Chairman of the Board and President of the Company.

VII. 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 2019, 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 SEHK 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 2019, the Executive Committee comprised Mr. Li Guanpeng, being the Chairman, Mr. Song Dexing, being the Vice Chairman, and Mr. Song Rong, being Executive Director, with Mr. Li Guanpeng as the Chairman of the Executive Committee.





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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 meetings regularly. The principal terms of reference of the Executive Committee include: 1. conducting studies on the Company's development strategy, medium and long term development plans and major investment decisions and making recommendations on them; establishing the basic strategic framework of the Company; organizing the formulation of medium and long term development plans of the Company, guiding and examining the strategic development plans of major subsidiaries; 2. considering the Company's annual operating plans and investment proposals; 3. arranging for the implementation of the Board resolutions and relevant requirements, supervising and examining the implementation of the operating management; 4. reviewing the Company's major operation and management systems and plans to improve the Company's operation and management mechanism; 5. deciding on matters related to the Company's principle activities, including but not limited to, acquisition, merger, disposal of assets and other external investments, except those required to be considered and approved at the Board meetings and the general meetings of the Company in accordance with laws and regulations, Listing Rules in Listing Places and the Articles of Association. Authorizing any of the executive Directors to sign documents relating to such transaction on behalf of the Board; 6. studying major investment financing programs, capital operations, major business reorganization and merger and asset operation projects which required to be considered by the Board of Directors and making recommendations on them; 7. conducting studies on the Company's expansion of new markets and new business and making recommendations; 8. evaluating the Company's governance structure and organizational structure in line with the Company's business and management needs on a regular basis, and considering the establishment, merger and dissolution plans of internal organs and other branches; 9. reviewing and supervising the training and continuing professional development of Directors and senior management; 10. issuing 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 authorizing any executive Director to sign such documents; 11. other authorizations conferred by the Board.

During the Reporting Period, the Executive Committee of the Board of the Company held 13 meetings during the adjournment of Board meetings in accordance with the Company's systems, mainly approving matters including credit business matters, provision of guarantee and application for loan.

(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 2019, the Audit Committee comprised Mr. Meng Yan, Mr. Wang Taiwen, Mr. Song Haiqing and Ms. Li Qian, being independent non-executive Directors, with Mr. Meng Yan as the Chairman of the Audit Committee. The members of the Audit Committee are professionals in the fields of accounting, finance, law, corporate management and business. The Chairman of the Audit Committee possesses appropriate professional qualifications and experience in finance, and no member is a former partner of the auditor currently appointed by the Company. The Company has been in full compliance with the requirements of Rule 3.21 of the SEHK Listing Rules and Provision C.3.2 of CG Code.

The principal terms of reference of the Company's Audit Committee include supervising and evaluating the work of external audit institutions; guiding the internal audit work; reviewing and making comments on the Company's financial reports; evaluating the effectiveness of financial monitoring, risk management and internal control; coordinating the communication among management, internal audit department and related departments and external audit institutions; reviewing the Company's arrangements for raising concerns on secret misconducts by employees on financial reporting, internal monitoring or other aspects, and ensuring that the Company conducts fair and independent investigations and takes appropriate action in respect of the foregoing; Other matters authorized by the Board of Directors of the Company and other matters set out in the Listing Rules in Listing Places and other relevant laws and regulations. The Company provides adequate resources to the Audit Committee to enable it to perform its duties.

During the Reporting Period, the Company's Audit Committee held six meetings, and mainly reviewed proposals in relation to the regular reports, Audit Report of Internal Control, appointment or dismissal of audit institutions for financial reports and internal control, and listened to the report of the Company's operating results for 2019 and the report of the external auditor on the Company's audit plan and pre-audit work arrangement for 2019. The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

The attendance rate of the members of the Audit Committee during the term of their office in 2019 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%

(III) Remuneration Committee

The Company has set up the Remuneration Committee of the Board, which is composed of all the independent non-executive Directors of the Company. As at 31 December 2019, the Remuneration Committee comprised Ms. Li Qian, Mr. Wang Taiwen, Mr. Meng Yan and Mr. Song Haiqing, being independent non-executive Directors, and Ms. Li Qian is the Chairman of the Remuneration Committee.

The principal terms of reference of the Company's Remuneration Committee include formulating appraisal standards of the Company's Directors and Senior Management as classified by the Articles of Association, arranging assessment, and developing and reviewing the Company's remuneration policy and structure for all Directors and Senior Management; approving the service contract of the Directors and conducting performance assessment of those Directors and senior management in accordance with the corporate objectives approved by the Board of Directors. The Company has adopted the model described in the Code Provision B.1.2 (c)(ii) of CG Code, i.e. Advise the Board on the remuneration package of individual executive Director and senior management. The Company has provided sufficient resources for the Remuneration Committee to perform its duties.

The Remuneration Committee held two meetings during the Reporting Period, and mainly reviewed proposals in relation to the implementation of performance appraisal of senior management of the Company for 2018, the payment of remuneration and equity incentives. The Remuneration Committee confirmed the norm, method, items and assessment standards of the performance appraisal and equity incentive related matters, and agreed to submit to the Board for approval.



Chapter 10 Corporate Governance (Corporate Governance Report)

The attendance rate of the members of the Remuneration Committee during the term of their office in 2019 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%
Members Ceased to Act	
Mr. Wang Hong	/

(IV) Nomination Committee

The Company has set up the Nomination Committee of the Board, which is composed of the Chairman and all the independent non-executive Directors of the Company. As at 31 December 2019, the Nomination Committee comprised the Chairman Mr. Li Guanpeng, and Mr. Wang Taiwen, Mr. Meng Yan, Mr. Song Haiqing and Ms. Li Qian, being independent non-executive Directors. Mr. Wang Taiwen is the Chairman of the Nomination Committee.

The principal terms of reference of the Nomination Committee include selecting and advising on the candidates, selecting standards and procedures of the Directors, general manager and other senior management of the Company set forth in the Articles of Association, and assessing the independence of independent Directors, etc. The Company has provided sufficient resources for the Nomination Committee to perform its duties.

To meet the latest regulatory requirements and as the criteria of supervision and assessment of the diversity of the composition of the Board, the Rules of Procedure of the Nomination Committee of the Board clearly set 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, races, professional qualifications, experience, skills, knowledge and length of service. Policies on the nomination of Directors are as follows: 1. The Nomination Committee shall conduct researches on the demands of the Company on the Directors 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 the Board 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 diversity of the Board of Directors. In forming the diversified perspectives, 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 with objective criteria. During the Reporting Period, the Nomination Committee of the Company convened a meeting on 25 April 2019, reviewing the structure, size and composition of the Company's Board and nominated three non-executive Directors in accordance with the diversity policy.

The attendance rate of the members of the Nomination Committee during the term of their office in 2019 is set out below:

	Attendance Rate in Nomination Committee
Current Members	
Mr. Li Guanpeng	100%
Mr. Wang Taiwen	100%
Mr. Meng Yan	100%
Mr. Song Haiqing	100%
Ms. Li Qian	100%

VIII. SUPERVISORY COMMITTEE

The Company has set up the Supervisory Committee, which comprised one shareholder supervisor, two independent supervisors and two staff-representative supervisors as at 31 December 2019, namely Mr. Liu Yingjie, Mr. Zhou Fangsheng, Mr. Fan Zhaoping, Ms. Ren Dongxiao and Ms. Mao Zheng, with Mr. Liu Yingjie acting as the chairman of the Supervisory Committee.

The Supervisory Committee shall be responsible to the general meeting and is a permanent supervisory body of the Company. 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 Company and its shareholders. 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 undertaking investigation and checking on the site of subsidiaries. Each Supervisor undertook various duties in a proactive manner with diligence, prudence and integrity.

During the Reporting Period, the Supervisory Committee of the Company convened six meetings, approving 14 proposals in relation to matters including the periodic report of the Company, the report of the Supervisory Committee, the final financial account report, the internal control evaluation report, the independent supervisor's allowance payment proposal, the election of the chairman of the Supervisory Committee, and the equity incentive.

The Supervisory 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 information included in the annual results for the year ended 31 December 2019 truly reflected the operating result and financial position of the Company for 2019.

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

Applicable ✓ Not applicable



Chapter 10 Corporate Governance (Corporate Governance Report)

X. 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, our controlling shareholder, and our actual controller, China Merchants, have made statements and commitments to avoid peer competition in April 2018. For details, please refer to "II. PERFORMANCE OF COMMITMENTS" in "Chapter 6 Significant Matters" of this report.

The Company has signed the entrusted management agreements with Sinotrans & CSC since 2014. On 6 May 2019, the Company renewed the new entrusted management agreement with Sinotrans & CSC to effectively avoid potential peer competition between related parties and the Company by managing entrusted companies. For details, please refer to the relevant announcements dated 25 March 2019 and 6 May 2019 published by the Company on the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkex.com.hk).

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

Applicable Not applicable

The Company sets key performance, strategy and other assessment indicators for senior management, and the results of assessment are linked to performance bonuses. The Remuneration Committee and the Board of Directors of the Company determine the incentive criteria for senior management for the current year according to the relevant performance and salary management measures and the assessment results.

To further improve corporate governance, establish a sound and effective long-term incentive and restrictive system, optimize remuneration appraisal system, closely relate the interests of the Shareholders to those of the Directors, senior management members and core personnel of the Company, facilitate the maximization of Shareholder's value and promote the maintenance and appreciation of value of state-owned assets, the Company developed the Share Option Incentive Scheme (draft) and the Share Option Incentive Scheme (Phase I) (draft). On 27 December 2019, the Board of the Company considered and approved the resolutions on share option incentive schemes, and yet to be submitted for consideration on the general meeting. For details, please refer to the relevant announcements of the Company dated 27 December 2019 on the websites of the SSE (www.sse.com.cn) and the SEHK (www.hkex.com.hk).

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

Applicable Not applicable

The full text of the Report on 2019 Assessment of Internal Control is set out on the website of SSE (www.sse.com.cn).

Explanation on Significant Deficiencies in Internal Control During the Reporting Period

Applicable ✓ Not applicable

XIII. INFORMATION ON AUDIT REPORT OF INTERNAL CONTROL

✓ Applicable Not applicable

ShineWing Certified Public Accountants LLP has audited the effectiveness of internal control in the 2019 financial report of the Company and issued standard unqualified opinions. For details, please refer to the 2019 Audit Report of Internal Control disclosed on the website of SSE (www.sse.com.cn) by the Company.

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

XIV. 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 Model Code in the Reporting Period.

(II) Auditor's Remuneration

According to the relevant regulations issued by the SASAC in respect of the term of service of the external auditor continuously appointed by the state-owned enterprises and its subsidiaries, the Company ceased to appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international and the PRC auditors of the Company for 2018, as approved at the 2017 annual general meeting of the Company held on 31 May 2018. ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited were appointed as the PRC and international auditors of the Company for 2018.

Upon the consideration and approval of 2018 annual general meeting of the Company held on 5 June 2019, the Company reappointed ShineWing Certified Public Accountants LLP as the auditor of the Company to audit its 2019 financial report and internal control, and ceased to appoint SHINEWING (HK) CPA Limited as its international auditor, the details of which are set out in "VI. Appointment and Dismissal of Auditors" of "Chapter 6 Significant Matters" of this Report.

For the year ended 31 December 2019, audit fees amounted to RMB9.5 million (RMB8.96 million excluding tax). The audit fees mainly include audit of annual financial report, review of interim financial report and audit of internal control. Other non-audit service fees amounted to RMB3.79 million (excluding tax). Other non-audit service fees mainly include due diligence services for overseas acquisitions, auditor's letter on continuing connected transactions under the SEHK Listing Rules, performance of agreed-upon procedures regarding preliminary announcements of annual results and so on.



Chapter 10 Corporate Governance (Corporate Governance Report)

(III) Company Secretary

During the Reporting Period, Ms. Hui Wai Man, Shirley, the Joint Company Secretary of the Company, has resigned with effect from 27 December 2019. The Hong Kong Stock Exchange has confirmed that Mr. Li Shichu is qualified to serve as the Company Secretary of the Company under Rule 3.28 of the SEHK Listing Rules, and Mr. Li Shichu has been the sole Company Secretary of the Company since 27 December 2019.

During 2019, Mr. Li Shichu and Ms. Hui Wai Man, Shirley have completed the relevant professional training for more than 15 hours.

(IV) Amendments to the Articles of Association

During the Reporting Period, the amendments to the Articles of Association of the Company are as follows:

1. After the extraordinary general meeting 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 include the Articles of Association and its Appendix, i.e. the rules of procedure of the shareholders' meeting, the Board of Directors and the Supervisory Committee of the Company, and have come into effect since the date of listing of A shares on 18 January 2019. For details, please refer to the circular dated 18 April 2018 on the website of SSE (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk) published by the Company.
2. After the extraordinary general meeting convened on 7 March 2019, 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 21 January 2019. Major amendments include the terms in relation to share repurchase, accumulative votes, directorship, service contract and the preparation of financial statements under Accounting Standards of PRC. For details, please refer to the circular dated 21 January 2019 on the website of SSE (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk) published by the Company.
3. The Company considered and approved the Resolution on Amendments to Articles of Association of the Company and Procedural Rule for General Meetings on the Board meeting held on 27 December 2019, proposing to amend the deadline of general meeting notice, description on the committees of the Board in Articles of Association and to add the legal construction contents. The abovementioned matters are yet to be submitted for consideration at general meetings. For details, please refer to the relevant announcement dated 27 December 2019 on the website of SSE (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkex.com.hk) published by the Company.



(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. The Board aims to manage rather than eliminate the risk of failing to achieve business goals, and only provides reasonable rather than absolute assurance that the Company will not have material misstatement or loss due to failure in risk management and internal control. The Board is responsible to the system and oversees the system on a going basis, and ensures 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 through the Audit Committee. During Reporting Period, the management of the Company has confirmed the effectiveness and adequacy of the overall risk management and internal control system and internal audit function. And the Audit Committee and the Board have reviewed and ensured the effectiveness of the Company's and its subsidiaries' risk management and internal control system.

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 routine 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, and the relevant staff has rich qualifications and experience. The Company has established a comprehensive accounting management system to provide 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 operation conditions to the Directors on a regular basis, 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 passes 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 important aspects of the comprehensive management system. The Company has formulated a control procedure for the identification and evaluation of environmental factors and hazards, and conducted suitability assessment and updates 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.



Chapter 10 Corporate Governance (Corporate Governance Report)

- The headquarter is in charge of the establishment and daily operation of the risk management and internal control system of the Company, while the subsidiaries implement. The headquarter would inspect and monitor the operating condition of the internal control system of the subsidiaries, and form a comprehensive management report.
- The Company carries out the risk management work comprehensively. The headquarter of the Company and its secondary subsidiaries have established their risk management institutions. The Company has recognized and set up its risk events database, which will be updated and revised every year. Each department of the headquarter of the Company would choose certain material risk events in its field every year and assess and grade the possibility of occurrence and influence of risk events to determine the scope of material risk of the year together with the management of the Company, the functional department and the operating personnel and management of the subsidiary where the risk event occurred. 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. The Company has established integrated internal control system management institutions and departments, with all departments and operational entities of secondary units having accomplished their systematic construction tasks. 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 on all of its secondary 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. Improvement, self-assessment 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, assess and review 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. 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 Administration Policies on Information Disclosure of Sinotrans Limited, the Administration Policies on Insiders of Inside Information of Sinotrans Limited and Administration Policies on Delay and Exemption of Disclosure of Inside Information of Sinotrans Limited in accordance with the requirements of the SFO and the Listing Rules in Listing Places, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.



Chapter 11 Bonds of the Company

✓ Applicable Not applicable

I. BASIC INFORMATION ON CORPORATE BONDS

Unit: hundred million Yuan Currency: RMB

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

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

Interest payment of corporate bonds

✓ Applicable Not applicable

The Company paid the interest of RMB64 million on the 16 Sinotrans 01 corporate bonds on 2 March 2019, and paid the interest of RMB44.1 million on the 16 Sinotrans 03 corporate bonds on 26 August 2019, all of which were published on the website of the SSE.

Other information on corporate bonds

✓ Applicable Not applicable

“16 Sinotrans 03” Corporate bond is a fixed interest rate product that has a term of five years, with the options for the issuer to adjust the coupon rate and for the investors to put back at the end of the third year.

Options for issuer to adjust coupon rate: the coupon rate of the said bond remains unchanged within the first three years of the term. If the issuer exercises the option to adjust the coupon rate, the outstanding bonds shall adjust the coupon rate of the last two years based on that of the first three years and the coupon rate shall remain unchanged for the last two years; If the issuer does not exercise the option to adjust the coupon rate, the outstanding bonds shall remain at the same coupon rate in the last two years of the term.



Chapter 11 Bonds of the Company

Option for the investors to put back: After the issuer issues an announcement on whether to adjust the coupon rate of the bonds and the adjustment rate, the holders of the bonds shall have the right to put back all or part of the bonds held by them to the issuer at the nominal value on the interest payment date of the third year of the term of the bonds. The issuer shall complete the payment for the put-back in accordance with the relevant transaction rules of the bond registrant of the SSE.

Pursuant to the terms of put-back set out in the Prospectus of the 2016 Corporate Bonds (Second Tranche) of Sinotrans Limited disclosed by the Company on 22 August 2016, the Company disclosed the Announcement of Sinotrans Limited in relation to the Adjustment of Coupon Rate of "16 Sinotrans 03" (Announcement No.: Lin 2019-038) and the Announcement of Sinotrans Limited in relation to the Implementation of Put-back of the 2016 Corporate Bonds (Second Tranche) (Announcement No.: Lin 2019-039) on 29 July 2019. The holders of the Corporate Bonds 16 Sinotrans 03 shall have the right, at their option, to put back the corporate bonds held by them to the Company in whole or in part at par value within the put-back declaration period (from 1 August 2019 to 7 August 2019), at the put-back price of RMB100 per bond (exclusive of interest).

On 21 August 2019, the Company disclosed the Announcement of Sinotrans on the Implementation Results of the Put Back of 2016 Corporate Bonds (Second Tranche) (Announcement No.: Lin 2019-045), that the number of put-back of "16 Sinotrans 03" corporate bonds was 150,000 lots (10 bonds for one lot, and each bond with a nominal value of RMB100), and the amount of put-back was RMB150,000,000 (exclusive of interest).

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

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

Other explanations:

Applicable Not applicable

III. USE OF PROCEEDS FROM CORPORATE BONDS

Applicable Not applicable

Upon receipt of the proceeds, the Company will transfer the proceeds from the special account to its own fund account for use. The proceeds will be used in accordance with the agreed purposes and there is no abnormal situation. Currently, the closing balance of the proceeds is 0.

IV. RATING OF CORPORATE BONDS

✓ Applicable Not applicable

Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. has given a credit rating of AAA on the issuer in relation to the corporate bonds, demonstrating that the issuer has a strong ability to repay its debts and is basically not affected by the adverse economic environment, with low level of default risk; and the current debt rating of the bonds is AAA, demonstrating that the bonds are highly secured, and is basically not affected by the economic environment, with low level of default risk. The rating is dated 23 May 2019 and the rating outlook is stable. The Company has disclosed the Announcement on the Follow-up Rating Results of Corporate Bonds “16 Sinotrans 01” and “16 Sinotrans 03” and the Follow-up Rating Report of Sinotrans Limited and Corporate Bonds “16 Sinotrans 01” and “16 Sinotrans 03” issued by Sinotrans Limited on the website of the SSE.

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

✓ Applicable Not applicable

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

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

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

VI. CONVENING OF CORPORATE BOND HOLDERS’ MEETING

Applicable ✓ Not applicable

VII. PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

✓ Applicable Not applicable

During the term of the corporate bonds, BOCI Securities Limited (“BOCI Securities”), the bonds trustee manager, strictly complied with the stipulations in the Bonds Trustee Management Agreement to continuously track the Company’s credit status, management and use of proceeds, repayment of principal and interest of the corporate bonds, and urge the Company to perform its obligations as stipulated in the prospectus of the corporate bonds. It has actively exercised the duties of the trustee manager and safeguarded the legitimate rights and interests of the bondholders.

The entrusted management for corporate bonds of Sinotrans Limited in 2018 by BOCI Securities was disclosed on the website of the SSE in June 2019.



Chapter 11 Bonds of the Company

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

✓ Applicable Not applicable

Main indicators	Unit: hundred million		Currency: RMB
	2019	Year 2018	Increase/ decrease over the corresponding period of last year (%)
Earnings before interest, taxes, depreciation and amortization	58.15	60.88	-4.49
Current ratio	1.25	1.55	-19.24
Quick ratio	1.14	1.40	-18.79
			decreased by 3.59 percentage points
Debt asset ratio (%)	51.12	54.71	19.07
Debt/EBITDA ratio	0.46	0.39	-11.68
Interest coverage ratio	6.39	7.24	168.14
Cash interest coverage ratio	8.39	3.13	5.12
EBITDA interest coverage ratio	9.93	9.45	0
Loan repayment ratio (%)	100	100	0
Interest payment ratio (%)	100	100	0

Note: The change in cash interest coverage ratio was mainly due to a significant increase in cash inflows from operating activities compared to last year.

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

✓ Applicable Not applicable

Type	Abbreviation of bonds	Issue size	Term of issuance	Unit: hundred million (RMB)		Currency: RMB
				Subject/ Debt Rating	Coupon rate	
ABN	19 Sinotrans ABN001 Priority Products	10.45	0.52 years	AAA		3.45%
ABN	19 Sinotrans ABN001 Subprime Products	0.55	0.52 years	-		-

On 19 December 2019, the Company issued "Sinotrans Limited 2019 First Tranche of RMB Targeted Asset-backed Notes for Accounts Receivable (ABN)" in the inter-bank market, with a total reserve of RMB ABN amounting to RMB5 billion. The issuance size was RMB1.1 billion for this time. During the Reporting Period, the above debt financing instruments did not involve payment of interest.

X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

✓ Applicable Not applicable

As at 31 December 2019, the Company has obtained a total of 21.670 billion (equivalent to RMB) of credit facilities, of which RMB4.323 billion has been utilized. The bank loans involved have been repaid on time.

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

Applicable ✓ Not applicable

XII. SIGNIFICANT MATTERS OF THE COMPANY AND THEIR IMPACT ON THE OPERATION AND SOLVENCY OF THE COMPANY

✓ Applicable Not applicable

During the Reporting Period, the Company converted its original domestic shares into A shares and listed on the SSE. As an A + H dual-listed company, the Company's capitalization development channels are more convenient, which is beneficial to the operation and development of the Company and further enhances the Company's financing channels and financing capabilities. The listing announcement has been disclosed on the website of the SSE on 15 January 2019.





Chapter 12 Financial Report

INDEPENDENT AUDITOR'S REPORT

XYZH/2020BJA50228

To all shareholders of Sinotrans Limited:

Opinion

We have audited the financial statements of Sinotrans Limited (hereinafter the "Company"), which comprise the consolidated and the Company's statement of financial position as at 31 December 2019, the consolidated and the Company's statement of profit or loss and other comprehensive income, the consolidated and the Company's statement of cash flows and the consolidated and the Company's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2019, the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Auditing Standard for Certified Public Accountants of China issued by the Chinese Institute of Certified Public Accountants. 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 Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Estimated liabilities for litigation claims

Key audit matters

As disclosed in notes IX,40 to the financial statements, the Company had estimated liabilities balance of approximately RMB269,495,900, including RMB216,492,600 for litigation, and recognised an expected loss from outstanding litigation of approximately RMB90,858,800 for the year ended 31 December 2019. Accounting policy on estimated liabilities for litigation claims is disclosed in notes IV,18 and V.

We identified the estimated liabilities for litigation claims as a key audit matter because the determination of the probability and quantity of economic outflow requires significant management estimate and judgement.

Audit responses:

Our procedures in relation to the estimated liabilities 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;
- Understanding and evaluating management judgments and their basis in relation to the nature and progress of outstanding litigation and disputes, and understanding, testing and evaluating management's methodology and assumptions used in estimating the expected loss;
- 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
- Obtaining confirmations from external legal advisers regarding the latest development, possible outcome and compensation amount of material outstanding litigations,



Chapter 12 Financial Report

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

The management of the Company is 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.

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

Management of the Company is responsible for the preparation of the financial statements that present fairly in accordance with Accounting Standards for Business Enterprises and for designing, implementing and maintaining such internal control as management of the Company 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, management of the Company is 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.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standard for Certified Public Accountants of China 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

As part of an audit in accordance with Auditing Standard for Certified Public Accountants of China, 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.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Company.
- (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 Company 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.



Chapter 12 Financial Report

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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: Yang Wang (Engagement Partner)

CICPA: Guanghui Feng

Beijing, China

31 March 2020

Consolidated Statement of Financial Position

Item	Note	<i>Unit: RMB</i>	
		31 December 2019	31 December 2018
Current assets			
Cash and bank balances	IX.1	10,475,499,824.16	15,538,785,383.83
Held-for-trading financial assets	IX.2	5,641,228.80	400,140,176.57
Derivative financial assets			
Bills receivable	IX.3	18,389,129.53	18,287,596.70
Accounts receivable	IX.4	10,114,964,014.88	10,417,568,351.23
Financing receivables	IX.5	600,596,569.69	537,635,917.84
Prepayments	IX.6	2,246,807,826.72	2,090,854,225.68
Other receivables	IX.7	1,637,377,987.43	1,411,224,626.30
Including: interest receivables	IX.7	1,281,663.75	1,008,817.72
dividend receivables	IX.7	53,247,750.69	63,826,982.07
Inventories	IX.8	125,293,322.01	266,600,487.08
Including: raw materials	IX.8	32,116,251.48	31,381,721.88
finished goods	IX.8	72,872,532.03	198,607,733.96
Contract assets			
Held-for-sale assets			53,745,651.81
Non-current assets due within one year	IX.9	12,085,000.00	74,928,213.64
Other current assets	IX.10	626,309,693.00	559,144,645.56
Total current assets		25,862,964,596.22	31,368,915,276.24
Non-current assets			
Debt investments			
Other debt investments			
Long-term receivables	IX.11	102,637,410.37	142,009,746.55
Long-term equity investments	IX.12	9,368,359,302.17	6,973,522,714.05
Other equity instrument investments	IX.13	256,540,744.93	154,458,821.08
Other non-current financial assets	IX.14	692,424,249.35	493,936,852.61
Investment properties	IX.15	2,384,160,216.45	2,478,006,337.36
Fixed assets	IX.16	12,472,503,554.46	11,942,099,732.71
Construction in progress	IX.17	2,154,496,943.35	1,997,349,529.53
Right-of-use assets	IX.18	1,990,676,405.63	—
Intangible assets	IX.19	5,688,540,222.83	5,228,339,127.68
Development expenditure	IX.20	81,415,404.91	30,511,836.16
Goodwill	IX.21	172,612,157.55	169,670,069.78
Long-term prepaid expenses	IX.22	220,746,710.04	263,995,854.52
Deferred tax assets	IX.23	213,306,245.86	212,892,635.40
Other non-current assets	IX.24	225,023,784.54	38,513,050.27
Total non-current assets		36,023,443,352.44	30,125,306,307.70
Total assets		61,886,407,948.66	61,494,221,583.94

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

Guanpeng Li
Person-in-charge of the Company

Jiuyun Wang
Person-in-charge of Accounting Work

Jiuyun Wang
Person-in-Charge of
Accounting Department

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

Consolidated Statement of Financial Position (continued)

Item	Note	<i>Unit: RMB</i>	
		31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	IX.27	1,202,384,395.00	2,233,284,173.24
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	IX.28	9,147,046,027.11	9,056,129,695.54
Advances from customers			
Contract liabilities	IX.29	2,608,389,707.64	2,576,275,224.01
Employee remuneration payables	IX.30	1,589,693,735.12	1,470,491,147.30
Including: wages payable	IX.30	1,380,010,118.64	1,188,527,792.37
welfare payables	IX.30	3,103,605.13	5,079,485.26
Tax and levies payable	IX.31	344,533,438.22	481,975,148.65
Including: Taxes payable	IX.31	330,229,457.47	470,714,144.47
Other payables	IX.32	2,322,174,917.92	2,940,347,894.62
Including: interest payables	IX.32	26,339,510.69	47,616,790.25
dividend payables	IX.32	47,911,902.30	106,507,405.73
Held-for-sale liabilities			
Non-current liabilities due within one year	IX.33	3,268,689,764.93	1,200,840,449.95
Short-term financing payables			
Other current liabilities	IX.34	177,858,416.72	167,271,210.90
Total current liabilities		20,660,770,402.66	20,126,614,944.21
Non-current liabilities			
Long-term borrowings	IX.35	5,026,139,244.02	8,473,310,202.52
Bonds payable	IX.36	3,419,486,443.79	3,566,084,334.19
Including: preference shares			
perpetual bonds			
Lease liabilities	IX.37	1,519,924,346.73	—
Long-term payables	IX.38	197,265,698.20	656,306,531.23
Long-term employee remuneration payable	IX.39	2,927,039.77	3,043,019.68
Estimated liabilities	IX.40	269,495,938.63	407,925,602.60
Deferred income	IX.41	383,338,591.29	395,905,585.01
Deferred tax liabilities	IX.23	84,261,559.81	11,590,458.74
Other non-current liabilities	IX.42	71,319,466.31	
Total non-current liabilities		10,974,158,328.55	13,514,165,733.97
Total liabilities		31,634,928,731.21	33,640,780,678.18

The notes form an integral part of the financial statements.

Consolidated Statement of Financial Position (continued)

Item	Note	<i>Unit: RMB</i>	
		31 December 2019	31 December 2018
Shareholders' equity:			
Share capital	IX.43	7,400,803,875.00	6,049,166,644.00
Other equity instruments			
Including: preference shares			
perpetual bonds			
Capital reserve	IX.44	6,072,706,510.86	4,124,486,665.68
Less: treasury shares			
Other comprehensive income	IX.67	-157,971,711.23	-275,001,310.29
Including: Exchange differences on translation of foreign			
operations	IX.67	-346,519,139.10	-327,135,927.64
Special reserve	IX.45	53,520,819.76	41,536,205.81
Surplus reserve	IX.46	899,046,022.99	811,845,310.51
Including: statutory reserve fund	IX.46	899,046,022.99	811,845,310.51
discretionary reserve fund			
Retained earnings	IX.47	14,170,510,834.74	12,484,368,855.91
Equity attributable to owners of the Company		28,438,616,352.12	23,236,402,371.62
Non-controlling interests		1,812,862,865.33	4,617,038,534.14
Total shareholders' equity		30,251,479,217.45	27,853,440,905.76
Total liabilities and shareholders' equity		61,886,407,948.66	61,494,221,583.94

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

Statement of Financial Position of the Company

Item	Note	<i>Unit: RMB</i>	
		31 December 2019	31 December 2018
Current assets			
Cash and bank balances	XVII.1	4,073,217,980.63	2,232,691,435.74
Held-for-trading financial assets		5,500,000.00	400,000,000.00
Derivative financial assets			
Bills receivable	XVII.2	2,397,802.00	
Accounts receivable	XVII.3	923,919,956.37	1,175,939,622.77
Financing receivables	XVII.4	31,467,958.31	22,838,736.35
Prepayments		42,499,589.99	27,737,883.02
Other receivables	XVII.5	9,724,300,157.45	7,770,022,704.51
Inventories			
Including: raw materials			
finished goods			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year		474,753,841.96	354,010,852.27
Other current assets		49,001,005.00	49,054,666.08
Total current assets		15,327,058,291.71	12,032,295,900.74
Non-current assets			
Debt investments			
Other debt investments			
Long-term receivables	XVII.6	1,395,344,773.34	1,606,581,598.47
Long-term equity investments	XVII.7	18,235,853,446.45	11,110,762,797.06
Other equity instrument investments			
Other non-current financial assets		901,731,350.32	630,314,038.78
Investment properties			
Fixed assets		37,188,420.62	47,976,127.19
Construction in progress		9,981,594.87	9,215,368.60
Right-of-use assets		566,551,383.29	—
Intangible assets		110,015,988.57	69,898,549.74
Development expenditure		68,007,661.41	23,314,238.03
Goodwill			
Long-term prepaid expenses		1,452,172.11	1,619,094.06
Deferred tax assets			
Other non-current assets			
Total non-current assets		21,326,126,790.98	13,499,681,811.93
Total assets		36,653,185,082.69	25,531,977,712.67

The notes form an integral part of the financial statements.

Statement of Financial Position of the Company (continued)

Item	Note	<i>Unit: RMB</i>	
		31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payables			
Accounts payable		465,817,720.54	538,121,606.24
Advances from customers			
Contract liabilities		52,705,643.61	59,614,593.16
Employee remuneration payables		108,608,409.41	116,379,594.67
Including: wages payable		88,564,582.22	61,979,019.45
welfare payables		49,614.66	8,807.60
Tax and levies payable		10,656,185.73	3,914,293.99
Including: Taxes payable		10,438,832.19	3,228,042.77
Other payables		10,603,685,432.96	4,737,709,073.83
Held-for-sale liabilities			
Non-current liabilities due within one year		515,427,269.58	1,000,000,000.00
Short-term financing payables			
Other current liabilities			
Total current liabilities		11,756,900,661.83	6,455,739,161.89
Non-current liabilities			
Long-term borrowings	XVII.8	116,875,000.00	1,624,180,565.99
Bonds payables	XVII.9	3,419,486,443.79	3,566,084,334.19
Including: preference shares perpetual bonds			
Lease liabilities		585,032,846.05	—
Long-term payables			
Long-term employee remuneration payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		4,121,394,289.84	5,190,264,900.18
Total liabilities		15,878,294,951.67	11,646,004,062.07

The notes form an integral part of the financial statements.



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Statement of Financial Position of the Company (continued)

Item	Note	<i>Unit: RMB</i>	
		31 December 2019	31 December 2018
Shareholders' equity:			
Share capital		7,400,803,875.00	6,049,166,644.00
Other equity instruments			
Including: preference shares			
perpetual bonds			
Capital reserve	XVII.10	10,764,008,546.37	5,113,523,892.31
Less: treasury shares			
Other comprehensive income		-12,970,901.77	-13,225,231.95
Including: exchange differences on translation of foreign			
operations		1,171,815.10	917,484.92
Special reserve		4,080,696.43	4,439,943.32
Surplus reserve		899,046,022.99	811,845,310.51
Including: statutory reserve fund		899,046,022.99	811,845,310.51
discretionary reserve fund			
Retained earnings	XVII.11	1,719,921,892.00	1,920,223,092.41
Total shareholders' equity		20,774,890,131.02	13,885,973,650.60
Total liabilities and shareholders' equity		36,653,185,082.69	25,531,977,712.67

The notes form an integral part of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Item	Note	Unit: RMB	
		Year ended 31 December 2019	Year ended 31 December 2018
I. Total income from operations	IX.48	77,650,091,275.30	77,311,836,514.83
Including: Operating income	IX.48	77,650,091,275.30	77,311,836,514.83
II. Total costs of operation		77,429,532,543.95	76,161,787,922.62
Including: Operating costs	IX.48	73,422,166,637.74	71,767,219,812.34
Tax and surcharges	IX.49	198,278,766.24	190,993,779.58
Selling expenses	IX.50	851,739,192.62	931,060,960.57
Administrative expenses	IX.51	2,595,380,588.72	2,812,080,135.14
Research and development expenses	IX.52	73,437,937.69	23,925,038.10
Finance costs	IX.53	288,529,420.94	436,508,196.89
Including: interest expenses	IX.53	565,200,272.48	533,636,730.98
interest income	IX.53	232,823,243.91	181,001,747.60
net exchange loss (income denoted by “-”)	IX.53	-65,724,852.33	-37,382,323.28
Add: other income	IX.54	1,539,980,855.80	631,696,389.27
Investment income (loss denoted by “-”)	IX.55	1,509,628,605.26	2,572,335,922.77
Including: share of results of associates and joint ventures	IX.55	1,309,598,043.77	1,170,771,434.70
income from derecognition of financial assets measured at amortised cost (loss denoted by “-”)	IX.55	278,713.15	-22,081,854.49
Hedging income (loss denoted by “-”)			
Gain from changes in fair value (loss denoted by “-”)	IX.56	151.09	236,004,338.46
Credit loss impairment (loss denoted by “-”)	IX.57	-48,928,160.80	-252,904,887.82
Impairment of assets (loss denoted by “-”)	IX.58	-2,469,698.22	-156,753,259.27
Income from disposal of assets (loss denoted by “-”)	IX.59	152,818,956.07	137,572,742.62
III. Operating profits (loss denoted by “-”)		3,371,589,440.55	4,317,999,838.24
Add: non-operating income	IX.60	152,806,180.49	91,205,938.96
Including: government grant	IX.61	33,182,969.98	39,704,161.55
Less: non-operating expenses	IX.62	198,842,060.12	300,764,891.44
IV. Total profit (total loss denoted by “-”)		3,325,553,560.92	4,108,440,885.76
Less: income tax expenses	IX.63	398,544,308.33	909,472,556.18
V. Net profit (net loss denoted by “-”)		2,927,009,252.59	3,198,968,329.58
(I) Classified by attribution of ownership			
1. Net profit attributable to the owners of the Company (net loss denoted by “-”)		2,803,495,055.06	2,704,106,404.93
2. Net profit attributable to non-controlling interests (net loss denoted by “-”)		123,514,197.53	494,861,924.65
(II) Classified by the continuity of operation			
1. Net profit from continuing operations (net loss denoted by “-”)		2,927,009,252.59	3,198,968,329.58
2. Net profit from discontinued operations (net loss denoted by “-”)			

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

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

Item	Note	Unit: RMB	
		Year ended 31 December 2019	Year ended 31 December 2018
VI. Other comprehensive income, net of tax	IX.67	95,305,142.09	-261,599,609.22
Other comprehensive income attributable to the owners of the Company, net of tax	IX.67	117,029,599.06	-202,648,430.24
(I) Other comprehensive income not to be reclassified to profit or loss	IX.67	102,081,923.85	-75,969,534.02
1. Amount of change arising from re-measurement of the defined benefit plan			
2. Other comprehensive income not to be reclassified to profit or loss under the equity method			
3. Changes in fair value of other equity investment	IX.67	102,081,923.85	-75,969,534.02
4. Changes in fair value attributable to changes in credit risk			
5. Others			
(II) Other comprehensive income to be reclassified to profit or loss	IX.67	14,947,675.21	-126,678,896.22
1. Other comprehensive income to be reclassified to profit or loss under the equity method	IX.67	34,330,886.67	461,537.45
2. Changes in fair value of other debt investments			
3. Reclassification of financial assets			
4. Credit loss impairment of other debt investments			
5. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)			
6. Exchange differences on translation of foreign operations	IX.67	-19,383,211.46	-127,140,433.67
7. Others			
Other comprehensive income attributable to non-controlling interests, net of tax		-21,724,456.97	-58,951,178.98
VII. Total comprehensive income	IX.67	3,022,314,394.68	2,937,368,720.36
Total comprehensive income attributable to the owners of the Company	IX.67	2,920,524,654.12	2,501,457,974.69
Total comprehensive income attributable to non-controlling interests	IX.67	101,789,740.56	435,910,745.67
VIII. Earnings per share:			
Basic earnings per share (RMB/share)		0.38	0.45
Diluted earnings per share (RMB/share)		0.38	0.45

The notes form an integral part of the financial statements.

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

Item	Note	Unit: RMB	
		Year ended 31 December 2019	Year ended 31 December 2018
I. Income from operations	XVII.12	2,245,250,205.67	2,145,058,837.38
Less: Operating cost		1,898,168,727.92	1,834,355,968.57
Tax and surcharges		363,122.63	646,665.23
Selling expenses		103,767,798.38	112,101,783.14
Administrative expenses		279,776,914.16	383,598,054.01
Research and development expenses		44,885,391.69	13,165,139.22
Finance costs	XVII.13	-427,196.29	30,398,709.03
Including: interest expenses		286,047,476.73	244,391,150.73
interest income		266,607,689.45	180,967,204.81
net exchange loss (gain denoted by "-")		-23,490,882.03	-53,925,083.65
Add: other income			980,000.00
Investment income (loss denoted by "-")	XVII.14	946,437,832.10	1,351,274,029.34
Including: share of result of associates and joint venture income from derecognition of financial assets measured at amortised cost (loss denoted by "-")		57,309,117.59 -14,526,454.50	48,588,515.98
Gain from changes in fair value (loss denoted by "-")			
Credit loss impairment (loss denoted by "-")		8,748,187.28	-253,551.44
Impairment of assets (loss denoted by "-")			
Income from disposal of assets (loss denoted by "-")		-1,364,048.45	
II. Operating profits(loss denoted by "-")		872,537,418.11	1,122,792,996.08
Add: non-operating income		1,769,117.93	886,179.26
Including: government grant			
Less: non-operating expenses		550,858.47	15,785.39
III. Total profit (total loss denoted by "-")		873,755,677.57	1,123,663,389.95
Less: income tax expenses		1,748,552.77	989,860.00
IV. Net profit (net loss denoted by "-")		872,007,124.80	1,122,673,529.95
Net profit from continuing operations (net loss denoted by "-")		872,007,124.80	1,122,673,529.95
Net profit from discontinued operations (net loss denoted by "-")			

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

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

Item	Note	<i>Unit: RMB</i>	
		Year ended 31 December 2019	Year ended 31 December 2018
V. Other comprehensive income, net of tax		254,330.18	645,413.22
(I) Other comprehensive income not to be reclassified to profit or loss			
1. Amount of change arising from re-measurement of the defined benefit plan			
2. Other comprehensive income not to be reclassified to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments			
4. Changes in fair value attributable to changes in credit risk			
5. Others			
(II) Other comprehensive income to be reclassified to profit or loss		254,330.18	645,413.22
1. Other comprehensive income to be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Reclassification of financial assets			
4. Credit loss impairment of other debt investments			
5. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)			
6. Exchange differences on translation of foreign operations		254,330.18	645,413.22
7. Others			
VI. Total comprehensive income		872,261,454.98	1,123,318,943.17

The notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

Item	Note	Unit: RMB	
		Year ended 31 December 2019	Year ended 31 December 2018
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		78,516,814,392.92	77,853,673,615.37
Tax rebate received		16,065,340.23	18,614,685.70
Cash received from other operating activities	IX.68	2,228,462,578.47	1,204,187,233.36
Sub-total of cash inflow from operating activities		80,761,342,311.62	79,076,475,534.43
Cash paid for goods and services		68,351,761,766.59	67,333,941,678.62
Cash paid to and on behalf of employees		5,565,616,507.32	5,889,290,589.04
Cash paid for taxes and levies		1,278,858,608.50	1,584,496,052.25
Cash paid for other operating activities	IX.68	2,245,120,964.32	2,255,353,879.93
Sub-total of cash outflows from operating activities		77,441,357,846.73	77,063,082,199.84
Net cash flow from operating activities		3,319,984,464.89	2,013,393,334.59
II. Cash flow from investment activities			
Cash received from disposal of investments		524,978,128.31	4,673,717,443.57
Cash received from investment income		1,122,466,978.38	1,018,263,891.13
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		317,335,902.34	427,044,815.45
Net cash received from disposal of subsidiaries and other operating units			1,776,145,605.66
Cash received from other investment activities	IX.68	649,912,846.41	235,829,953.10
Sub-total of cash inflow from investment activities		2,614,693,855.44	8,131,001,708.91
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,920,703,135.51	2,585,734,016.18
Cash paid for investments		2,461,566,411.55	594,838,810.62
Net cash paid for acquisition of subsidiaries and other operating units		187,883,512.91	
Cash paid for other investment activities	IX.68	99,419,217.97	74,910,730.80
Sub-total of cash outflow from investment activities		4,669,572,277.94	3,255,483,557.60
Net cash flow from investment activities		-2,054,878,422.50	4,875,518,151.31

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

Consolidated Statement of Cash Flows (continued)

Item	Note	<i>Unit: RMB</i>	
		Year ended 31 December 2019	Year ended 31 December 2018
III. Cash flow from financing activities:			
Cash received from capital contributions		273,067,800.00	56,546,027.22
Including: cash received by subsidiaries from capital contributions of non-controlling interests		273,067,800.00	56,546,027.22
Cash received from borrowings		1,531,124,709.35	9,689,463,444.98
Cash received from other financing activities			691,789,965.08
Sub-total of cash inflow from financing activities		1,804,192,509.35	10,437,799,437.28
Cash paid for repayment of debts		4,904,022,056.81	6,322,517,872.30
Cash paid for distribution of dividends or profits or settlement of interest		1,711,271,754.55	1,712,910,482.30
Including: dividends and profits paid by the subsidiaries to non-controlling interests		142,469,930.86	356,340,566.04
Cash paid for other financing activities	IX.68	1,523,880,933.14	3,697,491,681.87
Sub-total of cash outflow from financing activities		8,139,174,744.50	11,732,920,036.47
Net cash flow from financing activities		-6,334,982,235.15	-1,295,120,599.19
IV. Effect of foreign exchange rate changes		139,350,997.92	14,651,861.01
V. Net increase (decrease) in cash and cash equivalents	IX.69	-4,930,525,194.84	5,608,442,747.72
Add: balance of cash and cash equivalents at the beginning of the year		15,317,824,974.56	9,709,382,226.84
VI. Balance of cash and cash equivalents at the end of the year	IX.69	10,387,299,779.72	15,317,824,974.56

The notes form an integral part of the financial statements.

Statement of Cash Flows of the Company

Item	Note	Unit: RMB	
		Year ended 31 December 2019	Year ended 31 December 2018
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services		2,247,216,648.29	1,730,487,691.50
Tax rebate received		100,000.00	
Cash received from other operating activities		135,455,150.83	1,061,148,538.97
Sub-total of cash inflow from operating activities		2,382,771,799.12	2,791,636,230.47
Cash paid for goods and services		2,006,680,362.15	1,825,182,176.83
Cash paid to and on behalf of employees		223,851,394.95	251,681,764.42
Cash paid for tax and levies		1,468,293.30	11,595,214.37
Cash paid for other operating activities		170,095,433.91	310,593,040.95
Sub-total of cash outflow from operating activities		2,402,095,484.31	2,399,052,196.57
Net cash flow from operating activities	XVII.15	-19,323,685.19	392,584,033.90
II. Cash flow from investment activities			
Cash received from disposal of investments		400,000,000.00	1,600,000,000.00
Cash received from investment income		918,804,100.84	1,325,554,513.33
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		4,965,701.21	226,919.59
Cash received from other investment activities		593,754,573.82	272,139,327.64
Sub-total of cash inflow from investment activities		1,917,524,375.87	3,197,920,760.56
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		121,077,856.87	105,641,058.24
Cash paid for investments		283,847,600.00	
Cash paid for other investment activities		2,321,117,478.31	2,801,485,364.17
Sub-total of cash outflow from investment activities		2,726,042,935.18	2,907,126,422.41
Net cash flow from investment activities		-808,518,559.31	290,794,338.15
III. Cash flow from financing activities:			
Cash received from capital contributions			
Cash received from borrowings			500,000,000.00
Cash received from other financing activities		6,841,785,733.49	1,475,311,392.05
Sub-total of cash inflow from financing activities		6,841,785,733.49	1,975,311,392.05
Cash paid for repayment of debts		2,157,125,000.00	
Cash paid for distribution of dividends or profits or settlement of interest		1,200,586,900.19	723,707,667.62
Cash paid for other financing activities		830,294,862.17	21,969,007.22
Sub-total of cash outflow from financing activities		4,188,006,762.36	745,676,674.84
Net cash flow from financing activities		2,653,778,971.13	1,229,634,717.21
IV. Effect of foreign exchange rate changes		14,647,641.78	-7,360,619.67
V. Net increase in cash and cash equivalents		1,840,584,368.41	1,905,652,469.59
Add: balance of cash and cash equivalents at the beginning of the year		2,232,379,636.67	326,727,167.08
VI. Balance of cash and cash equivalents at the end of the year		4,072,964,005.08	2,232,379,636.67

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

Consolidated Statement of Changes in Equity

Unit: RMB

Item	Year ended 31 December 2019										Total shareholders' equity			
	Share capital	Preference shares	Other equity instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Including: exchange differences on transition of foreign operations	Special reserve	Surplus reserve		Retained earnings	Sub-total	Non-controlling interests
I. Closing balance of the prior 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
Adj: changes in accounting policies														
Correction of prior period errors														
Others														
II. Balance at the beginning 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	12,416,420,716.05	23,168,454,231.76	4,603,954,591.00	27,772,408,822.76
III. Increases/decreases in current period														
(I) Total comprehensive income							117,029,599.06	-19,383,211.46	11,984,613.95	1,754,090,118.69	5,270,162,120.36	-2,791,091,725.67	2,479,070,394.69	
(II) Capital contributed and reduced by owners							117,029,599.06	-19,383,211.46						
1. Ordinary shares issued	1,351,637,231.00				1,948,219,845.18									
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payments included in shareholders' equity														
4. Others														
(III) Appropriation and use of special reserve														
1. Appropriation of special reserve														
2. Use of special reserve														
(IV) Profit distribution														
1. Appropriation of surplus reserve including: statutory reserve fund														
2. Appropriation of general risk provision														
3. Distribution to owners														
4. Others														
(V) Internal transfers of shareholders' equity														
1. Capital transferred from capital reserve														
2. Capital transferred from surplus reserve														
3. Recovery of losses by surplus reserve														
4. Transfer of changes in defined benefit plans into retained earnings														
5. Transfer of other comprehensive income into retained earnings														
6. Others														
IV. Balance at the end of current year	7,400,803,875.00				6,072,706,510.86		-157,971,711.23	-346,519,139.10	53,520,819.76	899,046,022.99	14,170,510,834.74	28,438,616,352.12	1,812,862,865.33	30,251,479,217.45

The notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2018

Unit: RMB

Items	Equity attributable to owners of the Company						Sub-total	Non-controlling interests	Total shareholders' equity					
	Share capital	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: treasury shares				Other comprehensive income	Including: exchange differences on transition of foreign operations	Special reserve	Surplus reserve	Retained earnings
I. Closing balance of the prior year	6,049,166,644.00				3,993,536,633.99		277,450,295.21	149,807,679.29	33,687,174.45	693,577,957.51	10,376,503,880.96	21,429,972,624.12	4,405,087,779.70	25,835,060,403.82
II. Add: changes in accounting policies														
III. Correction of prior period errors														
Others														
Balance at the beginning of current year	6,049,166,644.00				3,993,536,633.99		277,450,295.21	149,807,679.29	33,687,174.45	693,577,957.51	10,376,503,880.96	21,429,972,624.12	4,405,087,779.70	25,835,060,403.82
Increases/decreases in current period														
(I) Total comprehensive income					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
(II) Capital contributed and reduced by owners					130,899,991.69		-202,648,430.24	-127,140,433.67		46,206,768.89	2,704,106,404.93	2,501,457,974.69	453,910,745.67	2,937,368,720.36
1. Ordinary shares issued					130,899,991.69		-349,803,173.26	-349,803,173.26		-383,571,737.53		-219,803,181.57	108,914,066.43	-111,989,115.14
2. Capital invested by holders of other equity instruments													109,081,429.72	109,081,429.72
3. Amount of state-based payments included in owners' equity														
4. Others														
(III) Appropriation and use of special reserve					130,899,991.69		-349,803,173.26	-349,803,173.26						
1. Appropriation of special reserve														
2. Use of special reserve														
(IV) Profit distribution														
1. Appropriation of surplus reserve														
Including: statutory reserve fund														
discretionary reserve fund														
2. Appropriation of general risk provision														
3. Distribution to owners														
(V) Internal transfers of shareholders' equity														
1. Capital transferred from capital reserve														
2. Capital transferred from surplus reserve														
3. Recovery of losses by surplus reserve														
4. Transfer of changes in defined benefit plans into retained earnings														
5. Transfer of other comprehensive income into retained earnings														
6. Others														
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	811,843,310.51	12,484,368,855.91	23,236,402,371.62	4,617,085,341.14	27,853,440,805.76

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

Statement of Changes in Equity of the Company

Unit: RMB

Items	Year ended 31 December 2019							Subtotal				
	Share capital	Preference shares	Other equity instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income					
I. Closing balance of the prior 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
Add: changes in accounting policies											-23,003,108.98	-23,003,108.98
Correction of prior period errors												
Others												
II. Balance at the beginning 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	1,897,219,983.43	13,862,970,541.62
III. Increases/decreases in current period												
(decreases denoted by "-")												
(I) Total comprehensive income	1,351,637,231.00				5,650,484,654.06		254,330.18	254,330.18	-359,246.89	87,200,712.48	-177,298,091.43	6,911,919,588.40
(II) Capital contributed and reduced by owners	1,351,637,231.00				5,650,484,654.06		254,330.18	254,330.18			872,007,124.80	872,261,454.98
1. Ordinary shares issued	1,351,637,231.00				5,730,941,839.44							7,002,121,885.06
2. Capital invested by holders of other equity instruments												7,082,579,090.44
3. Amount of share-based payments included in owners' equity												
4. Others					-80,457,205.38				-359,246.89			-80,457,205.38
(III) Appropriation and use of special reserve												
1. Appropriation of special reserve												
2. Use of special reserve												
(IV) Profit distribution												
1. Appropriation of surplus reserve including: statutory reserve fund discretionary reserve fund												
2. Appropriation of general risk provision												
3. Distribution to owners												
4. Others												
(V) Internal transfers of shareholders' equity												
1. Capital transferred from capital reserve												
2. Capital transferred from surplus reserve												
3. Recovery of losses by surplus reserve												
4. Transfer of changes in defined benefit plans into retained earnings												
5. Transfer of other comprehensive income into retained earnings												
6. Others												
IV. Balance at the end of current year	7,400,803,875.00				10,764,008,546.37		-12,970,901.77	1,171,815.10	4,080,696.43	899,046,022.99	1,719,921,892.00	20,774,890,131.02

The notes form an integral part of the financial statements.

Statement of Changes in Equity of the Company (continued)

Unit: RMB

Items	Year ended 31 December 2018						Sub-total					
	Share capital	Preferences shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares		Other comprehensive income	Including: exchange differences on translation of foreign operations	Special reserve	Surplus reserve	Retained earnings
I. Closing balance of the 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	1,393,730,246.98	13,246,678,476.14
Add: changes in accounting policies												
Correction of prior period errors												
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	1,393,730,246.98	13,246,678,476.14
III. Increases/decreases in current period												
(I) Total comprehensive income							645,413.22	645,413.22			526,472,845.43	639,295,744.66
(II) Capital contributed and reduced by owners												
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments included in owners' equity												
4. Others												
(III) Appropriation and use of special reserve												
1. Appropriation of special reserve												
2. Use of special reserve												
(IV) Profit distribution												
1. Appropriation of surplus reserve												
Including: statutory reserve fund												
discretionary reserve fund												
2. Appropriation of general risk provision												
3. Distribution to owners												
4. Others												
(V) Internal transfers of shareholders' equity												
1. Capital transferred from capital reserve												
2. Capital transferred from surplus reserve												
3. Recovery of losses by surplus reserve												
4. Transfer of changes in defined benefit plans into retained earnings												
5. Transfer of other comprehensive income into retained earnings												
6. Others												
IV. Balance at the end of current year	6,049,166,644.00				5,113,523,892.31		-13,252,31.95	917,484.92	4,499,445.32	811,845,310.51	1,920,232,092.41	13,885,973,650.60

The notes form an integral part of the financial statements.



Chapter 12 Financial Report

I. GENERAL INFORMATION OF THE COMPANY

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

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

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

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

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

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

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

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

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

The Company belongs to the logistics and transport industry, specifically involving non-vessel transport business (valid until 9 March 2024); 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.

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

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



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II. BASIS FOR THE PREPARATION

The Group has assessed its ability to continue as a going concern for the next 12 months from the end of the reporting period and has not identified any events or circumstances that may cast a significant doubt over its ability to continue as a going concern.

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

III. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the year ended 31 December 2019 are prepared in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position as at 31 December 2019 and their financial performance, cash flows and other information for the period then ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE COMPANY

1. FISCAL YEAR

The Group' fiscal year is based on a calendar year, i.e. from 1 January to 31 December of each year.

2. FUNCTIONAL CURRENCY

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

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

3. ACCOUNTING BASIS AND MEASUREMENT

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

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

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

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

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



Chapter 12 Financial Report

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

4. BUSINESS COMBINATION

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

4.1 Merger accounting for business combination involving entities under common control

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

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

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

4.2 Business combination not involving entities under common control

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

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

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

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

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

5. GOODWILL

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

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

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

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

6. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

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

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

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



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

6. CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the subsidiaries acquired through business combination under common control, whether the business combination occurs at any point in the reporting period, the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party, The subsidiaries' operating results and cash flows properly shall be included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows from the beginning of the earliest period of the reporting period.

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

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

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

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

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

When a business combination is achieved in stages and not involving entities under common control, it is further determined if it is a "package deal" or not 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 net asset value shall be recorded into the profit or loss 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 recognised as profit or loss of the current period on the purchase date.

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

6. CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Where the loss of control is achieved in stages and is determined to be a "package deal", the Company accounts for each of these transactions similar as disposal of the subsidiary. Where the accounting policy/accounting period adopted by the subsidiary are inconsistent with the Company before the loss of control, necessary adjustments have been performed to conform with the accounting policy/accounting period of the Company.

7. JOINT ARRANGEMENT

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

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

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

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, easily convertible into known amount of cash and with minimum fair value risk.



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

9. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

9.1 Classification and Measurement of Financial Assets

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

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

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

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

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

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



Chapter 12 Financial Report

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

9. FINANCIAL INSTRUMENTS (continued)

9.1 Classification and Measurement of Financial Assets (continued)

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

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

9.1.1 Financial assets measured at amortised cost

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

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

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

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

9. FINANCIAL INSTRUMENTS (continued)

9.1 Classification and Measurement of Financial Assets (continued)

9.1.2 Financial assets measured at fair value through other comprehensive income

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

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

9.1.3 Financial Assets measured at fair value through profit or loss

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



Chapter 12 Financial Report

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

9. FINANCIAL INSTRUMENTS (continued)

9.2 Impairment of Financial Instruments

For financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, the contract assets are subject to impairment accounting based on expected credit losses and loss provisions are recognised.

The Group treats all contract assets and accounts receivable formed by transactions regulated by revenue norms, and lease receivables formed by transactions regulated by *Accounting Standards for Business Enterprises No. 21-Leasing*, in accordance with the entire existing expected credit loss amount measures loss provisions.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the conditions for lifetime expected credit loss are no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit loss at the current reporting date, except for assets for which simplified approach was used.

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.

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

9. FINANCIAL INSTRUMENTS (continued)

9.2 Impairment of Financial Instruments (continued)

9.2.1 Significant Increase in Credit Risk (continued)

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

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



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

9. FINANCIAL INSTRUMENTS (continued)

9.2 Impairment of Financial Instruments (continued)

9.2.1 Significant Increase in Credit Risk (continued)

- (12) Anticipated changes to the loan contract, including whether the anticipated breach of contract may result in the release or amendment of contractual obligations, the granting of interest-free periods, the jump in interest rates, the demand for additional collateral or collateral, or other changes to the contractual framework of the financial instrument;
- (13) Whether the expected performance and repayment behavior of the debtor change significantly;
- (14) Whether the Group has changed the credit management method of financial instruments;

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

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

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.

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

9. FINANCIAL INSTRUMENTS (continued)

9.2 Impairment of Financial Instruments (continued)

9.2.2 Credit-impaired Financial Assets (continued)

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

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

9.2.3 Determination of Expected Credit Losses

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

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

- For financial assets, the credit loss shall be the present value of the difference between the contractual cash flow to be collected by the Group and the expected cash flow to be collected.
- For lease receivables, the credit loss shall be the present value of the difference between the contractual cash flow to be collected by the Group and the expected cash flow to be collected.
- For 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.

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

9.2.4 Write-off of financial assets

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



Chapter 12 Financial Report

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

9. FINANCIAL INSTRUMENTS (continued)

9.3 Transfer of financial assets

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

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

- If the transferred financial assets are measured at amortised cost, the carrying amount of the related liabilities is equal to the carrying amount of the continued involvement in the transferred financial assets less the amortised cost of the rights retained by the Group (if the Group retains the relevant rights due to the transfer of financial assets) and the amortised 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 measured at fair value through profit or loss.
- If the transferred financial assets are measured at fair value, the carrying amount of the related liabilities is equal to the carrying amount of the continued involvement in the transferred financial assets minus the 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 at amortised cost and the classification of financial assets measured at fair value through other comprehensive income, the difference between the carrying amount of the transferred financial assets and the sum of the consideration received due to the transfer and the accumulative amount of changes in fair value originally recorded in other comprehensive income is recorded in the current profit or loss. For non-tradable equity instruments designated by the Group to be measured at fair value through other comprehensive income, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred from other comprehensive income and be recorded in retained income.

If the partial transfer of financial assets meets the conditions for the derecognition, the total carrying amount of the financial assets before the transfer shall be 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 carrying amount of the part of the derecognition on the date of derecognition shall be recorded into the current profit or loss or retained income.

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

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

9. FINANCIAL INSTRUMENTS (continued)

9.4 Classification of financial liabilities and equity instruments

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

9.4.1 Classification and Measurement of Financial Liabilities

Financial liabilities are classified into financial liabilities and other financial liabilities that are measured at fair value and whose changes are included in profit or loss upon initial recognition.

9.4.1.1 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. Except that the derivative financial liabilities are separately listed, financial liabilities measured at fair value through profit or loss are listed as transactional financial liabilities.

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

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

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

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



Chapter 12 Financial Report

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

9. FINANCIAL INSTRUMENTS (continued)

9.4 Classification of financial liabilities and equity instruments (continued)

9.4.1 Classification and Measurement of Financial Liabilities (continued)

9.4.1.2 Other Financial Liabilities

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

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

9.4.1.2.1 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when a specific debtor fails to repay the debt in accordance with the terms of the original or modified debt instrument. Financial guarantee contracts that do not belong to financial liabilities designated as measured at fair value through profit or loss, or financial liabilities formed by the transfer of financial assets that do not meet the derecognition conditions or continue to be involved in the transferred financial assets, are initially recognised. It is then measured at the higher of the amount of loss provisions and the initial recognition amount after deducting the accumulated amortisation amount determined in accordance with the relevant provisions of the income standard.

9.4.2 Derecognition of Financial Liabilities

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

If the recognition of financial liabilities is terminated in whole or in part, the difference between the carrying amount 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 profit or loss of the current period.

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

9. FINANCIAL INSTRUMENTS (continued)

9.4 Classification of financial liabilities and equity instruments (continued)

9.4.3 Equity Instruments

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

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

9.5 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.

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 comply with the definition of derivative instruments;
- (3) The mixed contracts are not measured at fair value through profit or loss.

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



Chapter 12 Financial Report

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

9. FINANCIAL INSTRUMENTS (continued)

9.6 Offset of Financial Assets and Financial Liabilities

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

10. INVENTORIES

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

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

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

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

For inventories with large quantity and low unit price, provisions for decline in net realisable value are accounted for according to the categories; 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 net realisable value based on the difference between the cost of a single inventory item and its net realisable value.

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

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

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

11. LONG-TERM EQUITY INVESTMENT

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

Control refers to the investor has the power over the investee, and 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 sharing of 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 carrying amount 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 noncash assets transferred and the carrying amount 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 carrying amount 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 common 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 profit or loss 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 investees or the application 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*.



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

11. LONG-TERM EQUITY INVESTMENT (continued)

11.3 Subsequent Measurement and Profit 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 investees controlled by 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 recognised according to the cash dividend or profit declared to be issued by the investee.

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 assets held-for-sale, the Group's investment in associates and joint ventures is calculated by equity method. Associates refer to investee to which the Group can exert a significant influence, and joint venture is a joint arrangement in which the Group only has the right to the net assets of the arrangement.

When the equity method is adopted, if the initial investment cost of long-term equity investment is greater than the fair value share of identifiable net assets of the investee, 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 investee at the time of the investment, the difference shall be recorded into the current profit or loss, 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 recognised respectively according to the share of net profit or loss and other comprehensive income realised by the investee that should be enjoyed or shared, and the carrying amount of long-term equity investment shall be adjusted at the same time; the carrying amount 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 investee; The carrying amount 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 investee except net profit or loss, other comprehensive income and profit distribution. When recognising the share of the net profit or loss of the investee, the net profit of the investee shall be adjusted and recognised on the basis of the fair value of the identifiable assets of the investee at the time of acquiring the investment. If the accounting policies and periods adopted by the investee are inconsistent with those of the Group, the financial statements of the investee shall be adjusted in accordance with the accounting policies and the accounting period of the Group, and the investment income and other comprehensive income shall be recognised accordingly. For transactions between the Group and associates or joint ventures, the assets invested or sold do not constitute business, and the unrealised 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 recognised. However, the unrealised internal transaction losses between the Group and the investee shall not be offset if they belong to the impairment losses of the transferred assets.

IV. 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 (continued)

11.3.2 Long-term Equity Investment Calculated According to the Equity Method (continued)

In determining the share of net loss of the investee, the carrying amount of the long-term equity investment and other long-term interests that substantially constitute the net investment of the investee shall be written down to zero. In addition, if the Group has the obligation to bear additional losses to the investee entity, it shall recognise the estimated liabilities according to the expected obligations and record them into the current investment loss. If the investee achieves net profit during the subsequent period, the Group shall resume recognising the income sharing amount after the income sharing amount makes up the unrecognised loss sharing amount.

11.4 Long-term Equity Investment Disposal

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

Where the Group loses control over the investee due to the disposal of part of its equity investment, when preparing individual financial statements, the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for 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 investee, it shall be accounted for according to the relevant provisions of the financial instruments recognition and measurement standards, and the difference between its fair value and carrying amount on the date of loss of control shall be included in the profit or loss of the current period. Before the Group gains control over the investee, other comprehensive income recognised 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 investee when losing control over the investee, and in the net assets of the investee recognised by adopting equity method. Other changes in owner's equity in the net assets of the investee recognised by the equity method, other than net gains and losses, other comprehensive income and profit distribution are carried over to current gains and losses when the control of the investee 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.



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

11. LONG-TERM EQUITY INVESTMENT (continued)

11.4 Long-term Equity Investment Disposal (continued)

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

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

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 profit or loss when incurred.

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

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

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

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 recognised only when their economic benefits are likely to flow to the Group and their costs can be measured reliably. Fixed assets are initially measured in terms of cost and taking into account the impact of expected disposal costs.

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

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 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 carrying amount and relevant taxes and fees shall be recorded into the current profit or loss.

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



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

14. FIXED ASSETS AND DEPRECIATION

The construction in process is measured by actual cost, which includes the expenditure incurred during the construction period, the capitalised borrowing cost before the project reaches its intended usable state, and other related costs. There is no depreciation accrued for construction in progress. 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 loss are amortised by the straight-line method in phases during their expected service life. Intangible assets with uncertain service life shall not be amortised.

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

15.2 Research and Development Expenditures

Expenditure at the research stage shall be recorded into current profit or loss when incurred.

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

- (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, and for intangible assets to be used internally;
- (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 profit or loss.

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

16. LONG-TERM PREPAID 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 amortised evenly over the period of anticipated benefit.

17. IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

18. ESTIMATED LIABILITIES

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

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

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



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

19. EMPLOYEE REMUNERATIONS

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

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

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

Short-term remunerations refer to the compensation that the Group needs to pay to all employees within 12 months after the end of the annual reporting period for the relevant services provided by employees, with the exception of post-retirement benefits and termination benefits. Short-term 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 recognise the short-term remuneration payable as a liability and record it into the cost or expense of related assets according to the beneficiaries of the services provided by the employees.

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

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

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

19. EMPLOYEE REMUNERATIONS (continued)

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 recognised as liabilities according to the present value and recorded into the profit or loss of the current period

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

Other long-term employee benefits refer to all employee remunerations except short-term compensation, post retirement benefits and dismissal benefits.

20. SHARE-BASED PAYMENT

The Group's share-based payment is a transaction for granting equity instruments in order to obtain services from employees or other parties. The Group's share-based payments are equity-settled share-based payments.

For equity-settled share-based payments in exchange for services provided by employees, the Group measures the fair value of the equity instruments granted to employees on the grant date. The amount of this fair value is calculated based on the best estimate of the number of exercisable equity instruments during the waiting period and is included in related costs or expenses on a straight-line basis; when the right is immediately exercisable after it is granted, it is included in the related costs or expenses on the date of grant , And correspondingly increase other equity instruments.

21. BONDS PAYABLE

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

The difference between the issue price of the bonds and the total face value of the bonds shall be regarded as the bond premium or discount, which shall be amortised using the effective interest rate method over the duration of the bonds, and shall be accounted for as borrowing costs.



Chapter 12 Financial Report

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

22. REVENUE RECOGNITION

When the Group fulfills its performance obligations in the contract, that is, when the customer obtains control of the related goods or services, revenue is recognised at the transaction price allocated to that performance obligation. The performance obligation refers to the commitment in the contract that the Group transfers to the customer that can clearly distinguish the goods or services. Transaction price refers to the amount of consideration that the Group expects to be entitled to receive for the transfer of goods or services to customers, but does not include payments received on behalf of third parties and amounts that the Group expects to return to customers.

If one of the following conditions is met, it is a performance obligation performed within a certain period of time, and the Group recognises revenue within a period of time in accordance with the performance progress: (1) The customer obtains and consumes the Group's performance agency at the same time as the Group performs Economic benefits brought by; (2) customers can control the goods under construction during the Group's performance; (3) the goods or services produced during the Group's performance have irreplaceable uses, and the Group will The right to receive payment for the part of the performance that has been completed so far. Otherwise, the Group recognises revenue at the point when the customer obtains control of the related goods or services.

The Group adopts the input method to determine the progress of performance, that is, to determine the progress of performance based on the Group's investment in fulfilling its performance obligations. When the performance progress cannot be reasonably determined, and the costs incurred can be expected to be compensated, the Group recognises revenue based on the amount of costs incurred until the performance progress can be reasonably determined.

Contract assets refer to the right that the Group has transferred goods or services to customers and is entitled to receive consideration, and this right depends on factors other than the passage of time. For the accounting policy on contract asset impairment, please refer to Note IV.9 for details. The unconditional (i.e., only dependent on the passage of time) possession of the Group's right to receive consideration from customers is presented separately as a receivable.

Contract liabilities refer to the obligation of the Group to transfer goods or services to customers based on the consideration received or receivable from customers.

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

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

22. REVENUE RECOGNITION (continued)

If the contract contains two or more performance obligations, the Group allocates the transaction price to each single performance obligation on the contract start date in accordance with the relative proportion of the individual selling price of the goods or services promised by each single performance obligation. However, if there is strong evidence that the contract discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Group allocates the contract discount or variable consideration to the relevant one or more performances obligation. Separate selling price refers to the price at which the Group sells goods or services to customers separately. Where the stand-alone selling price cannot be directly observed, the Group comprehensively considers all relevant information that can be reasonably obtained, and uses the observable input value to the maximum to estimate the stand-alone selling price.

If there is variable consideration in the contract, the Group determines the best estimate of variable consideration based on the expected value or the most likely amount. The transaction price including variable consideration shall not exceed the amount that is likely to cause no significant reversal of accumulated recognised revenue when the relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration that should be included in the transaction price.

Where a customer pays non-cash consideration, the Group determines the transaction price based on the fair value of the non-cash consideration. If the fair value of the non-cash consideration cannot be reasonably estimated, the Group indirectly determines the transaction price by referring to the separate selling price of the goods or services promised to transfer to the customer.

There is a consideration payable to the customer in the contract, unless the consideration is to obtain other clearly distinguishable goods or services from the customer. The Group offsets the payable consideration by the transaction price and confirms the relevant income and pays (or promises to pay) the customer's consideration. At the latest, the two deducted the current income.

For sales with quality assurance clauses, if the quality assurance provides a separate service beyond the assurance to the customer that the goods or services sold meet established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group conducts accounting for quality assurance responsibilities in accordance with the *Accounting Standards for Business Enterprises No. 13-Contingencies*.



Chapter 12 Financial Report

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

22. REVENUE RECOGNITION (continued)

If there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration is amortised using the effective interest rate method during the contract period. On the contract commencement date, the Group does not consider the significant financing components in the contract if the interval between the customer obtaining control of the goods or services and the price paid by the customer is not more than one year.

The Group judges whether the Group's identity is the principal or agent when engaging in transactions based on whether it has control over the goods or services before transferring the goods or services to customers. If the Group is able to control the goods or services before transferring them to customers, the Group is the principal responsible person, and revenue is recognised based on the total amount of consideration received or receivable; otherwise, the Group is an agent and is entitled to receive Revenue is recognised as the amount of commissions or fees, which is determined based on the total amount of consideration received or receivable net of the amount payable to other parties, or determined based on the amount or proportion of the commission.

When the Group receives in advance sales of goods or services from customers, the amount is first recognised as a liability, and will be converted into income when the relevant performance obligations are fulfilled. When the Group's advance payment does not need to be returned, and the customer may waive all or part of its contractual rights, the Group expects to be entitled to the amount related to the contractual rights waived by the customer. The aforesaid amount is recognised as income; otherwise, the Group only converts the relevant balance of the above liabilities into income when the probability of the customer requesting performance of the remaining performance obligations is extremely low.

Cost of contract

Incremental costs incurred by the Group to obtain a contract (that is, costs that would not have occurred without a contract) are expected to be recovered and recognised as an asset. If the amortisation period of the asset does not exceed one year, it is included in profit or loss when it occurs. Other expenses incurred by the Group in order to obtain the contract shall be included in profit or loss when incurred, unless it is clearly borne by the customer.

Cost of contract fulfillment

The cost of the Group's performance of a contract that does not fall within the scope of accounting standards other than the revenue standard and meets the following conditions is recognised as an asset: (1) The cost is directly related to a current or expected contract (2) The cost increases the Group's resources for performing performance obligations in the future; (3) The cost is expected to be recovered. The aforesaid assets are amortised on the same basis as the recognition of income from goods or services related to the assets, and are included in profit or loss.

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

23. GOVERNMENT GRANTS

Government grants refer to the Group's free access to monetary and non-monetary assets from the government. Government grants are recognised 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 at nominal amounts are directly included in profit or loss.

Government grants related to assets shall be recognised as deferred income, and profit or loss shall be recorded in stages according to a reasonable and systematic method during the service life of the relevant assets. Government grants measured at nominal amounts are included in current profit or loss. If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of related deferred income that have not been allocated shall be transferred to the profit or loss of the current period during which the asset is disposed of.

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 recognised as deferred income and shall be included in the current profit or loss of the period during which the relevant cost or loss is recognised; 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 or loss.

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 included in other income or to offset relevant costs 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.

24. BORROWING COSTS

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



Chapter 12 Financial Report

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

24. BORROWING COSTS (continued)

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

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

25. INCOME TAX

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

25.1 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.

25.2 Deferred tax assets and deferred tax liabilities

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

Deferred tax is generally recognised for all temporary differences. However, for deductible temporary differences, the Group recognises the relevant deferred 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 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 recognised.

For deductible losses and tax credits that can be carried forward in subsequent years, the deferred tax assets are recognised to the extent that future taxable income is likely to be obtained to offset deductible losses and tax credits.

The Group recognises deferred 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 recognises deferred 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.

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

25. INCOME TAX (continued)

25.2 Deferred tax assets and deferred tax liabilities (continued)

At the end of the reporting period, the deferred tax assets and deferred 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 equity are included in other comprehensive income or owner's equity, 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 profit and or loss.

At the end of the reporting period, the carrying amount of deferred 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 tax assets, the carrying amount of deferred tax assets is written down. When it is possible to obtain sufficient taxable income, the amount written down shall be reversed.

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 tax assets and deferred 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 the period when significant deferred tax assets and liabilities are being reversed, they are related to the deferred 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 tax assets and deferred tax liabilities are reported in net amount after being offset.

26. FOREIGN CURRENCY BUSINESS AND FOREIGN CURRENCY FINANCIAL STATEMENTS TRANSLATION

26.1 Foreign Currency Business

The spot exchange rate on the date of transaction is used to convert foreign currency transactions when they are initially recognised.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated to functional currencies at the rates prevailing at that date, resulting in the exchange differences 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 and the exchange differences are recognised in profit or loss, except for: (1) the exchange difference of special foreign currency loans that meet the capitalisation conditions shall be capitalised into the cost of related assets during the capitalisation 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 on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.



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

26. FOREIGN CURRENCY BUSINESS AND FOREIGN CURRENCY FINANCIAL STATEMENTS TRANSLATION (continued)

26.1 Foreign Currency Business (continued)

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 “Exchange differences on translations of foreign operations” item of other comprehensive income; when disposing of overseas operations, it shall be included in the profit or loss 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 profit or loss or recognised as other comprehensive income.

26.2 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; all items in the profit statement and items reflecting the amount of profit distribution are converted at the exchange rate approximate to the spot exchange rate on the transaction occurrence date. After conversion, the difference between the total amount of assets and liabilities and owner’s equity items is recognised as other comprehensive income 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 an adjustment, which is separately shown in the statements of cash flows as the “Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents”.

The balance at the beginning of the period and the actual number of the previous period are shown in accordance with the amount converted from the financial statements of the previous period.

When disposing of all the owner’s equity of the Group operating abroad or losing control over overseas operations due to the disposal of some equity investments or other reasons, all the exchange differences on translation of foreign operations are listed in other comprehensive income in the consolidated statement of financial position related to the overseas operation belonging to the owner’s equity of the Company shall be transferred to the current profit or loss.

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

26. FOREIGN CURRENCY BUSINESS AND FOREIGN CURRENCY FINANCIAL STATEMENTS TRANSLATION (continued)

26.2 Foreign Currency Financial Statements Translation (continued)

When disposing of 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 exchange differences on translation of foreign operations related to the disposal of part of the foreign operations will be attributed to the non-controlling interests and will not be transferred into current profit or loss. When disposing of part of the equity of an overseas associates or joint ventures, the related exchange differences on translation of foreign operations shall be transferred to the current profit or loss of the disposal according to the proportion of the disposal of the overseas operation.

27. LEASE

Lease represents a contract in which a lessor conveys a right to control the use of an identified asset for a period of time to a lessee in exchange for consideration

For a contract entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. Unless there are changes to the terms and conditions of the contracts, the Group does not reassess whether the contract is a lease contract or contain a lease.

27.1 The Group as lessee

27.1.1 Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, the Group accounts for any lease and associated non-lease components as a single arrangement if the Group can reasonably expect that it will not have a significant impact to the financial statements in comparison to accounting for each individual lease in the arrangement separately.

27.1.2 Right-of-use assets

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. Commencement date refers to the date when the lessor makes the leased asset available to be used by the Group.

A right-of-use asset is initially stated at cost. Relevant cost includes:

- Initial measurement amount of the corresponding lease liability;
- Lease payments made at or before the commencement date and any initial direct costs less lease incentives received;
- Initial direct costs incurred;
- Costs incurred to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.



Chapter 12 Financial Report

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

27. LEASE (continued)

27.1 The Group as lessee (continued)

27.1.2 Right-of-use assets (continued)

After the commencement date, when a lease liability is remeasured, a corresponding adjustment to the related right-of-use asset shall be made.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group applies *Accounting Standards for Business Enterprises No. 8 — Asset Impairment* to determine whether a right-of-use asset is impaired and account for any identified impairment loss.

27.1.3 Refundable rental deposits

Refundable rental deposits paid by the Group are accounted for in accordance with *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and are initially measured at fair value. The difference between the fair value and the nominal amount on initial recognition is considered as an additional lease payment and included in the cost of right-of-use assets.

27.1.4 Lease liabilities

Except for short-term leases and leases of low-value assets, the Group measures lease liabilities based on the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments refer to payments made by the Group to the lessor related to the right to use leased assets during the lease term, including:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease; and
- the amount expected to be payable by the lessee under residual value guarantees.

Variable rents that depend on an index or rate are initially recognised based on the index or rate at the commencement date. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and are recognised as an expense in the period in which the payments occurs. If it is to be capitalised in accordance with *Accounting Standards for Business Enterprises No. 1 — Inventories* or other relevant standards, such other standard shall prevail.

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

27. LEASE (continued)

27.1 The Group as lessee (continued)

27.1.4 Lease liabilities (continued)

After the commencement date, the Group calculates the interest expense of lease liabilities at a fixed periodic interest rate. If it is to be capitalised in accordance with *Accounting Standards for Business Enterprises No. 17 — Borrowing Costs* or other relevant standard, such other standard shall prevail.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate; and
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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

The Group elects not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. Short-term leases are defined as leases with a lease term of 12 months or less at the commencement date while leases of low value assets refer to leases of single asset of a value not exceeding RMB50,000 when it is a brand new asset. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

27.1.6 Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



Chapter 12 Financial Report

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

27. LEASE (continued)

27.2 The Group as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, unless there is another systematic basis that better reflects the consumption of economic benefits from the arrangement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

During each period of the lease period, the Group uses the straight-line method to recognise the lease receipts from operating leases as rental income, unless other systematic and reasonable methods can better reflect the consumption pattern of economic benefits arising from the use of leased assets. The initial direct costs related to operating leases incurred by the lessor are capitalised, and are amortised and charged to profit or loss on the same basis as the rental income being recognised over the lease period.

27.2.1 Separation of lease and non-lease components

When a contract includes both lease and non-lease components, the Group applies *Accounting Standards for Business Enterprises No. 14 — Revenue* to allocate the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

27.2.2 Refundable rental deposits

Refundable rental deposits received by the Group are accounted for in accordance with *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and are initially measured at fair value. The difference between the fair value and the nominal amount on initial recognition is considered as an additional lease payment from the lessee.

27.2.3 Classification of leases

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

27.2.4 The Group as a lessor of operating leases

Rental income from operating leases is recognised on a straight-line basis or other systematic basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the leased asset and amortised on the same basis as the recognition of rental income over the lease term.

Variable lease receipts are included in profit or loss when incurred.

27.2.5 The Group as a lessor of finance leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases at the commencement date and the relevant finance lease asset is derecognised. The Group's net investment in the leases is calculated as the sum of unguaranteed residual values and the present value of finance lease receivables discounted using the interest rate included in the contract.

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

27. LEASE (continued)

27.2 The Group as Lessor (continued)

27.2.5 The Group as a lessor of finance leases (continued)

Lease receipts refer to the amount receivable by the Group from the lessee for conveying the right to control the use of a leased asset during the lease period, including:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease; and
- residual value guaranteed by the lessee, a party related to the lessee and an independent third party which have the financial ability to fulfill the guarantee obligations;
- variable lease receivables that depend on an index or ratio initially measured based on the index or ratio at the commencement date.
- variable lease payments that are not included in the measurement of net investment in the leases are included into profit or loss when incurred.

The Group calculates the interest income at a fixed periodic interest rate over the lease term.

27.2.6 Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

27.2.7 Lease modifications

When an operating lease is modified, the Group accounts for it as a new lease from the modification date, and accounts for the advanced receipts or lease receivables as receipts of the new lease.

When a financial lease is modified and both of the following conditions are met, the Group accounts for the modification as a separate lease:

- the modification expands the scope of the lease by adding one or more leased assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.



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

27. LEASE (continued)

27.2 The Group as Lessor (continued)

27.2.7 Lease modifications (continued)

When a financial lease is modified but is not accounted for as a separate lease, the Group accounts for the modified lease as follows:

- In case where the lease would have been classified as an operating lease assuming the modification became effective at the commencement date of the lease, the Group accounts for it as a new lease from the modification date and the net investment in the lease prior to the effective date of the modification is taken as the carrying amount of the lease assets;
- In case where the lease would have been classified as a finance lease assuming the modification became effective at the commencement date of the lease, the Group accounts for the modification in accordance with *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments* regarding the modification or renegotiation of contracts.

27.3 Sale and leaseback transactions

27.3.1 The Group acts as a seller-lessee

The Group applies the requirements of *Accounting Standards for Business Enterprises No. 14 — Revenue* to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group continues to recognise the transferred asset and recognise a financial liability equivalent to the consideration receivable and account for it in accordance with *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*. For a transfer that qualifies as a sale, the Group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

27.3.2 The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*. For a transfer of assets that constitutes a sale of asset, the Group applies other applicable Accounting Standards for Business Enterprises to account for the acquisition of assets and the lease arrangement.

28. ASSETS HELD-FOR-SALE

When the Group recovers the carrying amount of an asset 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 an asset held-for-sale.

Non-current assets or disposal groups classified as held-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.

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

28. ASSETS HELD-FOR-SALE (continued)

The Group recognises non-current assets or disposal groups for sale at the lower of the carrying amount and fair value less costs of disposal. If the carrying amount is higher than the fair value less costs of disposal, the carrying amount shall be written down to the net amount of the fair value less costs of disposal. The amount written down shall be recognised as impairment loss, and shall be included in the current profit or loss, and as provision for impairment of assets classified as held-for-sale. If the fair value less costs of disposal of the non-current assets classified as held-for-sale increase on a subsequent report date, the amount previously written down shall be reversed and included in the profit or loss of the current period, with the provision for impairment of assets held-for-sale written back.

Non-current assets classified as held-for-sale or non-current assets in the disposal group are not depreciated or amortised and interest and other expenses on liabilities in the disposal group held-for-sale continue to be recognised. In the case where all or part of the equity investment in associates or joint ventures is classified as held-for-sale, and the part classified as held-for-sale is no longer accounted for by the equity method from the date of being classified as held-for-sale.

29. 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 14 February 2012, which shall be included in the cost of related products or the current profit or loss, and transferred to the special reserve. Where the extracted production safety fee and it 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 recognised 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 recognised. The fixed assets are no longer depreciated in subsequent period.

30. ASSET SECURITISATION 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 risks and rewards 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 recognised according to the degree of its continuous involvement in the financial asset, and the relevant liabilities shall be recognised accordingly.

On derecognition of a financial asset in its entirety, the difference between the consideration received and the corresponding carrying amount shall be recorded into the current profit or 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 or loss; On derecognition of a financial asset other than in its entirety, the carrying amount of the whole financial asset involved in the transfer shall be apportioned between the part that is derecognised and the part that is not derecognised according to their respective relative fair value, and the carrying amount 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 recognised as a financial liability.



Chapter 12 Financial Report

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

31. DISCONTINUED OPERATION

Discontinued operation refers to a separate component of the Group which meets one of the following conditions and which has been disposed of or classified as held-for-sale:

- (1) The component represents an independent major business or a major area of operation;
- (2) The component is part of an associated plan for the disposition of an independent major business or a separate major area of operation;
- (3) The component is a subsidiary acquired specifically for resale.

32. EXCHANGE OF NON-MONETARY ASSETS

If the exchange of non-monetary assets is of commercial substance, and the fair value of the assets exchanged in or out can be reliably measured, the exchange of non-monetary assets is measured on the basis of fair value. For the swapped in assets, the fair value of the swapped out assets and the relevant taxes and fees payable are used as the initial measurement of the cost of the swapped in assets; when the swapped out assets are derecognised, the difference between the fair value of the swapped out assets and the carrying amount is included in profit or loss. If there is conclusive evidence that the fair value of the asset being transferred is more reliable, the fair value of the asset being transferred and the relevant taxes and fees payable shall be taken as the initial measurement amount of the asset being transferred; for the asset being swapped out, the confirmation shall be terminated upon confirmation. At that time, the difference between the fair value of the assets being exchanged and the carrying amount of the assets being exchanged is included in profit or loss.

Non-monetary asset exchanges that do not meet the conditions for measurement based on fair value are measured on the basis of carrying amount. For the swap-in assets, the carrying amount of the swap-out assets and the relevant taxes and fees payable are taken as the initial measurement amount of the swap-in assets; for the swap-out assets, no profit or loss is recognised when the recognition is terminated.

When there is an inconsistency between the confirmation time point of the swap-in asset and the derecognition time of the swap-out asset, the swap-in asset meets the asset recognition conditions, and the swap-out asset does not meet the de-recognition condition, and the swap-in asset will be delivered at the same time when the swap-in asset is confirmed. The obligation of the asset is recognised as a liability; if the asset being replaced does not meet the asset recognition conditions and the derecognised asset meets the derecognition condition, the right to obtain the asset to be exchanged shall be recognised as an asset at the same time when the asset is derecognised.

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

32. EXCHANGE OF NON-MONETARY ASSETS (continued)

If non-monetary assets are exchanged for multiple assets at the same time, if they are measured on the basis of fair value, the fair value of the assets being exchanged shall be deducted from the total fair value of the assets to be exchanged in accordance with the relative proportion of the fair value of the assets being exchanged, other than the financial assets being exchanged. The net amount after the fair value of the assets is apportioned, and the amount allocated to each asset transferred, plus the relevant taxes and fees payable, is used as the initial measurement of the cost of each asset transferred; there is conclusive evidence that the asset transferred If the fair value is more reliable, the fair value of each asset transferred and related taxes and fees payable shall be used as the initial measurement of the cost of each asset transferred. For non-monetary asset exchanges that are measured on the basis of carrying amount, the total carrying amount of the assets being exchanged is allocated to each of the assets being exchanged in accordance with the relative proportion of the fair value of each asset being exchanged, plus the relevant taxes and fees payable, As the initial measurement amount of each asset transferred. If the fair value of the assets to be exchanged cannot be measured reliably, the carrying amount of the assets to be exchanged shall be apportioned according to the relative proportion of the original carrying amount of the assets to be exchanged or other reasonable proportions.

If non-monetary assets are exchanged for multiple assets at the same time, if it is measured on the basis of fair value, the difference between the fair value of each asset being exchanged and its carrying amount is included in the current period when each asset being derecognised is derecognised. Profit and loss; if there is definite evidence that the fair value of the assets being exchanged is more reliable, the total fair value of the assets being exchanged is allocated to the assets that are exchanged out according to the relative proportion of the fair value of the assets being exchanged, The difference between the amount of assets sold and the carrying amount of each asset being swapped out is included in profit or loss when the assets being swapped out are derecognised. If the exchange of non-monetary assets is measured on the basis of carrying amount, no profit or loss will be recognised when the exchanged assets are derecognised.

33. DEBT RESTRUCTURING

33.1. Recording debt restructuring obligations as a debtor

Debt restructuring with assets to pay off debts is derecognised when the relevant assets and debts paid off meet the conditions for derecognition. The difference between the carrying amount of the debt paid off and the carrying amount of the transferred assets is included in profit or loss.

Debt restructuring that converts debts into equity instruments is derecognised when the debts paid off meet the derecognition conditions. When the equity instruments are initially recognised, they are measured at the fair value of the equity instruments. If the fair value of the equity instruments cannot be reliably measured, they are measured at the fair value of the debts settled. The difference between the carrying amount of the liquidated debt and the recognised amount of equity instruments is included in profit or loss.

Debt restructuring in the form of amendments to other terms is recognised and measured in accordance with the provisions of *Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments* and *Accounting Standards for Business No. 37-Presentation of Financial Instruments*.

In the case of debt restructuring using multiple asset settlement debts or combination methods, the equity instruments and restructuring debts are recognised and measured in accordance with the foregoing method, and the carrying amount of the debts cleared and the carrying amount of the transferred assets and the sum of the recognised amounts of equity instruments and restructuring debt The difference is included in profit or loss.



Chapter 12 Financial Report

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

33. DEBT RESTRUCTURING (continued)

33.2. Recording debt restructuring obligations as a creditor

Debt restructuring with assets to pay off debts, and initial recognition of assets other than the transferred financial assets, are measured at cost, where the cost of the inventory includes the fair value of abandoning the creditor's rights and the direct vesting that occurs when the asset reaches its current position and status. Other costs such as taxes, transportation, handling, insurance, etc. on the asset. The cost of investing in an associate or joint venture includes other costs such as the fair value of a waiver of claims and taxes directly attributable to the asset. The cost of investment real estate includes other costs such as the fair value of abandoning claims and taxes directly attributable to the asset. The costs of fixed assets include the fair value of abandoning the creditor's rights and other costs that are directly attributable to the asset, such as taxes, transportation fees, handling charges, installation fees, professional service fees, etc., before the asset reaches its intended use. The cost of biological assets includes the fair value of abandoning claims and other costs such as taxes, transportation fees, insurance premiums that can be directly attributed to the asset. The cost of intangible assets includes the fair value of abandoning creditor's rights and other costs directly attributable to taxes incurred to bring the asset to its intended use. The difference between the fair value and the carrying amount of the waiver of claims shall be included in profit or loss.

If the debt restructuring that converts debts into equity instruments results in the Group converting creditor's rights into equity investments in associates or joint ventures, its initial investment is measured at the fair value of the debt waived and other costs directly attributable to the asset and other costs cost. The difference between the fair value of the waived creditor's rights and the carrying amount is included in profit or loss.

Debt restructuring in the form of amendments to other terms shall be recognised and measured in accordance with the provisions of *Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments*.

If multiple assets are used to settle debts or combine for debt restructuring, the transferred financial assets and restructuring claims are first recognised and measured in accordance with the "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments", and then according to the transferred. The fair value ratio of various assets other than financial assets, the net value of the fair value of the debt waived after deducting the amount of the recognised financial assets and the restructuring credits is allocated as the net amount, and the cost of each asset is determined separately based on the aforementioned method. The difference between the fair value of the waived creditor's rights and the carrying amount is included in profit or loss.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note IV, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. KEY SOURCES OF ESTIMATION UNCERTAINTY

At the end of the reporting period, the key assumptions and uncertainties in accounting estimates that are likely to lead to significant adjustments in the carrying amount of assets and liabilities in the future are as follows:

1.1 Classification of financial assets

The classification and measurement of financial assets depend on contract cash flow tests and business model tests. The Group needs to consider all relevant evidence available on the business model evaluation date, including the way in which companies evaluate and report financial asset performance to key management personnel, the risks affecting financial asset performance and their management methods, and how the relevant business management personnel are paid the way. The Group also needs to judge whether the contractual cash flows generated by the financial assets held on a specific date are only for the payment of principal and interest based on the amount of outstanding principal.

1.2 Derecognition of transfer of financial assets

The Group transfers financial assets through various methods, such as conventional trading, asset securitisation, and repurchase agreements. In determining whether all transferred financial assets can be derecognised, the Group needs to make significant judgments and estimates.

If the Group transfers financial assets to special purpose entities through structured transactions, the Group analyses and assesses whether the relationship with the special purpose entities actually indicates that the Group has control over the special purpose entities and needs to be consolidated. The judgment of the merger will determine whether the derecognition should be performed at the level of the merging entity or at the level of a single institution that transfers financial assets.

The Group needs to analyse the contractual cash flow rights and obligations related to the transfer of financial assets in order to determine whether it meets the derecognition conditions based on the following judgments.

- Whether to transfer the right to obtain contractual cash flow; or whether the cash flow has passed the "pass" requirement to an independent third party;
- Assess the extent of risk and reward transfers in ownership of financial assets. The Group used important accounting estimates and judgments in estimating the cash flow before and after the transfer and other factors that affect the degree of risk and reward transfer.



Chapter 12 Financial Report

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

1. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

1.3 Recognition of expected credit losses

Significant increase in credit risk: When assessing the expected credit loss of financial assets, the Group needs to determine whether the credit risk of financial assets has increased significantly since its purchase. The qualitative and quantitative information needs to be considered in the judgment process, combined with forward-looking information.

Establish asset groups with similar credit risk characteristics: When expected credit losses are measured on a portfolio basis, financial instruments are grouped together based on similar risk characteristics. The Group continuously evaluates whether these financial instruments continue to have similar credit risk characteristics to ensure that financial instruments will be appropriately reclassified once credit risk characteristics change. This may lead to new asset portfolios or reclassification of assets to an existing asset portfolio, which better reflects similar credit risk characteristics of such assets.

1.4 Impairment of goodwill

The carrying amount of goodwill as of December 31, 2019 is RMB172,612,157.55, and the Group performs an impairment test on goodwill at least annually. When performing an impairment test on goodwill, the present value of the estimated future cash flows of the relevant asset group or combination of asset groups including goodwill needs to be calculated, and the future cash flows of the asset group or combination of asset groups need to be estimated and determined. A pre-tax interest rate that appropriately reflects the time value of the current market currency and the specific risks of the asset. These matters all involve management's judgment.

1.5 Recognition of deferred income tax

The Group is likely to obtain sufficient taxable income in the future period to deduct deductible temporary differences and deductible losses, and recognise all unused deductible temporary differences and deductible losses as deferred tax assets. 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 strategies, to determine the amount of deferred income tax assets that should be recognised.

The Group operates in multiple countries and regions and accrues income tax payable in each region in accordance with local tax laws and related regulations. The Group will calculate and accrue deferred income tax liabilities in accordance with the requirements of relevant state agencies, the Group's development strategy and the retained profit distribution plans of subsidiaries, associates and joint ventures, as well as relevant tax laws and regulations. If the actual distribution of future profits exceeds expectations, the corresponding deferred income tax liabilities will be recognised and charged to profit or loss in the relatively earlier period between the change in the distribution plan and the announcement of profit distribution.

1.6 Impairment of long-term equity investments

As at 31 December 2019, the carrying amount of the Group's investment in associates was calculated in RMB3,903,774,411.31 (1 January 2019: RMB3,709,901,335.94); As at December 31, 2019, the carrying amount of the Group's investment in joint ventures was calculated RMB5,464,584,890.86 (January 1, 2019: RMB3,263,621,378.11). For long-term equity investments with signs of impairment, the Group estimates whether the long-term equity investment is recoverable and compares its carrying amount to determine whether the long-term equity investment is impaired. If the carrying amount of the long-term equity investment is greater than the estimated recoverable amount, an impairment provision is made accordingly.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

1. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

1.7 Judgment of investment entities

When the parent company of an entity of the Group meets the following conditions at the same time, the management of the Group judges that the parent company is an investment entity: The Company provides investment management services to investors for the purpose of obtaining investment management services from one or more investors. Obtain funds; the company's sole operating purpose is to allow investors to obtain returns through capital appreciation, investment income, or both; the company considers and evaluates the performance of almost all investments according to fair value.

If the parent company of an entity under the Group is an investment entity, it should normally meet all of the following characteristics: own more than one investment; own more than one investor; the investor is not an affiliate of the entity; its owner's equity is equity or similar equity methods exist.

1.8 Merger of structured entities

All facts and circumstances must be taken into account when assessing whether the group controls the investee as an investor. The definition of control includes the following three elements: 1) having power over the investee; 2) enjoying or being entitled to variable returns by participating in the investee's activities; and 3) having the ability to use the impact on the rights of the investee The amount of return received. If there are facts and circumstances that indicate that one or more of the above three elements have changed. Then the group needs to re-evaluate whether it has control over the invested enterprise.

For structured entities managed and invested by the Group, the Group will assess whether the maximum risk exposure of the investment portfolios held by it, together with the variable returns generated by its managers' compensation and credit enhancement, is sufficiently significant. This shows that the Group is the main responsible person of the structured subject. If the Group is the main responsible person, the structured entities of the Group's investment must be included in the scope of consolidation.

1.9 Fair value of financial instruments

For financial instruments that lack an active market, the Group uses valuation methods to determine its fair value. Valuation methods make use of observable market information to the greatest extent; when observable market information is not available, estimates will be made on the significant unobservable information included in the valuation method.

Observable inputs are inputs that can be obtained from market data. This input reflects the assumptions used by market participants in pricing the underlying assets or liabilities.

Unobservable inputs are inputs that cannot be obtained from market data. This input should be determined based on the best available information used by market participants when pricing relevant assets or liabilities.



Chapter 12 Financial Report

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

1. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

1.10 Estimated useful life and estimated residual value of fixed assets and intangible assets

The Group determines the useful life and residual value of intangible assets for fixed assets. The estimate is based on the historical experience of the actual useful lives and residual values of fixed and intangible assets of similar nature and functions, and may change significantly due to technological innovation and severe industry competition. When the estimated useful lives and residual values of fixed assets or intangible assets are less than previously estimated, the Group will increase depreciation/amortisation, or write off or write down technically obsolete fixed assets or intangible assets.

1.11 Impairment of non-current assets other than financial assets (other than goodwill, long-term equity investments)

At the end of the reporting period, the Group judges whether there is any indication that impairment may occur for non-current assets other than financial assets, and performs an impairment test when there is evidence of impairment. In addition, the intangible assets with uncertain service life shall be tested for impairment annually. The recoverable amount of an asset or an asset group is determined based on the higher of the use value of the asset or asset group and its fair value less the net amount of disposal costs. When estimating the value in use, the future cash flows of the asset or asset group are determined and discounted using a discount rate. Management makes accounting estimates of asset use and predicts future cash flows on a reasonable and basis, and uses a discount rate that reflects the time value of money in the current market and specific risks related to the asset to determine future cash flows. Present value.

1.12 Provision for obsolete inventories

At the end of the reporting period, the Group's inventories are stated at the lower of cost and net realisable value. If the cost of inventories is higher than its net realisable value, a provision for obsolete inventories is made and recognised in profit or loss. The determination of the net realisable value of inventories requires the use of judgements and estimates. If a difference exists between the current judgement and estimates and the original judgment and estimates, such difference will affect the carrying amount of the inventory during the period when the judgment and estimation is changed.

1.13 Determining the lease term of a lease contract with renewal options

For lease contracts with renewal options where the Group is the lessee, the Group exercises judgment to determine the lease term of the lease contract. An assessment of whether the Group is reasonably certain that the option will be exercised will affect the determination of the length of the lease term, which will have a significant impact on the amount of lease liability and right-of-use assets recognised.

1.14 Contingent liabilities

The Group faces numerous legal disputes during the course of its operations and there exists a high degree of uncertainty regarding the outcome of related disputes. When the outflow of economic benefits related to specific legal disputes are considered to be highly probable and can be reliably measured, the management of the Group will make corresponding provisions based with reference to professional legal opinion. Except for contingent liabilities where outflow of economic benefits is considered remote, all other contingent liabilities of the Group are disclosed in Note IX.40. Management exercises judgment to determine whether a provision is recognised or a disclosure of contingent liabilities is made in respect of individual legal dispute.

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT

(1) New Lease Standard

On 7 December 2018, the Ministry of Finance issued the “Notice on Amendment and Issuance of *Accounting Standards for Business Enterprises No. 21 — Leases*” (Cai Kuai [2018] No. 35) to make amendments to *Accounting Standards for Business Enterprises No. 21 — Leases*. Enterprises that are listed simultaneously in domestic and overseas stock exchanges and adopt the International Financial Reporting Standards (“IFRSs”) or Accounting Standards for Business Enterprises shall apply the new lease standard from 1 January 2019 onwards. Other enterprises adopting the Accounting Standards for Business Enterprises shall apply the new lease standard from 1 January 2021 onwards.

An enterprise whose parent company or subsidiary is listed overseas and compiles its overseas financial statements in accordance with IFRS or Accounting Standards for Business Enterprises may early apply the new lease standard, but not earlier than the adoption date of *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments* issued by the Ministry of Finance on 31 March 2017 and *Accounting Standards for Business Enterprises No. 14 — Revenue* issued by the Ministry of Finance on 5 July 2017. Enterprises that has applied this standard shall no longer apply the *Accounting Standards for Business Enterprises No. 21 — Leases* under the “Notice of the Ministry of Finance on Issuance of the 38 Specific Standards including Accounting Standards for Business Enterprises No. 1 — *Inventory*” (Cai Kuai [2006] No. 3) issued by the Ministry of Finance on February 15, 2006 and the Application Guide of “*Accounting Standards for Business Enterprises 21 — Leases*” under the “Notice of the Ministry of Finance on Issuance of the “*Accounting Standards for Business Enterprises — Application Guide*” (Cai Kuai [2006] No. 18) issued by the Ministry of Finance on October 30, 2006. The Group has applied the new lease standard from 1 January 2019 onwards.

The Group has applied the new lease standard from January 1, 2019 onwards. The new lease standard refines the definition of leases and expands the content in identification, separation and consolidation of lease arrangements; removes the classification between operating leases and financial leases for lessee accounting and requires the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. The new standard also improves the subsequent measurement of leases for lessee and added the accounting treatment for reassessment of purchase options and lease modification and relevant disclosure requirements. For the Group’s revised accounting policies for the recognition and measurement of leases as lessees and lessors, see Note IV.27.

For lease contracts that existed before the date of initial application, i.e. 1 January 2019, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases.

 **Chapter 12**
Financial Report**VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)****1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)****(1) New Lease Standard (continued)**

For contracts entered into or modified after the date of initial application, the Group evaluates whether the contract is a lease or contains a lease in accordance with the definition of lease in the new lease standard. The new lease standard considers whether a party in a contract has conveyed the right to control the use of one or more identified assets for a certain period of time in exchange for consideration to determine whether the contract is a lease or contains a lease. The definition of lease in the new lease standard does not have a significant impact on the scope of the Group's contracts that meet the definition of a lease.

The Group as lessee

The Group has applied the new lease retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings and other relevant items, where appropriate, at 1 January 2019. Comparative information has not been restated.

On the date of initial application of the new lease standard, the Group has also used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- reliance on assessments on whether leases are onerous by applying *Accounting Standards for Business Enterprises No. 13 — Contingent Liabilities* immediately before the date of initial application as an alternative to performing an impairment review and the lessee shall adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application; and
- for lease modification occurred before the date of initial application, the Group accounts for the modification based on the finalised arrangement.

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(1) New Lease Standard (continued)

The Group as lessee (continued)

On the date of initial application, the Group made the following adjustments as a result of the adoption of the new lease standard:

- The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases', measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group recognises right-of-use assets and measures them at their carrying amount as if the new lease standard had been applied since the commencement date of leases, discounted using the lessee's incremental borrowing rate at the date of initial application.

As at 1 January 2019, the Group recognised lease liabilities of RMB1,962,234,851.47 and right-of-use assets of RMB1,978,154,247.26. For operating leases existed before the date of initial application, the Group distinguishes the lessee's incremental borrowing rates at the date of initial application among domestics enterprises, overseas enterprises and length of leases. The weighted average incremental borrowing rates adopted were 3.04%, 4.04% and 4.90% respectively.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, and the lease liabilities recognised as at 1 January 2019 are as follow:

Item	As at 1 January 2019
I. Operating lease commitments as at 31 December 2018	1,120,697,221.68
Discounted using the incremental borrowing rate at 1 January 2019	925,614,141.48
Add: lease liabilities formed from lease modification of existing leases (Note 1)	774,486,058.57
Extension options reasonably certain to be exercised	631,020,952.22
Changes in consideration allocation for lease and non-lease components	–
Less: Recognition exemption — short-term leases	347,955,900.06
Recognition exemption — leases of low-value assets	20,930,400.74
Changes in consideration allocation for lease and non-lease components	–
Lease liabilities related to the original operating lease recognised in the adoption of the new lease standard	1,962,234,851.47
Add: Finance lease liabilities on 31 December 2018	–
II. Lease liabilities on 1 January 2019	1,962,234,851.47
Presented as:	
— Current liabilities	387,602,306.48
— Non-current liabilities	1,574,632,544.99

Note 1: The Group has renewed the leases of its warehouses, office premises, machinery and equipment through entering into new lease contracts with the lessors. These new contracts are effective after the date of initial application and are accounted for as modification of the original lease contracts under the new lease standard.



Chapter 12 Financial Report

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(1) New Lease Standard (continued)

The carrying amounts of the right-of-use assets as at 1 January 2019 are as follows:

Item	As at 1 January 2019
Right-of-use assets:	—
Right-of-use assets recognised for operating leases prior to the date of initial application	1,881,202,768.47
Reclassification of prepaid rent (Note 1)	112,648,670.89
Reclassification of demolition, removal and restoration costs of leased assets (Note 2)	561,423.73
Adjustment of the rental deposits on date of initial application (Note 3)	5,503,001.83
Less: Accrued lease liabilities as at 31 December 2018 (Note 4)	21,761,617.66
Provision for onerous contracts at 31 December 2018	—
Total:	1,978,154,247.26

Note 1: The Group's prepaid rents for leasing warehouses, office premises, machinery and equipment, land use rights, etc. were reported as prepayments or long-term prepaid expenses as at 31 December 2018. On the date of initial application, it is reclassified to the right-of-use asset.

Note 2: The Group reclassified the estimated costs of restoration of the sites where the leased assets are located at their present value from long-term prepaid expenses to right-of-use asset.

Note 3: Under the new lease standard, these non-refundable deposits are related to right-of-use assets. Therefore, adjustments are made on the date of initial application date to reflect the discounting impact, while the right-of-use assets are increased and other receivables are both increased by RMB5,503,001.83.

Note 4: As at 1 January 2019, accounts payable, other payables and other current liabilities with carrying amounts of RMB18,267,948.20, RMB48,444.83 and RMB3,542,114.29 respectively were related to lease liabilities of buildings and resulted in the relevant adjustments.

By category:

Items	As at 1 January 2019
Buildings	1,880,158,598.61
Land use rights	69,849,299.84
Motor vehicles and vessels	2,652,056.50
Plant and machineries, furniture, appliances and other equipments	9,446,113.69
Others	16,048,178.62
Total:	1,978,154,247.26

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(1) New Lease Standard (continued)

The Group as lessor

Except for the Group as a sub-lease lessor, the Group re-evaluates and classifies sub-leases that were classified as operating leases before the date of initial application and persists after the date of initial application. The Group reclassifies financial leases as a new lease. For leases that are lessors, no transitional adjustments will be made, and accounting will be performed in accordance with the new lease standards from the date of initial application.

On the date of initial application, renewal contracts for existing leased assets that have been signed by the Group but the lease period that has not yet commenced are treated as modifications to existing lease contracts on the date of initial application. This change has no effect on the statements of financial position as at 1 January 2019. From 1 January 2019 onwards, the revised lease receipts are recognised as rental income using the straight-line method over the lease period after the modification.

Since the date of initial application, the Group has allocated the consideration in accordance with the requirements of *Accounting Standards for Business Enterprises No. 14 — Revenue*. The amendments have had no significant impact on financial statements for the current year.

Compared with the original lease standard, the adoption of the new lease standard has had no significant impact on the relevant line items of the financial statements for the current year.

The impact of the adoption of the new lease standard on the Group's retained earnings on 1 January 2019 is shown below:

Items	Impact of adoption of the new lease standard on 1 January 2019
Recognition of right-of-use assets for operating leases before the date of adoption	1,881,202,768.47
Recognition of lease liabilities for operating leases before the date of adoption	1,962,234,851.47
Non-controlling interests	-13,083,943.14
Retained earnings	-67,948,139.86



Chapter 12 Financial Report

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(1) New Lease Standard (continued)

The impact of the adoption of the new lease standard on the Group's related items in the statement of financial position on 1 January 2019 is shown below:

Items	December 31, 2018	Adjustment	January 1, 2019
Current assets:	—	—	—
Prepayments	2,090,854,225.68	-8,983,605.45	2,081,870,620.23
Other receivables	1,346,388,826.51	-5,503,001.83	1,340,885,824.68
TOTAL:	3,437,243,052.19	-14,486,607.28	3,422,756,444.91
Non-current assets:	—	—	—
Right-of-use asset	—	1,978,154,247.26	1,978,154,247.26
Long-term prepaid expenses	263,995,854.52	-104,226,489.17	159,769,365.35
TOTAL:	263,995,854.52	1,873,927,758.09	2,137,923,612.61
Current liabilities:	—	—	—
accounts payable	9,056,129,695.54	-18,267,948.20	9,037,861,747.34
Other payables	2,804,848,820.33	48,444.83	2,804,897,265.16
Non-current liabilities due within one year	1,166,302,753.40	387,602,306.48	1,553,905,059.88
Other current liabilities	167,271,210.90	-3,542,114.29	163,729,096.61
TOTAL:	13,194,552,480.17	365,840,688.82	13,560,393,168.99
Non-current liabilities:	—	—	—
Lease liabilities	—	1,574,632,544.99	1,574,632,544.99
TOTAL:	—	1,574,632,544.99	1,574,632,544.99
Shareholders' equity:	—	—	—
Retained earnings	12,484,368,855.91	-67,948,139.86	12,416,420,716.05
Non-controlling interests	4,617,038,534.14	-13,083,943.14	4,603,954,591.00
TOTAL:	17,101,407,390.05	-81,032,083.00	17,020,375,307.05

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(2) Newly revised standard on Exchange of Non-monetary Assets

On 9 May 2019, the Ministry of Finance issued revised *Accounting Standards for Business Enterprises No. 7 — Exchange of Non-Monetary Assets* (No.8 [2019] of the Ministry of Finance), which came into effect from 10 June 2019. The new standard revised the definition of exchange of non-monetary assets; clarified the scope of application of the standard; defined the timing of recognition of the incoming assets and the derecognition of the outgoing assets; setting out the accounting principles when the timing of recognition and derecognition is difference; refined the accounting treatment of exchange of non-monetary assets; and added new disclosure requirements.

The new standard covered the exchange transactions that occurred from 1 January 2019 to 10 June 2019. No retrospective adjustment is required for exchange transactions that occurred prior to 1 January 2019.

The Group did not have any exchange of non-monetary asset transaction during the year and therefore the application of the revised accounting standard has had no significant impact to the Group's financial statements.

(3) Newly revised standard on debt restructuring

On 16 May 2019, the Ministry of Finance issued the revised *Accounting Standards for Business Enterprises No. 12 — Debt Restructuring* (No.9 [2019] of the Ministry of Finance), which came into effect from 17 June 2019. The new debt restructuring standards revised the definition of debt restructuring; clarified the scope of application of the standard; revised the accounting treatment of debt restructuring; and simplified the disclosure requirements of debt restructuring.

The new standard covered any debt restructuring exercise that occurred from 1 January 2019 to 17 June 2019. No retrospective adjustment is required for debt restructuring that occurred prior to 1 January 2019.

The adoption of the new debt restructuring standards has had no significant impact on the Group's financial statements.



Chapter 12 Financial Report

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(4) Presentation format of financial statements

The Group complied its financial statements for the year ended 31 December 2019 in accordance with the “Notice on Amending the Issuance of the Format of the Consolidated Financial Statements (2019 Edition)” issued by the Ministry of Finance on September 19, 2019 (No.16 [2019] of the Ministry of Finance) and The “Notice on Amending and Distributing the Format of Financial Statements of General Enterprises for the Year 2019” (No.6 [2019] of the Ministry of Finance) issued on April 30 compiles the 2019 financial statements. No. 16 and No. 6 of the Ministry of Finance revised the presentation of items in the statements of financial position, statements of profit or loss and other comprehensive income, statements of cash flows and statements of changes in equity. According to the new lease standard, two new items, “right-of-use assets” and “lease liabilities” were added, “bills and accounts receivable” were split into “bills receivables” and “accounts receivables” and “financing receivables”, “bills payable and accounts payable” were split into “bills payable” and “accounts payable”. At the same time, No.6 [2019] of the Ministry of Finance also clarified or amended line items like “other receivables”, “non-current assets due within one year”, “other payables”, “deferred income”, “other equity instruments”, “research and development expenses”, and presentation of “interest income”, “other income”, “gain on disposal of assets”, “non-operating income” and “non-operating expenses” and “capital injection from other equity holders” under the “financial costs”. In the meantime, the No.6 [2019] of the Ministry of Finance also specified new presentation requirements to the expected loss from loan commitments, financial guarantee contracts and other related items. Added income from derecognition of financial assets measured at amortised costs under investment income, adjusted the presentation of certain line items under the statements of profit or loss and other comprehensive income, clarified the presentation of government grant in the statement of cashflows, clarified that except for those interest receivables or payables that are accrued at the end of the reporting period, interest calculated based on effective interest rate shall be included in the carrying amount of the relevant financial instruments. The Group has restated comparative figures to confirm with current year’s presentation of the above items.

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(5) The impact of related presentation adjustments on consolidated statements is as follows:

Affected items	Year ended 31 December 2018			Adjustment on new lease standard	1 January 2019 After Adjustment
	Before Adjustment	Adjusted Amount	After Adjustment		
Current assets	—	—	—	—	—
Cash and cash equivalents	15,528,432,818.79	10,352,565.04	15,538,785,383.83	—	15,538,785,383.83
Prepayments	2,090,854,225.68	—	2,090,854,225.68	-8,983,605.45	2,081,870,620.23
Accounts receivable	—	10,417,568,351.23	10,417,568,351.23	—	10,417,568,351.23
Bills receivable	—	18,287,596.70	18,287,596.70	—	18,287,596.70
Bills and accounts receivable	10,973,491,865.77	-10,973,491,865.77	—	—	—
Financing receivables	—	537,635,917.84	537,635,917.84	—	537,635,917.84
Other receivables (interest receivables)	11,361,382.76	-10,352,565.04	1,008,817.72	—	1,008,817.72
Other receivables	1,346,388,826.51	—	1,346,388,826.51	-5,503,001.83	1,340,885,824.68
Total	29,950,529,119.51	—	29,950,529,119.51	-14,486,607.28	29,936,042,512.23
Non-current assets	—	—	—	—	—
Right-of-use assets	—	—	—	1,978,154,247.26	1,978,154,247.26
Long-term prepaid expense	263,995,854.52	—	263,995,854.52	-104,226,489.17	159,769,365.35
Total	263,995,854.52	—	263,995,854.52	1,873,927,758.09	2,137,923,612.61



Chapter 12 Financial Report

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(5) The impact of related presentation adjustments on consolidated statements is as follows: (continued)

Affected items	Year ended 31 December 2018			Adjustment on new lease standard	1 January 2019 After Adjustment
	Before Adjustment	Adjusted Amount	After Adjustment		
Current liabilities					
Short-term borrowings	2,231,743,549.91	1,540,623.33	2,233,284,173.24	-	2,233,284,173.24
Non-current liabilities due within one year (long-term borrowings)	1,166,302,753.40	34,537,696.55	1,200,840,449.95	-	1,200,840,449.95
Other payables (interest payables)	134,333,264.70	-86,716,474.45	47,616,790.25	-	47,616,790.25
Other payables	2,804,848,820.33	-18,625,121.69	2,786,223,698.64	48,444.83	2,786,272,143.47
Accounts payable	-	9,056,129,695.54	9,056,129,695.54	-18,267,948.20	9,037,861,747.34
Bills and accounts payable	9,056,129,695.54	-9,056,129,695.54	-	-	-
Non-current liabilities due within one year (lease liabilities)	-	-	-	387,602,306.48	387,602,306.48
Other current liabilities	167,271,210.90	-	167,271,210.90	-3,542,114.29	163,729,096.61
Total	15,560,629,294.78	-69,263,276.26	15,491,366,018.52	365,840,688.82	15,857,206,707.34
Non-current liabilities					
Long term borrowings	8,473,129,636.53	180,565.99	8,473,310,202.52	-	8,473,310,202.52
Long-term payables	656,231,579.79	74,951.44	656,306,531.23	-	656,306,531.23
Bonds payable	3,497,076,575.36	69,007,758.83	3,566,084,334.19	-	3,566,084,334.19
Lease liabilities	-	-	-	1,574,632,544.99	1,574,632,544.99
Total	12,626,437,791.68	69,263,276.26	12,695,701,067.94	1,574,632,544.99	14,270,333,612.93

VI. EXPLANATIONS ON THE CHANGES AND ERROR CORRECTION OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION (CONTINUED)

1. CHANGES IN ACCOUNTING POLICIES AND IMPACT (continued)

(5) The impact of related presentation adjustments on consolidated statements is as follows: (continued)

Affected items	Year ended 31 December 2018			Adjustment on new lease standard	1 January 2019 After Adjustment
	Before Adjustment	Adjusted Amount	After Adjustment		
Shareholders' equity	—	—	—	—	—
Retained earnings	12,484,368,855.91	—	12,484,368,855.91	-67,948,139.86	12,416,420,716.05
Non-controlling interests	4,617,038,534.14	—	4,617,038,534.14	-13,083,943.14	4,603,954,591.00
Income statement items	—	—	—	—	—
Financial expenses	458,590,051.38	-22,081,854.49	436,508,196.89	—	436,508,196.89
Investment income	2,594,417,777.26	-22,081,854.49	2,572,335,922.77	—	2,572,335,922.77
Including: income from derecognition of financial assets measured at amortised cost	—	-22,081,854.49	-22,081,854.49	—	-22,081,854.49
Credit impairment loss	252,904,887.82	-505,809,775.64	-252,904,887.82	—	-252,904,887.82
Impairment of assets	156,753,259.27	-313,506,518.54	-156,753,259.27	—	-156,753,259.27

2. ACCOUNTING ESTIMATE CHANGE AND ITS IMPACT

There has been no change in accounting estimate of the Group during the year.

3. PRIOR YEAR ADJUSTMENTS AND ITS IMPACT

There is no prior year adjustment for the year.

4. OTHER ADJUSTMENTS

There was no other adjustment that needs to be disclosed for the year.



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VII. TAXES

1. Major Tax Categories and Rates

Tax categories	Tax bases	Tax Rates
Value-added tax (Note 1)	Taxable value added amount (the balance of the VAT on sales less VAT on purchase, and the VAT on sales is calculated on the basis of 3%/6%/9%/10%/13%/16% of the sales amount calculated under the relevant tax law)	3%–16%
Urban maintenance & construction tax	Value-added tax actually paid	1%, 5%, 7%
Education surcharge and local education surcharge	Value-added tax actually paid	2%, 3%
Stamp duty	Registered capital, capital reserve, commercial contracts, etc.	0.05%, 0.03%, etc.
Property tax	70% of the original value of the property, rental income	1.2%, 12%
Enterprise income tax (Note 2)	Taxable income	0–35%

Note 1: From April 2019 onwards the applicable value-added tax rates on the related sales activities were changed from the 16% and 10% to 13% and 9% respectively.

Note 2: During the year ended 31 December 2019, the income tax of the Company and its subsidiaries was calculated at the rates prevailing in the relevant jurisdiction. The Group's income tax rate in the mainland of the PRC is 25%. The applicable income tax rates of major subsidiaries in the countries or regions outside the mainland of the PRC are as follows:

Country or Region	Applicable income tax rate (%)
Hong Kong	16.50%
Japan	35%
Korea	20%
Australia	30%
Belarus	18%
Angola	30%
Brunei	19%
Indonesia	25%
Malaysia	24%
The British Virgin Islands	0.00%

VII. TAXES (CONTINUED)

2. Tax Preferences and Approvals

2.1 Enterprise income tax

- (1) According to the Notice on Tax Policy Issues concerning the In-depth Implementation of the Western Development Strategy 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, an enterprise established in Western China, its principal business is under the Catalogue of Industries Encouraged to Develop in the Western Region and its relevant revenue accounts for more than 70% of the total revenue of that enterprise, a preferential corporate income tax rate of 15% shall be applicable. During the current reporting period, several branches and subsidiaries of the Group located in Western China enjoyed a preferential corporate income tax rate of 15%.
- (2) According to the Notice on Preferential Enterprise Income Tax Policies and Catalogue of Preferences for Hengqin New Area of Guangdong Province, Pingtan Comprehensive Experimental Zone of Fujian Province and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Shenzhen 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 corporate income 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 adopt the corporate income tax rate of 15%.
- (3) According to No.13 [2019] of the Ministry of Finance "Notice of the Ministry of Finance and the State Taxation Administration on Implementing the Preferential Tax Reduction and Exemption Policy for Mini Enterprises", preferential tax treatment is provided to mini enterprises. The first RMB1 million portion of taxable income shall be reduced by 25% when calculating the corporate income tax at a preferential tax rate of 20%; while the income portion that exceeds RMB1 million but not exceeding RMB3 million, shall be reduced by 50% when calculating the corporate income tax at a preferential tax rate of 20%. Several subsidiaries of the Group enjoyed the above preferential tax treatment during the current year.
- (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 DEVELOPMENT CO., 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.



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VII. TAXES (CONTINUED)

2. Tax Preferences and Approvals (continued)

2.1 Enterprise income tax (continued)

- (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 2019, the projects of Sinotrans 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 preferential zero tax rate for their 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 simplified tax computation method to value-added tax at the rate of 5% when leasing out any real estate acquired by them before 30 April 2016. South China Branch of Sinoair and Beijing Sinotrans Airport Property Service Co., Ltd. were liable to a 5% value-added tax rate in relation to their real estate operating leasing business.
- (3) Any logistics auxiliary services (excluding warehousing services and receiving and distributing services) sold to overseas units and completely consumed abroad are exempted from value added tax. The cross-border taxable services of Sinoair and Sinotrans South China Co., Ltd. (hereinafter referred to as "Sinotrans South China") are exempted from value added tax during the period.
- (4) Any storage services provided by domestic units and individuals whose storage location is located abroad are exempted from valued-added tax. Any storage services provided by domestic units and individuals of Sinotrans South China whose storage location is located abroad are exempted from valued-added tax during the period.
- (5) According to the requirements of the Announcement on the Policies related to Deepening VAT Reforms (the Announcement No. 39 of 2019 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), from 1 April 2019 to 31 December 2021, the taxpayers of production and living services are allowed to deduct taxable amount based on the deductible input tax for the current period plus 10%. The eligible subsidiaries of the Group can enjoy this tax preference.
- (6) The value-added tax rate applicable to the Group's subsidiaries in Belarus is 20%. In accordance with the Decree No. 326 of the President of the Republic of Belarus dated 30 June 2014, the value-added tax on the project funds used by Sinotrans Logistics for the construction of the Great Stone Industrial Park during the period shall be refunded.

VII. 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 Sinotrans Shanghai Haigang International Logistics Co., Ltd., a subsidiary of the Group which meets the above requirements, was levied at a reduced rate of 50% in 2019.

- (2) In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on the Continued Implementation of Preferential Policies for Property Tax and Urban Land Use Tax on Wholesale Markets for Agricultural Products and Farm Product Markets (CS (2016) No. 1) and the Notice of the Ministry of Finance and the State Taxation Administration on the Continued Implementation of Preferential Policies for Property Tax and Urban Land Use Tax on Wholesale Markets for Agricultural Products and Farm Product Markets (CS (2019) No. 12), from 1 January 2019 to 31 December 2021, the property tax and the urban land use tax shall be temporarily exempted for the properties and lands of the wholesale markets of agricultural products and agricultural trading markets which are specifically used to operate agricultural products (including self-owned and leased properties and lands, the same below). For the properties and lands of the wholesale markets of agricultural products and farm product markets which are used to operate other products at the same time, the property tax and the urban land use tax shall be levied and exempted based on the proportion of the area of trading venue of other products to that of agricultural products. In the years of 2018 and 2019, Shenyang Branch of Sinotrans Northeastern Co., Ltd. met such condition and was subject to a land use tax at a reduced rate of 50%.



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VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION FOR THE PERIOD

Serial number	Name	Grade	Enterprise Type	Registered Place	Principal place of business	Business Nature	Paid-in Capital	Total	Total	Acquisition Method	Remark
								Shareholding Ratio of the Group (%)	Voting Ratio of the Group (%)		
1	Sinotrans South China Co., Ltd.	2nd	1	Guangzhou, Guangdong Province	Guangzhou, Guangdong Province	Freight forwarding, logistics, storage and terminal services	1,349,668,931.90	100.00	100.00	1	Note 1
2	Sinotrans Eastern Co., Ltd.	2nd	1	Shanghai	Shanghai	Freight forwarding, logistics, storage and terminal services	1,120,503,439.18	100.00	100.00	1	Note 2
3	Sinotrans Air Transportation Development Co., Ltd.	2nd	1	Beijing	Beijing	Air freight forwarding, logistics and express	905,481,720.00	100.00	100.00	1	
4	Sinotrans Yangtse Co., Ltd.	2nd	1	Nanjing, Jiangsu Province	Nanjing, Jiangsu Province	Freight forwarding and logistics	650,000,000.00	100.00	100.00	1	
5	Sinotrans Central China Co., Ltd.	2nd	1	Qingdao, Shandong Province	Qingdao, Shandong Province	Freight forwarding, logistics, storage and terminal services	645,339,941.77	100.00	100.00	1	
6	Sinotrans Chemical International Logistics Co., Ltd.	2nd	1	Shanghai	Shanghai	Integrated logistics	339,554,483.66	59.20	59.20	1	
7	Sinotrans Fujian Co., Ltd.	2nd	1	Xiamen, Fujian Province	Xiamen, Fujian Province	Freight forwarding, storage and terminal services, and others	223,257,965.92	100.00	100.00	1	
8	Trade Sky International Limited	2nd	3	HKSAR	Xiamen	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 Hubei Company Limited	2nd	1	Wuhan, Hubei Province	Wuhan, Hubei Province	Freight forwarding and logistics	120,000,000.00	100.00	100.00	1	
11	Sinotrans Heavy-lift Logistics Co., Ltd.	2nd	1	Jinan, Shandong Province	Jinan, Shandong Province	Lifting and Transportation	103,600,000.00	100.00	100.00	3	
12	Wide Shine Development Limited	2nd	3	HKSAR	HKSAR	Container leasing	79,287,945.35	100.00	100.00	2	
13	Sinotrans Northeastern Co., Ltd.	2nd	1	Dalian, Liaoning Province	Dalian, Liaoning Province	Freight forwarding and logistics	48,966,940.29	100.00	100.00	1	
14	China Marine Shipping Agency Co., Ltd.	2nd	1	Beijing	Beijing	Freight forwarding	30,000,000.00	100.00	100.00	1	
15	Sinotrans Chongqing Co., Ltd.	2nd	1	Chongqing	Chongqing	Freight forwarding	15,869,000.00	100.00	100.00	1	
16	Sinotrans Japan Co., Ltd.	2nd	3	Japan	Japan	Freight forwarding	3,418,111.04	100.00	100.00	2	
17	Sinotrans Korea Shipping Co., Ltd.	2nd	3	Korea	Korea	Freight forwarding	2,070,000.00	100.00	100.00	2	
18	Sinotrans Brazil Logistics Ltd	2nd	3	Brazil	Brazil	Integrated logistics	2,065,554.43	100.00	100.00	1	
19	Sinotrans (HK) Logistics Limited	2nd	3	HKSAR	HKSAR	Freight forwarding, logistics	530,557.66	100.00	100.00	2	
20	Sanawat Al-Khier Company For General Trading And Marine Services	2nd	3	Iraq	Iraq	Integrated logistics	292,842.00	100.00	100.00	1	
21	Sinotrans Logistics Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Professional logistics	1,346,761,911.29	100.00	100.00	2	
22	Sinotrans Innovative Technology Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Integrated logistics	100,000,000.00	100.00	100.00	1	Note 3
23	Sinotrans Cold Chain Logistics Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Professional logistics	-	100.00	100.00	1	Note 4
24	China Merchants China-Belarus Investment Consultancy (Shenzhen) Co., Ltd.	2nd	1	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Professional logistics	701,410,000.00	42.00	66.67	1	
25	Sinotrans Logistics Investment Holding Co., Ltd.	2nd	1	Beijing	Beijing	Professional logistics	433,110,000.00	100.00	100.00	2	

VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION OF SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION FOR THE PERIOD (continued)

Notes: enterprise type: 1. domestic non-financial subsidiary; 2. domestic financial subsidiary; 3. overseas subsidiary; 4. public institution; 5. infrastructure unit.

Acquisition method: 1. establishment with investment; 2. business combination under common control; 3. business combination not under common control; 4. others.

2. CHANGES AND REASONS FOR THE CHANGES IN SCOPE OF CONSOLIDATION FOR THE PERIOD

(1) Increase in the scope of consolidation

Note 1: Sinotrans South China Co., Ltd. and its subsidiary Guangyun Shipping Co., Ltd. (hereinafter referred to as Guangyun Shipping), respectively, with Guangdong Sinotrans Co., Ltd. (hereinafter referred to as Guangdong Sinotrans), KEPPEL TELECOMMUNICATIONS & TRANSPORTATION on September 27, 2019 LTD (hereinafter referred to as Keppel Telecom) signed an equity transfer agreement to acquire all the shares of Keppel Logistics (Foshan) Co., Ltd. (hereinafter referred to as Keppel Foshan). According to the equity transfer agreement, after the equity settlement, Keppel Telecom and Guangdong Sinotrans (hereinafter collectively referred to as the original shareholders) still enjoy the equity (including income rights and risk of loss) and related liabilities of Lanshi Port and related regional assets held by Keppel Foshan, Until the completion of the requisition and settlement of Lanshi Port and related areas. As of 14 November 2019, Sinotrans South China Co., Ltd. and Guangyun Shipping had paid the entire equity transfer price to the original shareholders of Keppel Foshan, and the equity purchase consideration after deducting the assets and liabilities of Lanshi Port and related regions was RMB210,470,000.00, and The transfer of property and changes in industrial and commercial registration have been completed, so the Group has included Keppel Foshan into consolidated financial statements since November 14, 2019.

On 27 September 2019, Guangyun Shipping and Keppel Telecom signed an equity transfer agreement to acquire 70% equity of Keppel Logistics (Hong Kong) Co., Ltd. (hereinafter referred to as Keppel Hong Kong) held by Keppel Telecom for RMB25,750,000.00. As of 14 November 2019, Guangyun Shipping has paid 90% of the equity transfer to Keppel Telecom and completed the transfer of property and business registration changes. Therefore, the Group has included Keppel Hong Kong into the consolidated financial statements since 14 November 2019.

Note 2: Sinotrans Eastern Co., Ltd. (hereinafter referred to as "Sinotrans Eastern"), a subsidiary of the Group, signed a contract with Shengshi Yard Enterprise Co., Ltd. "Equity Transfer Agreement", pursuant to which Sinotrans Eastern acquired a 40% equity interest in Shanghai Huaxing International Container Freight Co., Ltd. (hereinafter referred to as "Shanghai Huaxing") held by Singamas Container Holdings Limited (hereinafter referred as "Singamas") at a consideration of RMB97 million, increasing its equity interest held in Shanghai Huaxing from the original 60% to 100%. The Group thus included Shanghai Huaxing since the acquisition date into the consolidated financial statements.

Note 3: The Company contributed RMB100 million in April 2019 to establish a wholly-owned subsidiary, Sinotrans Innovative Technology Co., Ltd., in Shenzhen, Guangdong Province, which was included in the consolidated financial statements of the Group since its establishment.

Note 4: The company established a wholly-owned subsidiary Sinotrans Cold Chain Logistics Co., Ltd. (hereinafter referred to as "Sinotrans Cold Chain") in Shenzhen, Guangdong Province in August 2019, with a registered capital of RMB300 million which was included into the consolidated scope of the company's financial statements of the Group from its date of establishment. As of 31 December 2019, the company has not paid any capital contributions.



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VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. CHANGES AND REASONS FOR THE CHANGES IN SCOPE OF CONSOLIDATION FOR THE PERIOD (continued)

(2) Disposal of Subsidiaries

Subsidiary name	Consideration for equity disposal	Equity proportion disposed of (%)	Equity disposal method	The point of time at which the control is lost	Basis for determining the point of time at which the control is lost	The difference between the disposal consideration and share of net assets of the subsidiary corresponding to equity disposed of as included in the consolidated financial statements	Proportion of remaining equity at the date on which the control is lost	Carrying amount of the remaining equity at the date on which the control is lost	Fair value of the remaining equity at the date on which the control is lost	Gains or losses arising from re-measuring the remaining equity at fair value	Method for determining the fair value of the remaining equity at the date on which the control is lost and key assumptions	Amount of other comprehensive income related to original subsidiary's equity transferred to investment gains and losses
Shenzhen South China Liquefied Gas Shipping Co., Ltd.	14,791,047.00	100.00	Transfer through agreement	1 January 2019	Equity transaction has completed and the actual control is lost	26,021,291.45	-	-	-	-	-	-

3. Business combination of the group not under common control during the period

1) Shanghai Huaxing International Container Freight Co., Ltd.

No.	Company name	Business scope	Merger date	Shareholding ratio(%)	Net Assets	Fair value of identifiable net assets Amount	Measure Method	Transaction consideration	Goodwill Amount	Measure Method	Income generated from acquisition date to year ended day	Net profit generated from acquisition date to year ended day
1	Shanghai Huaxing International Container Freight Co., Ltd.	Shipping agent	2019.11.30	100.00	134,555,101.28	350,605,761.19	Business Valuation	97,000,000.00	-	-	4,765,323.39	-1,063,353.85

Note: (1) Confirmation of the acquisition date: As of November 30, 2019, the "Instructions on Sinotrans Eastern Acquisition of 40% Equity Interests in Shanghai Huaxing" has been approved by the board of directors of Sinotrans Eastern. On 17 September 2019, the consideration of RMB97 million was transferred to a designated account. The followings are also completed: 1. Transfer and hand-over of asset rights; 2. Change of directors and senior management of the target company; and 3. The filing for the change from a wholly foreign-owned enterprise to a domestic enterprise.

VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Business combination of the group not under common control during the period (continued)

1) Shanghai Huaxing International Container Freight Co., Ltd. (continued)

2) The implementation of business combination-related information is listed below:

Proportion of equity held before the acquisition date	Acquisition time of holding equity before the acquisition date	Method for obtaining new equity of the enterprise	Acquisition cost of holding equity before the acquisition date	The carrying amount of the long-term investment held before the acquisition date at the acquisition date	Fair value of equity held before the acquisition date on the acquisition date	Investment income that should be recognised on the acquisition date when holding equity before the acquisition date	Corresponding to other comprehensive income in the account value of the equity held before the acquisition date should be transferred to investment income on the acquisition date
60%	2003.1.16	Purchase	81,191,936.23	81,028,136.57	210,363,456.72	129,335,320.15	-
Proportion of newly acquired equity	The time when the new equity of the enterprise was obtained	Method for obtaining new equity of the enterprise	The consideration (fair value) paid for the newly acquired equity of the enterprise	Fair value of identifiable net assets of acquiree on the acquisition date	The acquirer's equity is entitled to the fair value of the identifiable net assets of the acquiree on the acquisition date	Goodwill (The sum of the fair value of the equity held on the acquisition date before the acquisition date plus the consideration (fair value) paid for the acquisition of this equity is higher than the fair value of the identifiable net assets of the combined party on the merger date)	Non-operating income (the sum of the fair value of the equity held on the acquisition date before the acquisition date plus the consideration (fair value) paid for the acquisition of this equity is higher than the fair value of the identifiable net assets of the combined party on the merger date)
40%	2019.11.30	Purchase	97,000,000.00	350,605,761.19	350,605,761.19	-	43,242,304.48



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VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Business combination of the group not under common control during the period (continued)

1) Shanghai Huaxing International Container Freight Co., Ltd. (continued)

- 3) The fair value of the identifiable net assets of the acquiree on the date of acquisition was evaluated. Shanghai Lixin Assets Evaluation Co., Ltd. issued [2019] No. 20105. *Fair Value Assets Assessment Report of Identifiable Assets and Liabilities of Shanghai Huaxing*. Yinxin Assets Evaluation Co., Ltd. issued Yinxin Evaluation Report (2019) Shanghai No. 1702 to evaluate the fair value of land use right for No. 3988 Yixian Road held by Shanghai Huaxing.

(2) Keppel Logistics (Foshan) Co., Ltd., Keppel Logistics (Hong Kong) Co., Ltd.

No.	Company Name	Business operation	Consolidation Date	Shareholding Ratio(%)	Fair value of identifiable net assets		Transaction consideration	Goodwill	Recognition method	Revenue from the day of purchase	Net Income from the day of purchase	
					Net Assets	Amount						
1	Keppel Foshan	Integrated logistics	2019.11.14	100.00	119,601,968.85	211,271,351.13	210,470,000.00	-801,351.13	Net assets method	—	11,419,327.79	1,432,450.10
2	Keppel Hong Kong	Integrated logistics	2019.11.14	70.00	32,552,797.20	32,582,731.76	25,750,000.00	2,942,087.77	Income approach	Note 1	2,045,223.48	365,288.14

Note 1: The company recognises the difference between the consideration of the purchase of Keppel Hong Kong and the fair value of Keppel Hong Kong's net identifiable assets through as goodwill.

4. The Group's consolidated entities with less than half of the voting rights or investment entities more than half of the voting rights but not consolidated

On September 26, 2019, the directors of the Company passed the "Proposal on the Acquisition of Equity Interests in European KLG Companies" and agreed to acquire equity interests of subsidiaries of KLG Europe Holding B.V. (the "KLG Companies"). Pursuant to the above board resolution, the Company has entered into an equity transfer agreement with the shareholder of KLG Companies. On 12 December 2019, the Company paid the consideration of RMB2,201,881,500.00 to an overseas regulated account for 80% equity interests in KLG Companies. According to the equity transfer agreement, the vendor still possesses the veto power over the operating policies, profit distribution, and appointment of senior management of KLG Companies during 2019. Therefore, interests in KLG Companies are accounted for as a joint venture.

VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Major subsidiaries

(1) Non-controlling interests

31 December 2019

No.	Company name	Shareholding ratio of non-controlling Interests (%)	Profit or loss attributable to non-controlling interests in the period	Dividends paid to non-controlling interests in the period	Cumulative non-controlling interests at the end of the period
1	Sinotrans Chemical International Logistics Co., Ltd	40.80	19,980,375.95	15,173,818.21	190,486,054.73
2	China Merchants China-Belarus Investment Consultancy (Shenzhen) Co., Ltd.	58.00	-24,377,315.71	-	307,011,209.61

31 December 2018

No	Company name	Shareholding ratio of non-controlling interest (%)	Profit or loss attributable to non-controlling interests in the period	Dividends paid to non-controlling interests in the period	Cumulative non-controlling interests at the end of the period
1	Sinotrans 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



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VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Major subsidiaries (continued)

(2) Major financial information

Item	Amount of the period		Amount of previous period	
	Sinotrans Chemical International Logistics Co., Ltd	China Merchants China-Belarus Investment Consultancy (Shenzhen) Co., Ltd.	Sinotrans Air Transportation Development Co., Ltd.	Sinotrans Chemical International Logistics Co., Ltd
Current assets	695,552,428.57	242,840,443.78	6,483,751,581.46	643,116,994.50
Non-current assets	325,973,283.86	797,861,807.16	3,795,246,207.80	301,763,817.95
Total assets	1,021,525,712.43	1,040,702,250.94	10,278,997,789.26	944,880,812.45
Current liabilities	411,971,268.40	85,934,717.68	1,486,298,119.07	371,894,838.47
Non-current liabilities	40,580,307.61	425,055,144.90	105,404,833.31	18,000,000.00
Total liabilities	452,551,576.01	510,989,862.58	1,591,702,952.38	389,894,838.47
Operating income	1,708,176,183.64	296,343,099.30	6,953,089,845.39	1,685,714,086.29
Net profit	52,252,789.40	-42,029,854.67	1,157,002,414.68	49,755,086.95
Total comprehensive income	52,252,789.40	-38,482,738.51	1,037,663,581.16	49,755,086.95
Cash flows from operating activities	80,531,120.84	-52,575,674.00	194,290,710.04	80,860,399.15

6. Changes in the parent company's share of owner's equity in subsidiaries

Item	Shenzhen	Shanghai	Sinotrans Air	China	China
	Henglu Logistics Co., Ltd.	Huazhan Warehouse Trading Co., Ltd.	Transportation Development Co., Ltd.	Merchants Americold Holdings Limited	Merchants Americold Logistics Co., Ltd.
Purchase consideration	-	-	7,082,579,090.44	84,721,785.00	21,980,715.00
Including: Cash	-	6,296,520.00	-	84,721,785.00	21,980,715.00
Fair value of non-cash assets	-	-	7,082,579,090.44	-	-
Total purchase cost	-	6,296,520.00	7,082,579,090.44	84,721,785.00	21,980,715.00
Less: Net assets share of subsidiary calculated by proportion of equity acquired	-41,392,050.22	6,331,311.85	3,390,208,477.62	109,233,701.61	26,228,689.51
Difference	41,392,050.22	-34,791.85	3,692,370,612.82	-24,511,916.61	-4,247,974.51
Including:					
Share Capital adjustment	-	-	1,351,637,231.00	-	-
Capital reserve adjustment	-41,392,050.22	34,791.85	2,038,565,420.42	24,511,916.61	4,247,974.51
Surplus reserve adjustment	-	-	-	-	-
Retained earnings adjustment	-	-	-	-	-

IX. 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 period” means 1 January 2019, “the end of the period” means 31 December 2019, “current period” means 1 January to 31 December 2019, and “previous period” means 1 January to 31 December 2018.

1. CASH AND BANK BALANCES

(1) Classification of cash and bank balances

Item	Closing balance			Opening balance		
	Amount in original currency	Exchange rate	Amount in RMB	Amount in original currency	Exchange rate	Amount in RMB
Cash on hand	-	-	7,855,552.12	-	-	10,396,081.65
Including: RMB	2,636,005.41	1.0000	2,636,005.41	3,139,036.06	1.0000	3,139,036.06
USD	135,238.37	6.9762	943,449.92	366,077.63	6.8632	2,512,463.99
HKD	241,019.29	0.8958	215,905.08	112,580.80	0.8762	98,643.30
JPY	600,794.64	0.0641	38,510.94	642,390.31	0.0619	39,763.96
Euro	180.00	7.8155	1,406.79	1,160.16	7.8473	9,104.12
Others	-	-	4,020,273.98	-	-	4,597,070.22
Cash at banks	-	-	10,379,444,227.60	-	-	15,307,428,892.91
Including: RMB	7,688,714,160.69	1.0000	7,688,714,160.69	9,824,092,504.14	1.0000	9,824,092,504.14
USD	323,934,430.67	6.9762	2,259,831,375.24	695,756,458.36	6.8632	4,775,115,725.02
HKD	297,363,139.22	0.8958	266,377,900.11	637,053,246.40	0.8762	558,186,054.50
JPY	743,112,549.87	0.0641	47,633,514.45	915,189,284.98	0.0619	56,650,216.74
Euro	4,287,705.83	7.8155	33,510,564.91	3,482,294.84	7.8473	27,326,612.30
Others	-	-	83,376,712.20	-	-	66,057,780.21
Other cash and bank balances	-	-	88,200,044.44	-	-	220,960,409.27
Including: RMB	68,983,745.95	1.0000	68,983,745.95	207,817,409.27	1.0000	207,817,409.27
HKD	21,451,550.00	0.8958	19,216,298.49	15,000,000.00	0.8762	13,143,000.00
Total	-	-	10,475,499,824.16	-	-	15,538,785,383.83
Including: total amount deposited abroad	-	-	1,694,206,685.57	-	-	2,238,371,113.14



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. CASH AND BANK BALANCES (continued)

(2) Restricted use of cash and cash equivalents at the end of the period

Item	Closing balance	Opening balance	Reasons for restricted use
Guarantee money	64,769,370.51	129,956,176.98	Bank restricted
Funds deposited subject to restrictions on the litigation	12,207,337.18		– Court restricted instruction
Performance bond	3,000,000.00	70,000,000.00	Performance bond
Interests receivable	1,522,289.67	10,352,565.04	Not yet settled
Letter of credit margin	–	2,009,203.29	Bank restricted
Others	6,701,047.08	8,642,463.96	—
Total	88,200,044.44	220,960,409.27	—

2. HELD-FOR-TRADING FINANCIAL ASSETS

Item	Closing balance	Opening balance
Held-for-trading equity instrument investments (Note 1)	5,500,000.00	–
Transactional equity instrument investment	141,228.80	140,176.57
Others (Note 2)	–	400,000,000.00
Total	5,641,228.80	400,140,176.57

Note 1: As mentioned in Note IX.3, transactional debt investment is a small amount of “19 sinotrans ABN001” asset-backed notes held by the Company in accordance with the trust contract and the underwriting agreement.

Note 2: As at 31 December 2019, the short-term wealth management products of Bank of China of RMB 400,000,000.00 held by the Group has been expired.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE

(1) Classification of bills receivable

Type	Closing balance	Opening balance
Commercial acceptance bills	18,389,129.53	18,287,596.70
Total	18,389,129.53	18,287,596.70

(2) There was no bills receivable being pledged at the end of the period.

(3) Bills receivable that have been endorsed or discounted at the end of the year and are not yet due at the balance sheet date

Type	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Trade acceptance bills	–	2,400,000.00
Total	–	2,400,000.00

(4) The Group has no bills (31 December 2018: Nil) converted to accounts receivable as at 31 December 2019 due to non-performance by the drawer.

(5) For the year ended 31 December 2019 and 31 December 2018, the Group believes that the commercial acceptance bills do not have significant credit risk and will not cause significant losses due to default. (Expected bills receivable can be fully recovered), so no provision for bad debts was made.

(6) (The balances stated above had no bills receivable from shareholders holding more than 5% (including 5%) of the voting shares of the Company.

(7) The aging of the bills receivable as mentioned above is less than 360 days.

4. ACCOUNTS RECEIVABLE

The terms of service of the Company and its customers are mainly credit transactions, and the new customers are generally required to make advances. The credit period is usually 1 to 6 months. Accounts receivable are interest free.

(1) Accounts receivable overall situation

Items	Closing balance	Opening Balance
Account receivable	10,537,102,117.72	10,857,386,208.16
Less: credit losses provision	422,138,102.84	439,817,856.93
Total	10,114,964,014.88	10,417,568,351.23



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(2) Classification of accounts receivable

Items	Carrying amount						Credit loss provision						Original currency	Net Value	Closing Balance	
	180 days to 1 year			2 years to 3 years			180 days to 1 year			2 years to 3 years						Total
	Within 180 days	1 year to 2 years	2 years to 3 years	1 year to 2 years	2 years to 3 years	3 years or more	Within 180 days	Total	1 year to 2 years	2 years to 3 years	3 years or more					
Low risk	133,460,393.54	4,491,476.41	5,648,691.55	1,050,188.36	3,353,878.61	148,004,628.47	-	-	-	-	-	-	148,004,628.47	-	148,004,628.47	
Normal risk	9,580,901,149.21	403,422,251.99	143,766,797.08	78,004,706.52	183,002,584.45	10,389,097,489.25	89,768,093.16	89,768,093.16	71,833,424.16	70,795,552.38	182,778,774.64	422,138,102.84	9,966,993,864.41	-	10,389,097,489.25	
Including Aging portfolio	9,559,650,515.41	392,464,101.77	130,861,971.18	52,244,996.45	170,076,209.68	10,305,297,794.49	82,856,678.97	82,856,678.97	60,909,069.56	45,714,686.35	170,076,209.68	362,327,276.70	9,942,970,517.79	Expected credit loss are high	10,305,297,794.49	
Nature of payment	21,250,633.80	10,958,150.22	12,904,825.90	25,759,710.07	12,926,374.77	83,799,694.76	6,911,414.19	6,911,414.19	10,924,435.46	25,080,866.03	12,702,564.96	59,810,826.14	23,988,686.62	Individual risk are high	83,799,694.76	
Total	9,714,361,542.75	407,913,728.40	1,494,154,886.63	79,054,894.88	186,356,463.06	10,537,102,117.72	89,768,093.16	89,768,093.16	71,833,424.16	70,795,552.38	182,778,774.64	422,138,102.84	10,114,964,014.88	-	10,537,102,117.72	

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(3) Overall aging of accounts receivable

The aging analysis of accounts receivable based on the transaction date is as follows:

Items	Closing Balance			Opening Balance		
	Carrying amount	proportion(%)	Credit loss provision	Carrying amount	proportion(%)	Credit loss provision
Within 1 year (including 1 year)	10,122,275,271.15	96.06	96,730,351.66	10,444,850,658.31	96.20	105,451,140.96
1 to 2 years (including 2 years)	149,415,488.63	1.42	71,833,424.16	175,205,601.06	1.61	105,287,659.49
2 to 3 years (including 3 years)	79,054,894.88	0.75	70,795,552.38	122,186,275.09	1.13	115,855,948.33
over 3 years	186,356,463.06	1.77	182,778,774.64	115,143,673.70	1.06	113,223,108.15
Total	10,537,102,117.72	100.00	422,138,102.84	10,857,386,208.16	100.00	439,817,856.93

(4) Accounts receivable of low-risk portfolio

Item	Carrying amount	Lifetime expected credit loss rate	Credit provision
Receivables from related parties	148,004,628.47	0.00%	—
Total	148,004,628.47	0.00%	—

(5) Accounts receivable of normal risk portfolio

1) Expected credit loss matrix based on aging

Items	Carrying amount	Expected credit loss rate over the entire lifetime	Credit loss provision
Within 1 year (including 1 year)	9,952,114,617.18	0.86%	85,627,311.11
1 to 2 years (including 2 years)	130,861,971.18	46.54%	60,909,069.56
2 to 3 years (including 3 years)	52,244,996.45	87.50%	45,714,686.35
Over 3 years	170,076,209.68	100.00%	170,076,209.68
Total	10,305,297,794.49	—	362,327,276.70



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(5) Accounts receivable of normal risk portfolio (continued)

2) Individual assessment of expected credit loss (Not significant credit impaired)

Company name	Carrying amount	Lifetime expected credit loss rate	Credit loss provision	Withdrawal reasons
Entity 1	6,671,338.71	100.00%	6,671,338.71	High risk involved in litigation
Entity 2	6,050,099.67	100.00%	6,050,099.67	Cannot be recovered
Entity 3	5,327,945.54	50.00%	2,663,972.77	High risk involved in litigation
Entity 4	3,965,210.94	100.00%	3,965,210.94	High risk involved in litigation
Entity 5	3,173,562.72	100.00%	3,173,562.72	High risk involved in litigation
Entity 6	3,058,572.64	100.00%	3,058,572.64	Cannot be recovered
Entity 7	2,994,837.01	100.00%	2,994,837.01	High risk involved in litigation
Entity 8	1,685,307.39	100.00%	1,685,307.39	High risk involved in litigation
Entity 9	1,489,574.50	100.00%	1,489,574.50	The other company has cancelled
Entity 10	1,350,000.00	100.00%	1,350,000.00	High risk involved in litigation
Entity 11	1,252,561.15	100.00%	1,252,561.15	High risk involved in litigation
Entity 12	1,050,386.43	100.00%	1,050,386.43	The other company has closed down
Entity 13	1,018,440.96	100.00%	1,018,440.96	High risk involved in litigation
Entity 14	1,007,351.62	100.00%	1,007,351.62	High risk involved in litigation
Entity 15	1,005,607.57	100.00%	1,005,607.57	High risk involved in litigation
Others	42,698,897.91	50.06%	21,374,002.06	Extreme credit risk
Total	83,799,694.76	—	59,810,826.14	—

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(6) Movements in credit loss provision of accounts receivables

Items	Opening balance	Provision	Increases/decreases		Other movements	Closing balance
			Recoveries or reversals	Write-back or write-off in current period		
Current year	439,817,856.93	6,138,788.42	12,919,930.18	18,277,958.09	7,379,345.76	422,138,102.84
Last year	304,677,927.72	170,891,049.50	10,695,079.74	15,673,343.54	-9,382,697.01	439,817,856.93

(7) Entities with the largest receivables

Entity name	Carrying amounts of accounts receivable	Reason for recall or reversal	Basis for determining original credit loss provisions	Accumulated amount of credit loss provision before reversal or recovery	Switch back or Amount recovered
Entity 1	4,133,539.24	Settled	Long aged, high risk to recover	969,630.42	967,130.42
Entity 2	1,898,842.10	Settled	Long aged, high risk to recover	33,302.00	263.00
Entity 3	1,465,792.08	Settled	Long aged, high risk to recover	1,465,792.08	973,161.41
Entity 4	1,363,684.00	Settled	Long aged, high risk to recover	1,363,684.00	1,224,484.00
Entity 5	823,892.08	Settled	Long aged, high risk to recover	823,892.08	823,892.08
Entity 6	810,204.56	Settled	Long aged, high risk to recover	26,503.12	26,503.12
Entity 7	769,009.40	Settled	Long aged, high risk to recover	332,075.20	125,745.29
Entity 8	698,182.00	Settled	Long aged, high risk to recover	698,182.00	698,182.00
Entity 9	677,080.95	Settled	Long aged, high risk to recover	677,080.95	349,742.11
Entity 10	618,741.65	Settled	Long aged, high risk to recover	44,654.00	44,654.00
Entity 11	604,673.23	Settled	Long aged, high risk to recover	5,880.00	141.29
Others	9,728,404.58	Settled	Long aged, high risk to recover	8,770,506.74	7,686,031.46
Total	23,592,045.87	—	—	15,211,182.59	12,919,930.18



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(8) Accounts receivable written off during the reporting period

Company name	Nature of Accounts Receivable	Amount	Reason for write-off	Whether due to related party transactions
Entity 1	Logistics business	7,608,635.55	The other party's insolvency after winning the lawsuit	No
Entity 2	Logistics business	2,576,236.11	No enforceable property after victory	No
Entity 3	Logistics business	2,042,195.57	Bankruptcy of the other company	No
Entity 4	Logistics business	1,064,383.82	Counterparty bankruptcy	No
Entity 5	Logistics business	958,240.00	The other party's insolvency after winning the lawsuit	No
Entity 6	Other business	944,892.01	Court suspension	No
Entity 7	Logistics business	354,430.00	No enforceable property after victory	No
Entity 8	Logistics business	330,770.00	Cannot be recovered	No
Others	Logistics business	2,398,175.03	—	No
Total	—	18,277,958.09	—	—

(9) As of December 31, 2019, the Group has no arrears from shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

(10) Top 5 accounts receivable

Company name	Relationship with the Group	Amount	Aging	Credit loss provision	Percentage of total accounts receivable (%)
Entity 1	Unrelated party	142,208,855.40	Within 1 year	333,362.82	1.35
Entity 2	Unrelated party	94,761,562.46	Within 1 year, 1-2 years	1,087,944.80	0.90
Entity 3	Unrelated party	86,952,643.81	Within 1 year, 2-3 years	217,865.38	0.83
Entity 4	Unrelated party	82,895,887.69	Within 1 year	157,502.19	0.79
Entity 5	Unrelated party	74,185,629.05	Within 1 year	171,460.49	0.70
Total	—	481,004,578.41	—	1,968,135.68	4.57

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(11) Accounts receivable from related parties

Company name	Relationship with the Group	Amount	Aging	Credit loss provision	Percentage of total accounts receivable (%)
Sinotrans Container Lines Co., Ltd.	Under the control of the ultimate controller	20,334,447.39	Within 1 year	0.19	—
Sinotrans Sunshine Express Co., Ltd.	Under the control of the ultimate controller	19,237,755.12	Within 1 year	0.18	—
Sinotrans DHL International Air Express Co., Ltd.	Joint ventures of the Group	9,871,054.68	Within 1 year	0.09	—
Ocean Network Shipping (China) Co., Ltd.	Other related parties	7,365,140.07	Within 1 year	0.07	—
Sinotrans-Nisshin International Freight Co., Ltd.	Joint ventures of the Group	5,034,966.32	Within 1 year	0.05	—
Sinotrans Container Lines (Hong Kong) Co., Ltd.	Under the control of the ultimate controller	3,953,575.52	Within 1 year	0.04	—
Sinotrans Gansu Co., Ltd.	Under the control of the ultimate controller	3,636,796.73	Within 1 year	0.03	—
Weihai Weidong Shipping Co., Ltd.	Associates of the Group	3,359,386.50	Within 1 year	0.03	—
COFCO China Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Associates of the ultimate controlling party	3,339,450.42	Within 1 year	0.03	—
Shenyang Jinyun Automobile Logistics Co., Ltd.	Joint ventures of the Group	3,219,247.88	1-2 years	0.03	—
Shanghai China Merchants Minghua Shipping Co., Ltd.	Under the control of the ultimate controller	3,147,066.90	Within 1 year	0.03	—
Changhang International Shipping (Singapore) Company	Under the control of the ultimate controller	3,015,842.48	Within 1 year	0.03	—
China Merchants Nanjing Oil Transportation Co., Ltd.	Under the control of the ultimate controller	2,964,915.99	Within 1 year	0.03	—
Shenzhen China Merchants Shekou Asset Management Co., Ltd.	Under the control of the ultimate controller	2,500,000.00	Within 1 year	0.02	—
Yuan Sheng Co., Ltd.	Under the control of the ultimate controller	2,376,662.87	over 3 years	0.02	—
Beijing Sinotrans Land Transport Co., Ltd.	Under the control of the ultimate controller	2,350,626.45	Within 1 year	0.02	—
Sinotrans Inner Mongolia Co., Ltd.	Under the control of the ultimate controller	2,227,976.07	Within 1 year	0.02	—
China Merchants Logistics Group Nanjing Co., Ltd.	Associates of the Group	2,215,358.60	Within 1 year	0.02	—
Henan Sinotrans Bonded Logistics Co., Ltd.	Under the control of the ultimate controller	2,181,245.67	Within 1 year	0.02	—
China International Exhibition and Transportation Co., Ltd.	Associates of the Group	2,114,547.86	Within 2 years	0.02	—
Ningbo Taiping International Trade Intermodal Co., Ltd.	Joint ventures of the Group	2,043,276.43	Within 1 year	0.02	—
Chongqing Wanqiao Transportation Technology Development Co., Ltd.	Under the control of the ultimate controller	2,010,832.20	1-2 years	0.02	—
Others	—	39,504,456.32	—	0.37	—
Total	—	148,004,628.47	—	1.38	—



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (continued)

(12) Accounts receivable derecognised by transfer of financial assets

Company List	Gains and losses on	
	Amount derecognised	derecognition (Loss is listed with "-")
Entity 1	88,744,463.19	-1,385,881.23
Entity 2	48,830,049.92	-762,556.30
Entity 3	37,798,023.09	-590,274.24
Entity 4	29,873,180.30	-466,515.64
Entity 5	21,151,551.78	-330,314.00
Entity 6	20,748,140.00	-324,014.10
Entity 7	16,092,485.53	-251,308.90
Entity 8	15,136,105.74	-236,373.56
Entity 9	14,497,366.21	-226,398.66
Entity 10	14,487,996.77	-226,252.34
Entity 11	12,984,681.40	-202,775.76
Entity 12	12,097,818.43	-188,926.03
Entity 13	12,052,828.59	-188,223.45
Entity 14	11,762,298.24	-183,686.37
Entity 15	11,576,756.48	-180,788.85
Entity 16	11,379,797.21	-177,713.03
Others	550,983,343.80	-8,604,452.04
Total	930,196,886.68	-14,526,454.50

Note: According to the approval of the shareholders' meeting and the board of directors, the Company issued the 2019 first phase of RMB-oriented asset-backed notes (hereinafter referred to as the current notes) in the China Interbank Market Dealers Association on 20 December 2019, with a total issued amount of 1.1 billion. The total amount (par value) of the issuance of subordinated asset-backed notes is RMB55 million, and the company holds 10% of the subordinated equity, which is RMB5.5 million. The underlying assets of the notes are eligible receivables of the Group. The management of the company believes that the company transferred almost all risks and rewards in the ownership of the accounts receivable, and therefore derecognised the relevant accounts receivable.

(13) The Group did not continue to involve in the assets and liabilities formed by transfer of accounts receivable on 31 December 2019.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FINANCING RECEIVABLES

(1) Classification of financing receivables

Classification	Ending Balance	Opening Balance
Bank acceptance bill	600,596,569.69	537,635,917.84
Accounts receivable	–	–
Total	600,596,569.69	537,635,917.84

(2) The Group has no pledged notes receivable at the end of the period.

(3) Bills receivable that have been endorsed or discounted at the end of the year and are not yet due at the balance sheet date

Classification	Recognized amount as at year ended	Amount not recognized as at year ended
Bank acceptance bill	454,451,486.94	–
Total	454,451,486.94	–

(4) The Group's unaccepted bank acceptance bills due at the end of the period due to defects in endorsements amounted to RMB700,000.00, have been accepted as of the date of issue of this report.

(5) On 31 December 2019, the Group did not convert the notes into accounts receivable due to the inability of the drawer to perform the contract (December 31, 2018: Nil).

(6) Among the above balances, there are no bills receivable from shareholder units holding more than 5% (including 5%) voting rights of the company.

(7) The aging of the bills receivable mentioned above are all within 360 days.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. PREPAYMENTS

(1) The aging of prepayments is analysed as follows:

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	2,166,089,440.87	2,022,686,652.67
1 to 2 years (including 2 years)	44,412,095.28	26,444,438.82
2 to 3 years (including 3 years)	20,816,666.48	16,157,954.51
Over 3 years	15,489,624.09	16,581,574.23
Total	2,246,807,826.72	2,081,870,620.23

(2) Large prepayments with the aging of more than one year are as follows:

Entity name	Closing balance	Aging	Reasons for non-settlement
TREASURYWINE ESTATES VINTNERS LIMITED	6,732,057.80	1-3 years	Unfulfilled obligations
Shanghai Wujingkou International Cruise Port Development Co., Ltd. (Note 1)	6,080,136.72	over 3 years	Unfulfilled obligations
Total	12,812,194.52	—	—

Note 1: The reasons for unsettled prepayments of Sinotrans Eastern Company Limited (a subsidiary of the Group) to Shanghai Wusongkou International Cruise Port Development Co., Ltd is due to the berth lock deposits at terminal. Such lock deposits need to be paid at least 1 year in advance.

(3) Major entities of prepayments

Entity name	Relationship with the Company	Amount	Aging	Proportion to the total prepayments (%)	Reasons for non-settlement
Entity 1	Supplier	48,835,520.77	Within 1 year	2.17	Business has not ended
Entity 2	Supplier	47,844,723.50	Within 1 year	2.13	Business has not ended
Entity 3	Supplier	47,207,648.41	Within 1 year	2.10	Business has not ended
Entity 4	Supplier	31,717,861.82	Within 1 year	1.41	Business has not ended
Entity 5	Supplier	29,052,008.73	Within 1 year	1.29	Business has not ended
Total	—	204,657,763.23	—	9.10	—

(4) The Group had no outstanding debts of shareholders holding more than 5% (including 5%) of the voting shares of the Company as of 31 December 2019.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES

Item	Closing balance	Opening balance
Interest receivables	1,281,663.75	1,008,817.72
Dividend receivables	53,247,750.69	63,826,982.07
Other receivables	1,582,848,572.99	1,340,885,824.68
Total	1,637,377,987.43	1,405,721,624.47

(1) Interest Receivables

1) Classification of interest receivables

Item	Closing balance	Opening balance
Fixed deposit	1,281,663.75	1,008,817.72
Total	1,281,663.75	1,008,817.72

2) Overdue interest receivables.

Loan Unit	Ending Balance	Overdue time	Reason for overdue	Whether an impairment occurred and the basis for its judgment
MAXX LOGISTICS LTD.	1,281,661.12	2 years	Funding support for associates	Fund support for associates, expected to be recovered without impairment
Total	1,281,661.12	—	—	—

- 3) The management of the Group believes that it is unnecessary to make impairment provision for the interest receivables as at 31 December 2019.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES (continued)

(2) Dividend receivables

Invested entities	Opening balance	Increase due to changes in the scope of consolidation	Increase in the period	Decrease in the period	Translated difference in foreign currency statements	Closing balance	Reason for non-recovery	Whether an impairment occurs and its judgment basis
Dividend receivables with the aging of less than 1 year	34,108,206.16	-	68,570,388.93	93,881,232.29	-	8,797,362.80	—	—
Including: Wuhan Port Container Co., Ltd.	6,000,000.00	-	6,000,000.00	6,000,000.00	-	6,000,000.00	Declared unreleased	No
Huali Global Transportation Co., Ltd.	622,425.16	-	-	622,425.16	-	-	—	—
China International Exhibition and Transportation Co., Ltd.	-	-	2,797,362.80	-	-	2,797,362.80	Declared unreleased	No
Sinotrans (Pakistan) Logistics Co., Ltd.	1,536,000.00	-	-	1,536,000.00	-	-	—	—
SINOTRANS ALMAJDOUIE MIDDLE EAST CO. LTD	-	-	3,420,950.00	3,420,950.00	-	-	—	—
Jiangsu Rixin Sinotrans International Transportation Co., Ltd.	-	-	2,395,478.47	2,395,478.47	-	-	—	—
Shanghai SIPG Container Storage Service Co., Ltd.	-	-	8,970,661.98	8,970,661.98	-	-	—	—
Ningbo Dagang New Century Container Co., Ltd.	-	-	4,496,230.03	4,496,230.03	-	-	—	—
Ningbo Dagang Container Co., Ltd.	-	-	2,596,927.93	2,596,927.93	-	-	—	—
Ningbo Sinotrans Alian Shipping Agency Co., Ltd.	-	-	12,831,240.93	12,831,240.93	-	-	—	—
Zhejiang Seaport Changxing Port Affairs Co., Ltd.	-	-	749,925.01	749,925.01	-	-	—	—
Jiangmen Gaosha Shipping Agency Co., Ltd.	-	-	189,000.00	189,000.00	-	-	—	—
Weihai Weidong Shipping Co., Ltd.	-	-	7,691,062.50	7,691,062.50	-	-	—	—
Jiangsu Jiangyin Port Group Co., Ltd.	-	-	8,775,000.00	8,775,000.00	-	-	—	—
Qingdao Huasheng Airport Logistics Co., Ltd.	-	-	3,664,927.24	3,664,927.24	-	-	—	—
Shanghai Tongyun International Logistics Co., Ltd.	-	-	1,034,534.30	1,034,534.30	-	-	—	—
Qingdao Yujiachang Sinotrans Container Storage & Transportation Co., Ltd.	-	-	1,446,587.74	1,446,587.74	-	-	—	—
BOE Technology Group Co., Ltd.	-	-	1,510,500.00	1,510,500.00	-	-	—	—
Shenzhen Haixing Port Development Co., Ltd.	25,949,781.00	-	-	25,949,781.00	-	-	—	—
Dividends receivable aged over 1 year	29,718,775.91	-	14,731,611.98	-	-	44,450,387.89	—	—
Including: New land Bridge (Lianyungang) Terminal Co., Ltd.	19,718,775.91	-	4,731,611.98	-	-	24,450,387.90	Note 1	No
China United Tally Co., Ltd.	10,000,000.00	-	10,000,000.00	-	-	20,000,000.00	Note 2	No
Total	63,826,982.07	-	83,302,000.91	93,881,232.29	-	53,247,750.69	—	—

Note 1: New land Bridge (Lianyungang) Terminal Co., Ltd. is a joint venture invested by the company and Sinotrans (Hong Kong) Logistics Co., Ltd. (hereinafter referred to as Hongkong Logistics) and Sinotrans Landbridge Transport Co., Ltd. Dividends paid to overseas companies have not yet been approved by the relevant authorities, so they have not been paid yet.

Note 2: China United Tally Co., Ltd. (hereinafter referred to as China United Tally) was originally a joint venture established by the company and COSCO SHIPPING Logistics Co., Ltd. (hereinafter referred to as COSCO SHIPPING) on 13 May 2003. The company's shareholding ratio is 32%. On 13 May 2018, the Company and COSCO SHIPPING signed the "Agreement on Arrangements Related to China United Tally Co., Ltd.", which stipulated that from 1 January 2018 to 31 December 2019, the company would no longer participate the operation and management of China United Tally, regardless of the profit or loss of China United Tally in that year, the company will collect RMB10 million from China United Tally every year. In addition, the company no longer has the right to enjoy the gains from China United Tally in accordance with the shareholding ratio, nor to bear any losses during the year.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES (continued)

(3) Other receivables

1) Analysis by nature

Nature	Closing balance	Opening balance
Deposits receivable	760,234,512.72	624,610,430.75
Government grants receivable	503,229,849.36	117,465,430.07
Receivables from related parties	150,116,766.64	462,018,333.65
Advanced payments	137,626,297.78	81,325,201.09
Reserve fund receivable	41,500,399.88	36,859,273.21
Compensation receivable	38,373,316.10	41,362,940.58
Others	114,453,147.03	114,342,849.22
Subtotal	1,745,534,289.51	1,477,984,458.57
Less: Credit loss provision	162,685,716.52	137,098,633.89
Total	1,582,848,572.99	1,340,885,824.68

2) Analysis by aging

Item	Closing Balance			Opening Balance		
	Carrying amount	Proportion (%)	Credit loss provision	Carrying amount	proportion (%)	Credit loss provision
Within 1 year (including 1 year)	1,256,152,069.48	71.96	5,508,664.45	1,049,224,651.64	70.99	6,640,309.21
1 to 2 years (including 2 years)	172,681,296.31	9.89	6,641,078.05	151,434,624.42	10.25	26,284,449.80
2 to 3 years (including 3 years)	109,251,920.22	6.26	28,385,632.67	129,338,107.59	8.75	43,128,647.86
over 3 years	207,449,003.50	11.89	122,150,341.35	147,987,074.92	10.01	61,045,227.02
Total	1,745,534,289.51	100.00	162,685,716.52	1,477,984,458.57	100.00	137,098,633.89



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES (continued)

(3) Other receivables (continued)

3) Changes in credit loss provision for other receivables based on 12-month and lifetime expected credit losses in the future

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Credit loss provision				
Balance at 1 January 2019	56,391,100.12	—	80,707,533.77	137,098,633.89
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	—	—	—	—
— Reverse to stage 2	—	—	—	—
— Reverse to stage 1	—	—	—	—
Provision in the period	12,154,342.44	—	20,563,173.03	32,717,479.47
Reversal in the period	—	—	7,175,587.28	7,175,587.28
Written-off in the period	—	—	906,994.09	906,994.09
Decrease in disposal of subsidiaries	—	—	—	—
Foreign exchange rate changes	39,414.73	—	—	39,414.73
Other changes	912,769.80	—	—	912,769.80
Closing balance	69,497,627.09	—	93,188,089.43	162,685,716.52

4) Credit loss provisions accrued, recovered or reversed during the year

Debtor name	Carrying amount of other receivables	Reason or method of reversal or withdrawal	Basis for determining original credit loss provision	Accumulated amount of credit loss provision before reversal or recovery	Reversed or recovered amount
Entity 1	3,962,036.89	Money recovered	Aging is difficult to recover	3,962,036.89	3,912,036.89
Entity 2	3,148,098.00	Money recovered	Aging is difficult to recover	3,148,098.00	1,881,564.86
Others	1,634,345.86	Money recovered	Aging is difficult to recover	1,613,345.86	1,381,985.53
Total	8,744,480.75	—	—	8,723,480.75	7,175,587.28

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES (continued)

(3) Other receivables (continued)

5) Other receivables written off during the reporting period

Name	Nature of other receivables	Write-off amount	Reason for write-off	Whether caused by related party transactions
Entity 1	Deposit	500,000.00	Business bankruptcy	No
Entity 2	Other	241,840.97	Court decision	No
Entity 3	Advances	165,153.12	Court decision	No
Total	—	906,994.09	—	—

6) Outstanding debts of shareholders holding more than 5% (inclusive) of the voting shares of the Company

Company name	Closing Balance		Opening Balance	
	Amount owed	Credit loss provision	Amount owed	Credit loss provision
Sinotrans & CSC	27,150,710.30	—	—	—
Total	27,150,710.30	—	—	—

7) Other receivables with the top five closing balances pooled by debtor

Entity name	Relationship with the Company	Amount	Aging	Proportion to total other receivables (%)	Credit loss provision	Nature or content
Entity 1	Unrelated party	202,867,736.52	Within 1 year	11.62	—	Train Subsidy
Entity 2	Unrelated party	142,463,369.77	Within 1 year	8.16	—	Train Subsidy
Entity 3	Unrelated party	54,099,800.00	Within 1 year	3.10	—	Charter subsidy
Entity 4	Unrelated party	52,594,323.99	Within 1 year	3.01	—	Subsidies, etc.
Entity 5	Unrelated party	29,631,706.62	Within 1 year	1.70	—	Land section
Total	—	481,656,936.90	—	27.59	—	—



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES (continued)

(3) Other receivables (continued)

8) Receivables from related parties

Entity name	Relationship with the Company	Amount	Proportion to total of other receivables (%)
Sinotrans & CSC	Under the control of the ultimate controller	27,150,710.30	1.56
Shenyang Jinyun Automobile Logistics Co., Ltd.	Joint ventures of the Group	19,905,205.04	1.14
Sinotrans Djibouti	Joint ventures of the Group	19,546,555.39	1.12
Changhang Cargo Co., Ltd.	Under the control of the ultimate controller	18,877,058.04	1.08
MAXX LOGISTICS LTD.	Joint ventures of the Group	16,529,370.43	0.95
Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	Joint ventures of the Group	7,042,454.77	0.40
DHL-Sinotrans International Air Courier Co., Ltd.	Joint ventures of the Group	5,107,749.26	0.29
Shenzhen China Merchants Shekou Asset Management Co., Ltd.	Under the control of the ultimate controller	5,000,000.00	0.29
Sinotrans (Pakistan) Logistics Co., Ltd.	Joint ventures of the Group	3,625,546.01	0.21
Dalian Jingda International Freight Forwarding Co., Ltd.	Associates of the Group	3,600,000.00	0.21
Shenzhen Nanyou (Group) Co., Ltd.	Under the control of the ultimate controller	2,834,077.64	0.16
Guangxi Yunyu Port Co., Ltd.	Associates of the Group	2,500,000.00	0.14
Dongguan Sinotrans E-commerce Co., Ltd.	Joint ventures of the Group	2,192,033.55	0.13
China Merchants Bonded Logistics Co., Ltd.	Under the control of the ultimate controller	2,004,623.64	0.11
Other	—	14,201,382.57	0.81
Total	—	150,116,766.64	8.60

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OTHER RECEIVABLES (continued)

(3) Other receivables (continued)

9) Other receivables in relation to government grants

Entity name	Projects related to government grant	Closing balance	Ending aging	Expected receiving time, balance and reason
Entity1	China Railway Express, operating capital	202,867,736.52	Within 1 year	Recovered as of the reporting date
Entity2	International railway freight service grant	142,463,369.77	Within 1 year	Under the subsidy policy is expected to be recovered in September 2020
Entity3	Charter subsidy	53,800,000.00	Within 1 year	According to the "Notice of the General Office of the People's Government of Zhejiang Province on Printing and Distributing the Measures for the Administration of Special Funds for the Guidance and Cultivation of New International Air Lines at Hangzhou Aviation Port", it is expected to be recovered in March 2020
Entity4	China Railway Express, freight service financial grant	52,594,323.99	Within 1 year	According to the "Ministry of Finance Notice on China-Europe Train Subsidy Financial Subsidy" is expected to be recovered in April 2020
Entity5	China Railway Express, freight service grant	23,929,300.00	Within 1 year	According to the "Shenyang Sino-Europe Train Project Cooperation Agreement", it is expected to be fully recovered in April 2020
Entity6	Port subsidies, domestic trade subsidies and subsidies for shuttle bus	19,061,363.08	Within 2 years	According to the subsidy policy, it is expected to be fully recovered in July 2021.
Entity7	The levy grant of warehouse and house land	5,022,806.00	Within 1 year	Under the subsidy policy is expected to be recovered in December 2021
Entity8	Storage cost for lifting and shifting	1,583,570.00	Within 1 year	According to the minutes of Weihai Port Office Meeting 20194, it is expected to be fully recovered in September 2020
Entity9	Storage cost for lifting and shifting	948,410.00	Within 1 year	According to the minutes of the Weihai Port Office meeting, it is expected to be recovered in September 2020
Entity10	China Railway Express, freight service government grant	755,000.00	Within 1 year	Under the subsidy policy is expected to be recovered in May 2020
Entity11	Land port container traffic support funds from July 2018 to June 2019	118,590.00	Within 1 year	Recovered as of the reporting date
Others	Container capacity subsidy to support and accelerate the development of Longyan land port	85,380.00	Within 1 year	Recovered as of the reporting date
Total		503,229,849.36		

Note: The Group's government subsidies, such as international freight train subsidies or container volume subsidies, are in accordance with the preferential policies in the region. Government subsidies are reported and obtained on a monthly or quarterly basis in accordance with the preferential standards.

10) There were no prepayments transferred to other receivables at the end of the period.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INVENTORIES

(1) Classification of inventories

Item	Closing balance			Opening balance		
	Gross carrying amount	Inventory falling price reserves	Carrying amount	Gross carrying amount	Inventory falling price reserves	Carrying amount
Raw materials	35,112,202.30	2,995,950.82	32,116,251.48	34,377,672.70	2,995,950.82	31,381,721.88
Goods in stock	75,874,908.77	3,002,376.74	72,872,532.03	202,108,819.57	3,501,085.61	198,607,733.96
Revolving materials	22,061,538.50	1,757,000.00	20,304,538.50	38,368,031.24	1,757,000.00	36,611,031.24
Total	133,048,649.57	7,755,327.56	125,293,322.01	274,854,523.51	8,254,036.43	266,600,487.08

(2) Provision for decline in value

Item	Opening balance	Increase of the period		Decrease of the period		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials	2,995,950.82	–	–	–	–	2,995,950.82
Goods in stock	3,501,085.61	–	–	460,901.50	37,807.37	3,002,376.74
Revolving materials	1,757,000.00	–	–	–	–	1,757,000.00
Total	8,254,036.43	–	–	460,901.50	37,807.37	7,755,327.56

9. NON-CURRENT ASSETS DUE WITHIN ONE YEAR

Item	Closing balance	Opening balance
Long-term receivables due within one year	12,085,000.00	74,928,213.64
Total	12,085,000.00	74,928,213.64

10. OTHER CURRENT ASSETS

Item	Closing balance	Opening balance
Deductible VAT taxation expenses	592,200,763.19	504,845,995.78
Prepaid taxes	34,108,929.81	27,363,722.76
Auditing fee and lawyer fee for project Tengda	–	21,969,007.22
VAT reimbursement from Belarus	–	4,965,919.80
Subtotal	626,309,693.00	559,144,645.56
Less: impairment provision	–	–
Total	626,309,693.00	559,144,645.56

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM RECEIVABLES

Item	Closing balance			Opening balance			Discount rate range at 31 December 2019
	Gross carrying amount	Credit loss provision	Carrying amount	Gross carrying amount	Credit loss provision	Carrying amount	
Amounts due from associates and joint ventures (Note 1)	84,755,000.00	-	84,755,000.00	144,655,512.49	-	144,655,512.49	1.2%-12.5%
Other long-term receivables (Note 2)	59,934,820.74	29,967,410.37	29,967,410.37	72,282,447.70	-	72,282,447.70	—
Total	144,689,820.74	29,967,410.37	114,722,410.37	216,937,960.19	-	216,937,960.19	—
Less: Long-term receivables due within one year	12,085,000.00	-	12,085,000.00	74,928,213.64	-	74,928,213.64	—
Long-term receivables due after one year	132,604,820.74	29,967,410.37	102,637,410.37	142,009,746.55	-	142,009,746.55	—

Note 1: The Group's receivables from associates and joint ventures include the following:

Shanghai Pu'an Storage Co., Ltd. ("Shanghai Pu'an"), an associate of the Group, obtained a loan of RMB45.16 million from the Group in April 2017 to supplement 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 Pu'an shall repay the principal and interest on a quarterly basis from June 2017 to November 2024. The balance of the loan was RMB34.88 million as at 31 December 2019 (31 December 2018: RMB39.28 million), and the portion due within one year is RMB4.96 million.

The Group's joint venture Sinotrans Suzhou Logistics Center Co., Ltd. ("Suzhou Logistic Center") obtained a loan of RMB57 million from the Group in August 2016. The loan term is 10 years and the annual interest rate is 1.20%. The maturity date is August 2026. The loan is a policy-specific loan provided by the Agricultural Development Fund to the Company through the Agricultural Development Bank of China, and is dedicated to the Suzhou Logistics Center 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. As at 31 December 2019, the remaining balance of the loan was RMB49.88 million (31 December 2018: RMB57 million), and the portion which is due within one year is RMB7.125 million.

Note 2: Sinoair, a subsidiary of the Group, has started its freight forwarding business with Uni-top Airlines Co., Ltd. and its two related parties, UT CHARTER BROKER LTD. and Huali Logistics Co., Ltd. since 2010. UT CHARTER BROKER LTD. owed Sinotrans Air Transportation Development 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, Sinoair, 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 Unitop Shenzhen City Holdings Co., Ltd. (hereinafter referred to as Uni-top Holdings) reached a repayment agreement, stipulating that Uni-top Industry will repay the above debts in six installments within three years and the interest calculated according to the actual number of days and by benchmark the interest rate of bank loans for the same period. Uni-top Holdings assumed joint and several liabilities guarantee for the above debts. As at 31 December 2019, the long-term receivables of Sinoair from Uni-top Industrial were equivalent to RMB59,934,820.74. Due to the other side failure to pay as scheduled and the poor management benefit, the management accrued bad debt provision of RMB29,967,410.37 for this amount.

- (1) The Group had no long-term receivables derecognised by transfer of financial assets as at 31 December 2019.
- (2) The Group had no assets and liabilities from the transfer of long-term receivables and the continued involvement as at 31 December 2019.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS

(1) Classification of long-term equity investments

Item	Opening balance	Increase of the period	Decrease of the period	Other increases (decreases)	Effects from changes in the scope of consolidation	Effects from translation in foreign currency statements	Closing balance
Investments in joint ventures	3,267,641,651.25	3,368,310,981.75	1,167,347,469.00	-	-	-	5,468,605,164.00
Investments in associates	3,718,316,015.57	251,871,200.77	57,998,125.40	-	-	188,230.68	3,912,377,321.62
Subtotal	6,985,957,666.82	3,620,182,182.52	1,225,345,594.40	-	-	188,230.68	9,380,982,485.62
Less: Provision for impairment of long-term equity investments	12,434,952.77	-	-	-	-	188,230.68	12,623,183.45
Total	6,973,522,714.05	3,620,182,182.52	1,225,345,594.40	-	-	-	9,368,359,302.17

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments

Invested Entities	Investment cost	Opening balance	Opening balance of impairment provision	Effects from changes in the scope of consolidation	Increase in investment	Decrease in investment	Investment profit/loss under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends and profits declared	Impairment provision	Effects from transition in foreign currency statements	Others	Closing balance	Closing balance of impairment provision
Joint ventures	4,127,964,014.38	3,367,541,551.25	4,020,273.14	-	2,248,501,500.00	37,350,620.47	1,114,736,756.48	-	-17,029.41	-1,043,725,857.29	-	-	-81,028,136.57	5,468,665,164.00	4,020,273.14
SE Netherlands Logistics Holding B.V. (Note 1)	2,201,881,500.00	-	-	-	2,201,881,500.00	-	97,271,844.34	-	-	-1,002,108,307.24	-	-	-	2,201,881,500.00	-
DHL - SinoTrans International Air Courier Ltd.	69,144,305.07	1,290,683,806.72	-	-	-	-	1,817,966.95	-	-	-	-	-	-	1,269,297,343.82	-
Dongguan Port Container Port Co., Ltd.	376,683,333.00	347,234,792.27	-	-	-	-	6,083,934.83	-	-	-496,192.59	-	-	-	349,142,759.22	-
New Lant Bridge Lianyungang Dock Co., Ltd.	132,385,575.46	199,724,287.01	-	-	-	-	81,699,951.61	-	-	-	-	-	-	200,840,029.25	-
SinoTrans High-tech Logistics (Suzhou) Co., Ltd.	105,691,247.29	101,412,481.28	-	-	-	-	1,546,104.45	-	-106,846.72	-	-	-	-	183,005,596.17	-
Wuhu SinoStar Port Co., Ltd.	140,000,000.00	129,663,051.86	-	-	-	-	4,017,995.81	-	-	-	-	-	-	131,197,362.31	-
Chengdu Bombed Logistics Investment Ltd.	95,000,000.00	119,600,380.64	-	-	-	-	2,156,418.25	-	-	-	-	-	-	123,616,377.45	-
SinoTrans Staron Logistics Co., Ltd. (Note 2)	82,570,000.00	571,201,079.94	-	-	34,570,000.00	-	2,818,221.98	-	-	-	-	-	-	93,846,526.19	-
SinoTrans Hi-technology Suzhou Co., Ltd.	97,898,300.00	87,962,554.22	-	-	-	-	2,265,302.95	-	-	-	-	-	-	90,780,776.20	-
Shenyang Jimyun Automobile Logistics Co., Ltd.	100,000,000.00	90,539,337.30	-	-	-	-	3,630,119.46	-	1,466.79	-1,034,534.30	-	-	-	88,274,024.35	-
Shanghai Tongyun International Logistics Co., Ltd.	40,949,168.75	82,495,226.87	-	-	-	-	9,107,655.00	-	-	-5,000,000.00	-	-	-	83,194,512.03	-
Nisshin SinoTrans International Logistics Co., Ltd.	55,518,961.25	79,066,857.03	-	-	-	-	5,825,221.85	-	-	-4,486,230.03	-	-	-	58,601,393.81	-
Ningbo Dapeng Container Co., Ltd.	49,855,251.00	57,802,468.99	-	-	-	-	1,052,337.17	-	-	-	-	-	-	53,586,065.44	-
Qingdao Port Dongjiakou SinoTrans Logistics Co., Ltd.	51,000,000.00	52,532,728.27	-	-	-	-	-1,012,846.20	-	8,983.74	-	-	-	-	50,087,840.39	-
Shanghai Wa-Hong Yishui International Logistics Co., Ltd.	56,268,343.25	51,691,701.35	-	-	-	-	1,231,893.19	-	-	-	-	-	-	49,469,563.64	-
SinoTrans Pfeiffer Cold Chain Logistics Co., Ltd.	90,000,000.00	48,237,574.45	-	-	-	-	6,370,498.06	-	-	-8,970,661.98	-	-	-	46,235,962.06	-
SPC SinoTrans Container Depot Co., Ltd.	30,000,000.00	48,286,125.98	-	-	-	-	1,243,651.19	-	-	-	-	-	-	23,811,984.82	-
SinoTrans Fan International Cold Chain Logistics (Shanghai) Co., Ltd.	23,500,000.00	22,568,309.63	-	-	-	-	331,217.76	-	-	-	-	-	-	3,673,430.40	-
Beijing Medical Chain Interconnection Supply Chain Management Co.	3,500,000.00	3,342,212.64	-	-	-	-	-	-	-	-	-	-	-	-	-
Shanghai Huaxing International Container Freight Transportation Co., Ltd. (Note 3)	81,919,623.00	82,571,047.46	-	-	-	-	-1,542,910.89	-	-	-	-	-	-81,028,136.57	-	-
Wenhua Comprehensive Bonded Zone Hongyun Supply Chain Management Co., Ltd. (Note 4)	14,500,000.00	4,970,478.20	-	-	9,800,000.00	-	462,480.64	-	-	-	-	-	-	15,232,958.94	-
Ningbo SinoTrans Aken Shipping Agency Co., Ltd. (Note 5)	1,275,000.00	13,698,395.70	-	-	14,107,448.95	-	249,033.25	-	-	-	-	-	-	-	-
Xingnan Shipping Agency Co., Ltd. (Note 6)	2,550,000.00	238,334.92	-	-	238,334.92	-	-	-	-	-	-	-	-	-	-
Shanghai Supply Chain Management (China) Co., Ltd. (Note 7)	27,698,866.00	23,004,836.60	-	-	23,004,836.60	-	-	-	-	-	-	-	-	-	-
Other	198,842,007.08	264,980,517.82	4,020,273.14	-	22,500,000.00	-	17,762,947.33	-	-73,647.2	-17,148,031.15	-	-	-	267,771,776.69	4,020,273.14



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments (continued)

Invested Entities	Investment cost	Opening balance	Opening balance of impairment provision	Effects from changes in the scope of consolidation	Increase in investment	Decrease in investment	Investment profit or loss under equity method	Other comprehensive income adjustments	Changings for the period	Other changes in equity	Cash dividends and profits declared	Impairment provision	Effects from translation in foreign currency statements	Others	Closing balance	Closing balance of impairment provision
															3,432,883,835.02	3,718,316,015.57
China Merchants Locomotive International Holdings Co., Ltd.* (中国铁路国际控股有限公司)	2,012,021,379.89	2,012,021,379.89	-	-	-	-	115,290,859.95	35,570,164.66	-	-	-	-	-	-	2,160,882,404.50	-
Shenzhen Haiding Port Development Co., Ltd.	297,808,642.42	393,176,785.13	-	-	-	-	-8,981,664.10	-	-	-	-	-	-	-	384,195,121.03	-
China Merchants Haiwan Development Investment Co., Ltd. (Note 8)	351,238,381.51	351,238,381.51	-	-	-	-	-	-	-	-	-	-	-	-	351,238,381.51	-
Weihae Weidong Shipping Co., Ltd.	206,722,602.90	202,910,534.24	-	-	-	-	6,098,038.06	760,722.01	-	-	-7,691,862.50	-	-	-	202,078,401.81	-
Wuhan Port Container Co., Ltd.	127,189,844.88	166,863,575.35	-	-	-	-	14,899,614.69	-	-401,863.22	-	-6,000,000.00	-	-	-	175,441,326.82	-
China Merchants Logistics Group Beijing Co., Ltd.	152,200,000.00	166,656,607.39	-	-	-	-	18,416,739.28	-	137,594.52	-	-12,970,833.07	-	-	-	172,240,046.12	-
Jiangsu Jingyin Port Group Co., Ltd.	59,319,000.00	141,171,282.36	-	-	-	-	36,704,780.26	-	-	-	-8,775,000.00	-	-	-	169,101,072.62	-
Shanghai Pan Storage Co., Ltd.	31,269,458.00	765,422,865.94	-	-	-	-	-2,489,446.66	-	-	-	-	-	-	-	762,933,419.28	-
Zhejiang Seaport Changning Port Co., Ltd. (Note 9)	39,900,000.00	201,000,000.00	-	-	19,800,000.00	-	749,251.01	-	-	-	-700,000.00	-	-	-	40,649,251.01	-
MeiAnshan Tianshun Port Co., Ltd.	21,000,000.00	28,988,428.10	-	-	-	-	773,387.69	-	-	-	-	-	-	-	28,981,796.79	-
Qingdao Haasberg Airport Logistics Co., Ltd.	18,000,000.00	23,255,365.84	-	-	-	-	4,335,844.72	-	5,581.83	-	-3,664,927.24	-	-	-	23,931,861.15	-
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	20,000,000.00	17,094,539.66	-	-	-	-	556,802.23	-	-	-	-	-	-	-	17,651,465.89	-
Huali Global Transportation Co., Ltd. (Note 10)	5,350,873.48	9,483,407.56	-	-	-	-	-	-	-	-	-	-	-	-	-	-
other	90,765,714.44	108,702,511.60	841,679.63	-	-	-	6,065,640.16	-	3,157,676.68	-	-8,712,895.03	-	188,230.68	-	109,610,655.09	8,602,910.31
total	75,600,847,649.40	6,985,957,666.82	12,434,952.77	-	22,668,301,500.00	46,834,028.03	1,399,598,043.77	34,330,886.67	2,708,971.40	-1,099,240,075.13	-	-	188,230.68	-81,028,136.57	9,380,982,485.62	12,623,183.45

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments (Continued)

Note 1 : Please refer to Note VIII.4 for details of the Group's newly-added joint venture SE Netherlands Logistics Holding B.V.

Note 2: Sinotrans Sharon Logistics Co., Ltd., a joint venture of the Group, was established by Sinotrans Large Logistics Co., Ltd. (hereinafter referred to as Large Logistics), a subsidiary of the Group, and Belgium SARENS. Enterprise on 20 May 2015. The two parties each contributed RMB48 million, each holding 50%. In 2019, the two sides will each invest an additional RMB34.57 million, with the shareholding ratio unchanged.

Note 3: Shanghai Huaxing is a joint venture of the Group established by Sinotrans Eastern, a subsidiary of the Group, and Singamas. On August 29, 2019, each of Shanghai Huaxing's investors signed an "Equity Transfer Agreement", and the original shareholder Singamas transferred its 40% equity of Shanghai Huaxing to Sinotrans Eastern. As of 30 November 2019, Sinotrans Eastern has already controlled Shanghai Huaxing, and Shanghai Huaxing became a wholly-owned subsidiary of Sinotrans Eastern.

Note 4: Weihai Comprehensive Bonded Zone Hongxin Supply Chain Management Co. Ltd. ("Hongxin Supply Chain"), a joint venture of the Group, 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 million, holding 49% of its shares, and Weihai Bonded contributed RMB5.10 million, 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. On September 15, 2019, Weihai Sinotrans transferred all its equity in the Hongxin Supply Chain to its parent company Sinotrans Central China Co., Ltd. (hereinafter referred to as Sinotrans Central China). On October 24, 2019, Sinotrans Central China invested an additional RMB 9.80 million in Hongxin Supply Chain. After the capital increase, the investment cost was RMB14.5 million, with a 49% of shares.

Note 5: Ningbo Sinotrans Arian Shipping Agency Co., Ltd. ("Ningbo Arian Shipping"), a joint venture of the Group, was jointly established by Zhejiang Sinotrans Co., Ltd. ("Zhejiang Sinotrans"), a subsidiary of the Group, and Alian Shipping Agency (Hong Kong) Company Limited ("Alian Shipping") on 17 August 2009. On 22 May 2019, Alian Shipping obtained the liquidation report issued by an agency. As of 31 December 2019, Ningbo Arian Shipping had completed all cancellation procedures.

Note 6: Shanghai Xinghan Shipping Agency Co., Ltd. (hereinafter referred to as Xinghan Shipping) is a joint venture of the Group established by China Shipping Agency Co., Ltd. (hereinafter referred to as China Shipping Agency), a subsidiary of the Group, and South Korea Hanjin Shipping Co., Ltd. (hereinafter Hanjin Shipping Co., Ltd.) on 20 June 2005. Xinghan Shipping obtained the approval of the Shanghai Commercial Commission on 31 January 2019. As of 31 December 2019, Xinghan Shipping has completed all the cancellation procedures.

Note 7: Shangshun Supply Chain Management (China) Co., Ltd., a joint venture of the Group, announced its revocation in accordance with Article 751 of the Hong Kong Companies Ordinance, Gazette Announcement No. 4106 published on 28 June 2019 and was dissolved on the day of the gazette announcement.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments (Continued)

Note 8: China Merchants Hainan Development Investment Co., Ltd. (hereinafter referred to as China Merchants Hainan) is an associate of the Group established by Hong Kong Logistics and China Merchants Group (Hong Kong) Co., Ltd., a subsidiary of the Group, Jumbo Pacific Holdings Limited, Chiwan Port and Shipping (Hong Kong) Co., Ltd. China Merchants Highway Network Technology Holdings Co., Ltd. and China Merchants Industrial Investment Co., Ltd. on 18 December 2018. According to the China Merchants Hainan Shareholders Agreement, China Merchants Hainan's registered capital is RMB3.5 billion, of which Hong Kong Logistics' capital contribution is RMB350 million and its shareholding ratio is 10%, and a director is appointed to participate in financial and operating policy decisions. The Group have significant influence on China Merchants Hainan using the equity method of accounting. As of 31 December 2019, China Merchants Hainan is still in the preparation stage.

Note 9: Zhejiang Haigang Changxing Port Co., Ltd. (hereinafter referred to as Zhejiang Seaport) is an associate of the Group established by Zhejiang Sinotrans Co., Ltd. (hereinafter referred to as Sinotrans Zhejiang Co., Ltd.), a subsidiary of the Group, Zhejiang Sinotrans Co., Ltd. (hereinafter referred to as Sinotrans Zhejiang Co., Ltd.), Zhejiang Seaport Inland Port Development Co., Ltd., and Changxing South Taihu Investment Development Co., Ltd. and Changxing Xuhong Investment Co., Ltd. The registered capital of Zhejiang Haigang is RMB187 million, of which Sinotrans Zhejiang has subscribed for RMB56.1 million, with a 30% shareholding. Sinotrans Zhejiang's first paid-up capital is RMB20.1 million, with the remaining RMB36 million in accordance with the actual funding requirements for project development are paid in stages. According to the Zhejiang Harbour Charter, the Group has significant influence over Zhejiang Harbour, using the equity method of accounting. On December 24, 2019, Sinotrans Zhejiang Company invested an additional RMB19.8 million with unchanged shareholding ratio.

Note 10: Huali Global Transportation Co., Ltd. (hereinafter referred to as Huali Global) is an associate of the Group jointly established by Sinotrans Air Transport Development Co., Ltd. (hereinafter referred to as Air Transport Development), a subsidiary of the Group, China International Cargo Airlines, Honglin Air Cargo The company and Yi Ke Fei Co., Ltd. on 29 June 1991. Huali Global obtained the cancellation approval from Beijing Municipal Administration for Industry and Commerce on January 25, 2019. As of December 31, 2019, Huali Global has completed all cancellation procedures.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(3) The changes in the provision for impairment of long-term equity investments are as follows:

Item	Opening balance	Effects of changes in the scope of consolidation	Increase of the period	Decrease	Decrease of the period	Decrease reason	Effects from translation in foreign currency statements	Closing balance
Beijing China Merchants Science City Real Estate Development Co., Ltd	5,638,347.00	-	-	-	-	-	126,126.00	5,764,473.00
Sinotrans Hongfeng (Shanghai) International Logistics Co. Ltd.	4,020,273.14	-	-	-	-	-	-	4,020,273.14
Beijing Sima Ling Clothing Co., Ltd.	1,435,215.60	-	-	-	-	-	32,104.80	1,467,320.40
Beijing Shungang Clothing Accessories Co., Ltd.	1,341,117.03	-	-	-	-	-	29,999.88	1,371,116.91
Total	12,434,952.77	-	-	-	-	-	188,230.68	12,623,183.45



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(4) Investments in joint ventures

Name of invested entities	Place of registration	Nature of business	Registered capital	Shareholding ratio (%)	Voting ratio (%)	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating revenue for the period	Net profit for the period	Net profit of the investee attributable to the parent company for the period
Joint ventures											
DHL-Sinotrans International Air Courier Ltd.	Beijing, PRC	Air-freight courier	USD14.5M	50.00	—	2,240,072,527.21	2,538,594,687.63	13,879,538,433.39	1,945,443,688.67	1,945,443,688.67	1,945,443,688.67
SE Netherlands Logistics Holding B.V.	Netherlands	Logistics	EUR 1,000	80.00	80.00	185,290,498.30	441,571,017.34	—	—	—	—
Dongguan Container Terminals Co., Ltd.	Dongguan, PRC	Harbour operating	RMB670M	49.00	49.00	1,411,286,863.01	877,972,903.00	533,313,960.01	248,346,081.33	8,387,723.99	8,387,723.99
New Land Bridge (Lianyungang) Dock Co., Ltd.	Lianyungang, PRC	Port development, freight forwarding	RMB395M	42.00	42.00	552,005,678.24	73,815,132.44	478,190,545.80	254,731,179.39	14,485,559.12	14,485,559.12
Sinotrans High-tech Logistics (Suzhou) Co., Ltd.	Suzhou, PRC	Logistics	RMB158.47M	60.00	60.00	421,360,476.22	102,879,570.55	318,480,905.67	118,815,551.20	54,773,894.66	54,754,765.59
Total						7,790,181,747.95	3,480,030,631.50	4,310,151,116.45	14,501,431,245.31	2,023,090,866.44	2,023,071,737.37

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(5) Main financial information of material joint ventures

Items	Closing balance/Amount for the current period						Opening balance/Amount for the previous period				
	DHL-Sinotrans International Air Courier Ltd.	SE Netherlands Logistics Holding B.V.	Dongguan Container Terminals Co., Ltd	New Land Bridge (Lianyungang) Dock Co., Ltd.	Sinotrans High-tech Logistics (Suzhou) Co., Ltd.		DHL-Sinotrans International Air Courier Ltd.	Dongguan Container Terminals Co., Ltd	New Land Bridge (Lianyungang) Dock Co., Ltd.	Sinotrans High-tech Logistics (Suzhou) Co., Ltd.	Chengdu Bonded Logistics Investment Ltd.
Current assets	3,767,573,466.58	485,569,981.74	167,377,373.03	220,955,575.54	169,364,518.44		3,940,308,666.53	147,123,609.53	174,598,688.76	237,359,150.88	42,326,369.84
Non-current assets	1,011,093,748.26	141,291,533.90	1,243,909,489.98	331,050,102.70	251,995,957.78		730,992,292.24	1,295,454,293.26	355,192,986.95	272,038,197.75	193,474,974.60
Total assets	4,778,667,214.84	626,861,515.64	1,411,286,863.01	552,005,678.24	421,360,476.22		4,671,300,958.77	1,442,577,902.79	529,791,675.71	509,397,348.63	235,801,344.44
Current liabilities	1,972,449,333.12	185,290,498.30	36,578,494.75	64,506,034.26	102,879,570.55		2,015,939,894.23	185,671,392.90	44,227,833.03	155,732,557.14	15,502,243.98
Non-current liabilities	267,623,194.09	-	841,394,408.25	9,309,098.18	-		57,993,451.10	729,822,223.46	10,029,826.02	89,779,702.61	-
Total liabilities	2,240,072,527.21	185,290,498.30	877,972,903.00	73,815,132.44	102,879,570.55		2,073,933,345.33	915,493,616.36	54,257,659.05	245,512,259.75	15,502,243.98
Net assets attributable to the parent company	2,538,594,687.63	441,571,017.34	533,313,960.01	478,190,545.80	318,480,905.67		2,597,367,613.44	527,084,286.43	475,534,016.66	263,885,088.88	220,299,100.46
Share of net assets calculated at the shareholding ratio	1,269,297,343.82	353,256,813.87	261,323,840.40	200,840,029.25	183,005,596.17		1,298,683,806.72	258,271,300.35	199,724,287.01	101,412,491.28	119,600,381.64
Adjustments	-	-	-	-	-		-	-	-	-	-
Carrying amounts of equity investments in joint ventures	1,269,297,343.82	2,201,881,500.00	349,142,759.22	200,840,029.25	183,005,596.17		1,298,683,806.72	347,324,792.27	199,724,287.01	101,412,491.28	119,600,381.64
Fair value of equity investments with public offer	-	-	-	-	-		-	-	-	-	-
Operating revenue	13,879,538,433.39	-	248,346,081.33	254,731,179.39	118,815,551.20		12,715,763,932.26	252,992,416.81	241,120,196.81	126,909,795.35	40,785,578.35
Finance costs	-23,724,011.83	-	40,933,899.18	-2,228,312.95	-426,449.09		-35,586,274.27	44,427,462.05	-2,231,605.31	-140,379.99	-326,747.44
Income tax expenses	634,212,994.95	-	-	4,200,790.29	-8,069,222.94		679,016,800.34	-	4,464,302.61	4,295,918.66	4,637,198.55
Net profit	1,945,443,688.67	-	8,387,723.99	14,485,559.12	54,754,765.59		2,101,340,930.26	5,860,505.68	13,143,366.64	12,547,251.31	14,089,357.21
Other comprehensive income	-	-	-	-	-		-	-	-	-	-
Total comprehensive income	1,945,443,688.67	-	8,387,723.99	14,485,559.12	54,754,765.59		2,101,340,930.26	5,860,505.68	13,143,366.64	12,547,251.31	14,089,357.21
Dividends from joint ventures for the period	1,002,108,307.24	-	-	-	-		907,855,460.89	-	-	-	-



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(6) Investments in associates

Name of invested entities	Place of registration	Nature of business	Registered capital	Shareholding ratio (%)	Voting ratio (%)	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating revenue for the period	Net profit for the period	Net profit of the investee attributable to the parent company for the period
Associate											
China Merchants Loscam International Holdings Co., Ltd.* (招商路凱國際控股有限公司)	The British Virgin Islands	Logistics equipment leasing	USD 101	45.00	45.00	7,002,194,623.59	3,668,231,246.72	3,333,963,376.87	1,607,977,984.58	256,201,911.02	256,201,911.02
Shenzhen Haixing Harbor Development Co., Ltd.	Shenzhen, PRC	Warehouse and port services	RMB 530.73 million	33.00	33.00	1,322,346,530.49	680,171,056.92	642,175,473.57	28,490,889.36	-15,092,888.49	-15,092,888.49
Weihai Weidong Shipping Co., Ltd.	Weihai, PRC	Shipping industry	USD 15 million	30.00	30.00	920,185,201.01	246,590,328.30	673,594,872.71	726,869,275.33	41,486,074.45	41,486,074.45
China Merchants Logistics Group Nanjing Co., LTD	Nanjing, PRC	Logistic	RMB 50 million	45.00	45.00	205,067,757.53	102,695,048.41	102,372,709.12	298,544,508.28	40,926,087.30	40,926,087.30
Wuhan Port Container Co., Ltd.	Wuhan, PRC	Containers handling and freight forwarding	RMB 400 million	30.00	30.00	873,700,478.21	291,427,398.08	582,273,080.13	130,298,748.87	49,665,382.30	49,665,382.30
Total						10,323,494,590.83	4,989,115,278.43	5,334,379,312.40	2,792,131,406.42	373,186,566.58	373,186,566.58

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(7) Main financial information of material associates

Item	Closing balance/Amount for the current period						Wuhan Port Container Co., Ltd.
	China Merchants Loscam International Holdings Co., Ltd	Shenzhen Haixing Port Development Co., Ltd	Weihai Weidong Shipping Co., Ltd.	China Merchants Logistics Group Nanjing Co., Ltd.	Shenzhen Haixing Port Development Co., Ltd	Weihai Weidong Shipping Co., Ltd.	
Current assets	1,198,924,226.80	44,932,869.23	175,908,006.60	131,906,314.02	274,690,832.88	266,940,999.25	
Non-current assets	5,803,270,396.79	1,277,413,661.26	744,277,194.41	73,161,443.51	599,009,645.33	633,146,702.52	
Total assets	7,002,194,623.59	1,322,346,530.49	920,185,201.01	205,067,757.53	873,700,478.21	900,087,701.77	
Current liabilities	839,329,366.50	382,641,059.66	65,579,449.53	102,079,050.00	53,859,163.41	48,635,349.82	
Non-current liabilities	2,828,901,880.22	297,529,997.26	181,011,078.77	615,998.41	237,568,234.67	304,092,657.71	
Total liabilities	3,668,231,246.72	680,171,056.92	246,590,528.30	102,695,048.41	291,427,398.08	352,728,007.53	
Net assets attributable to the parent company	3,333,963,376.87	642,175,473.57	673,594,672.71	102,372,709.12	582,273,080.13	547,359,694.24	
Share of net assets calculated at the shareholding ratio	1,500,283,519.59	211,917,906.28	202,078,401.81	46,067,719.10	174,681,924.04	164,207,908.27	
Adjustments	-	-	-	126,172,329.02	-	-	
Carrying amounts of equity investments in associates	2,160,882,404.50	384,195,121.03	202,078,401.81	172,240,048.12	175,441,326.82	166,963,575.35	
Fair value of equity investments with public offer	-	-	-	-	130,298,748.87	-	
Operating revenue	1,607,927,984.58	28,490,889.36	726,869,275.33	298,544,508.28	130,298,748.87	131,301,140.02	
Finance costs	92,803,557.28	-1,008,303.20	7,975,606.58	83,456.12	-1,597,084.50	-1,197,281.16	
Income tax expenses	130,419,196.36	-	10,347,094.78	3,123,799.11	14,164,557.56	8,797,990.60	
Net profit	256,201,911.02	-15,092,888.49	41,486,074.45	40,926,087.30	49,665,382.30	68,581,028.14	
Other comprehensive income	-612,522,829.00	-	-	-	-	-	
Total comprehensive income	-356,320,917.98	-15,092,888.49	41,486,074.45	40,926,087.30	49,665,382.30	68,581,028.14	
Dividends from associates for the period	-	25,949,781.00	7,691,062.50	12,970,833.07	-	-	
					8,683,065.00		



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(8) Summary information of other immaterial joint ventures and associates

Item	Amount for the current period	Amount for the previous period
Joint ventures:	—	—
Total carrying amount of investments	1,260,417,662.41	1,298,288,110.47
Total amount of the following items calculated at the shareholding ratio	—	—
Net profit	82,722,106.83	34,856,767.46
Other comprehensive income	—	—
Total comprehensive income	82,722,106.83	34,856,767.46
Associates:	—	—
Total carrying amounts of investments	808,937,109.03	768,172,453.94
Total amount of the following items calculated at the shareholding ratio	—	—
Net profit	49,137,529.41	42,890,032.95
Other comprehensive income	—	—
Total comprehensive income	49,137,529.41	42,890,032.95

(9) The Group had no restriction of transfer funds from the long-term equity investments.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

13. OTHER EQUITY INSTRUMENT INVESTMENTS

Item	Reasons for designation as other equity instrument investments	Closing balance	Opening balance	Dividend income
Other equity instrument investments — Listed company equity instrument investments	—	—	—	—
Including: Air China Limited	Held for strategic purpose	27,951,744.93	22,038,321.08	297,921.18
BOE Technology Group Co., Ltd	Held for strategic purpose	228,589,000.00	132,420,500.00	1,510,500.00
Total	—	256,540,744.93	154,458,821.08	1,808,421.18

Note: As at 31 December 2019, 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 year was RMB27,951,744.93 and RMB228,589,000.00 respectively.

These investments are non-transactional equity instruments, and the Group irrevocably designates the above financial assets as financial assets measured at fair value through other comprehensive income.

14. OTHER NON-CURRENT FINANCIAL ASSETS

Item	Closing balance	Opening balance
Financial assets classified as measured at fair value through profit or loss	692,424,249.35	493,936,852.61
Including: equity investments	692,424,249.35	493,936,852.61
Total	692,424,249.35	493,936,852.61

Note: As at 31 December 2019, other non-current financial assets were equity instrument investment held by the Group. The equity instruments mainly include: the carrying amount of the Group's investment in Nanjing Port Longtan Containers of RMB188,756,354.15 the carrying amount of the investment at China Merchants Logistics Synergy Limited Partnership of RMB176,113,822.12, the carrying amount of the investment of Ouyeel Co., Ltd. of RMB147,747,600.00 and the carrying amount of the investment of China United Tally of RMB91,441,143.61. The carrying amount of investment for China-Belarus Industrial Investment Fund was RMB46,890,242.29, and the carrying amount of investment at Shenyang Airport Logistics Co., Ltd. at the end of the period was RMB33,730,000.00.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

15. INVESTMENT PROPERTIES

(1) Investment properties measured at cost

Item	Buildings	Land use rights	Total
I. Original value			
Opening balance	2,521,327,597.49	40,250,203.67	2,561,577,801.16
Effects of changes in the scope of consolidation	–	–	–
Acquisition for the period	906,078.88	–	906,078.88
Conversion of inventories to investment properties	–	–	–
Conversion of fixed assets to investment properties	75,055,300.03	–	75,055,300.03
Conversion of construction in process to investment properties	11,105,650.88	–	11,105,650.88
Conversion of intangible assets to investment properties	–	39,193,041.42	39,193,041.42
Disposal for the period	–	–	–
Transfer from investment properties to fixed assets	149,729,016.82	–	149,729,016.82
Other transfer-out	–	–	–
Effects from translation in foreign currency statements	49,080,374.05	–	49,080,374.05
Closing balance	2,507,745,984.51	79,443,245.09	2,587,189,229.60
II. Accumulated depreciation and accumulated amortisation			
Opening balance	74,764,340.70	7,200,332.57	81,964,673.27
Effects of changes in the scope of consolidation	–	–	–
Accrued amount for the period	82,675,648.41	2,455,557.21	85,131,205.62
Conversion of inventories to investment properties	–	–	–
Conversion of fixed assets to investment properties	26,455,754.90	–	26,455,754.90
Reclassified from intangible assets	–	–	–
Conversion of construction in process to investment properties	–	11,387,182.66	11,387,182.66
Disposal for the period	–	–	–
Transfer from investment properties to fixed assets	4,237,450.00	–	4,237,450.00
Other transfer-out	–	–	–
Effects from translation in foreign currency statements	720,856.17	–	720,856.17
Closing balance	180,379,150.18	21,043,072.44	201,422,222.62
III. Impairment provision			
Opening balance	1,606,790.53	–	1,606,790.53
Closing balance	1,606,790.53	–	1,606,790.53
IV. Net amount			
At the beginning of the period	2,444,956,466.26	33,049,871.10	2,478,006,337.36
At the end of the period	2,325,760,043.80	58,400,172.65	2,384,160,216.45

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

15. INVESTMENT PROPERTIES (CONTINUED)

(2) Closing balance of significant investment properties without certificate of title and reasons

Item	Carrying amounts	Reasons for failure to obtain the certificate of title	Expected time of obtaining the certificate of title
Tianzhu Airport Logistics Center	151,507,121.68	under processing	2020
10th floor, 3rd Building, Visioral and Radio Culture Square, Sightseeing Tower Block C, Chengdu 339 Building, Sichuan	29,946,635.49	under processing except fire system	2020
	20,610,338.98	under processing	2020
Total	202,064,096.15	—	—

16. FIXED ASSETS

Item	Closing balance	Opening balance
Fixed assets	12,472,337,990.35	11,938,678,124.66
Clearance of fixed assets	165,564.11	3,421,608.05
Total	12,472,503,554.46	11,942,099,732.71



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(1) Fixed Assets

1) Details of fixed assets classification

Item	Buildings	Port and terminal facilities	Motor vehicles and vessels	Machinery equipment, furniture, appliances and other equipment	Total
I. Original value	-	-	-	-	-
Opening 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
Effects of changes in the scope of consolidation	349,534,488.07	190,728,035.41	-223,173,708.45	89,088,541.05	406,177,356.08
Acquisition for the period	66,750,552.22	6,071,442.82	66,837,619.12	357,902,197.30	497,561,811.46
Increment through revaluation	-16,918,667.04	-	62,867.02	-544,832.40	-17,400,632.42
Transfer of construction in process for the period	755,538,259.75	771,433.26	-	13,880,718.46	770,190,411.47
Transfer of inventories for the period	-	-	-	-	-
Transfer of investment properties for the period	149,729,016.82	-	-	-	149,729,016.82
Other increase	2,407,052.13	2,864,957.64	1,809,714.16	21,767,156.49	28,848,880.42
Disposal for the period	54,722,758.33	4,865,774.94	277,186,897.61	385,802,930.42	722,578,361.30
Reclassification	-88,617,072.41	-497,953,827.27	192,343,220.63	394,227,679.05	-
Conversion to investment properties for the period	75,055,300.03	-	-	-	75,055,300.03
Effects from translation in foreign currency statements	15,336,826.26	-	3,178,064.58	35,249,460.34	53,764,351.18
Other decrease	45,843,743.42	-	459,591.48	16,733,383.01	63,036,717.91
Closing balance	11,892,064,256.14	1,005,137,109.26	1,308,963,953.05	5,801,631,881.13	20,007,797,199.58
II. Accumulated depreciation	-	-	-	-	-
Opening balance	2,640,770,117.44	522,167,307.34	997,651,862.84	2,760,386,750.62	6,920,976,038.24
Effects of changes in the scope of consolidation	224,803,455.92	87,651,774.93	-68,379,691.50	36,927,629.92	281,003,169.27
Accrued amount for the period	400,040,435.15	43,316,381.85	123,457,527.07	339,124,390.67	905,938,734.74
Transfer of construction in process for the period	-	-	-	-	-
Transfer of inventories for the period	-	-	-	-	-
Transfer of investment properties for the period	4,237,450.00	-	-	-	4,237,450.00
Other increase	863,350.07	273,406.84	1,585,896.58	20,645,777.51	23,368,431.00
Disposal for the period	26,499,185.57	4,710,148.90	232,443,998.13	335,018,875.98	598,672,208.58
Reclassification	14,880,715.65	-	328,868.40	9,570,500.13	24,780,084.18
Conversion to investment properties for the period	-35,184,239.68	-175,400,480.61	104,183,568.24	106,401,152.05	-
Effects from translation in foreign currency statements	26,455,754.90	-	-	-	26,455,754.90
Other decrease	3,151,818.76	-	1,048,289.00	19,278,180.58	23,478,288.34
Closing balance	3,170,846,731.54	473,298,241.45	926,774,585.70	2,938,174,505.24	7,509,094,063.93
III. Impairment provision	-	-	-	-	-
Opening balance	4,761,674.17	-	111,309,862.07	3,870,684.67	119,942,220.91
Add: Accrued in this period	2,469,698.22	-	-	-	2,469,698.22
Impact of consolidation changes	-	-	-92,220,994.67	-	-92,220,994.67
rearrange	3,968.40	-	-1,500.40	-2,468.00	-
Resale in this period	3,379,873.23	-	-	569,119.74	3,948,992.97
Effects from translation in foreign currency statements	-	-	-	123,213.81	123,213.81
Closing balance	3,855,467.56	-	19,087,367.00	3,422,310.74	26,365,145.30
IV. Net amount	-	-	-	-	-
At the beginning of the period	8,188,393,810.51	785,353,535.00	436,590,940.17	2,528,339,838.98	11,938,678,124.66
At the end of the period	8,717,362,057.04	531,838,867.81	363,102,000.35	2,860,035,065.15	12,472,337,990.35
Net mortgaged assets at the end of the period	288,989,949.31	-	-	15,833,561.32	304,823,510.63

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (Continued)

Note 1: The impact of the change in the original value of the fixed assets and the cumulative depreciation consolidation range during the period was the disposal of Shenzhen Huanan LPG Shipping Co., Ltd. and the reduction and acquisition of Shanghai Huaxing, Keppel Hong Kong, Keppel Foshan.

Note 2: The reclassification changes in this period were caused by corresponding adjustments based on the fixed asset classification revised by China Merchants.

2) Fixed assets fully depreciated at the end of the period but still in use and temporary idleness, disposal and retirement of fixed assets for the period:

Item	Amount	Remark
1. Original value of fixed assets fully depreciated at the end of the period but still in use	1,790,790,105.46	—
2. Original value of temporarily idle fixed assets at the end of the period	2,392,447.06	—
3. Disposal and retirement of fixed assets for the period	—	—
(1) Original value of disposal and retirement of fixed assets for the period	722,578,361.30	—
(2) Net value of disposal and retirement of fixed assets for the period	123,906,152.72	—
(3) Gains and losses from disposal and retirement of fixed assets for the period	76,753,226.50	—



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (Continued)

3) Temporary idle fixed assets

Item	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Motor vehicles and vessels	1,703,034.64	1,579,537.19	-	123,497.45	—
Machinery and equipment, furniture, appliances and other equipment	689,412.42	469,753.41	-	219,659.01	—
Total	2,392,447.06	2,049,290.60	-	343,156.46	—

4) Fixed assets rented through operating lease

Item	Carrying amount
Machinery equipment, furniture, appliances and other equipment	606,309,910.46
Buildings	169,246,121.81
Motor vehicles and vessels	2,241,925.05
Total	777,797,957.32

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (Continued)

5) Fixed assets under the land certificate handling

Company name	Project name	Closing carrying amount	Reasons for under the land certificate handling
Sinotrans Logistics Co.	Longquan Infrastructure Project	140,252,965.01	Processing
Sinotrans Logistics Co.	Northeast Regional Logistics Center Warehouse	93,509,430.53	After the third phase of the land certificate, the warehouse real estate certificate
Sinotrans Logistics Co.	Nanchang Distribution Center	93,115,662.60	The area of the acquired land has not been confirmed
Sinotrans Logistics Co.	Second-phase cold storage	91,213,366.50	As the greening has not passed the acceptance, it is being processed
Sinotrans Logistics Co.	Harbin Distribution Center Phase II	81,984,637.66	Incomplete application procedures
Sinotrans Logistics Co.	Hefei Distribution Center D Library	80,453,535.32	Completion of final accounts in 2019, in progress
Sinotrans Air Transport Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse No. 0	76,867,553.37	Completed in 2015 and is undergoing completion acceptance
Sinotrans Logistics Co.	E Library of Hefei Distribution Center	70,780,392.88	Completion of final accounts in 2019, in progress
Sinotrans Logistics Co.	Second phase turnover library	67,352,484.61	Because the greening has not passed the acceptance, it is being processed.
Sinotrans Hubei Co.	Caidian Logistics Base	67,147,144.10	Currently communicating with the government.
Sinotrans Air Transport Development Co.	Pudong International Airport Storage Project	56,114,832.17	Processing
Sinotrans Air Transport Development Co.	Wuhan Supply Chain Logistics Export Processing Base	54,323,728.61	Mapping is not complete yet
Sinotrans Air Transport Development Co.	Office building of Sinotrans (Changchun) Logistics Co., Ltd.	52,860,901.01	Processing
Sinotrans Air Transport Development Co.	Office building of Sinotrans (Zhengzhou) Airport Logistics Co., Ltd.	41,619,289.31	Incomplete formalities, pending
Sinotrans Air Transport Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse No. 1	39,794,287.38	Processing.
Sinotrans Logistics Co.	Rongcheng Warehouse No. 7-11 Real Estate Certificate	38,397,773.55	Real estate certificate is being processed
Sinotrans Logistics Co.	Changchun Distribution Center No. 1 Warehouse	37,462,961.52	Processing
Sinotrans Logistics Co.	Changchun Distribution Center Warehouse No. 7	34,340,207.07	Processing
Sinotrans Air Transport Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse 3	31,744,646.33	Missing documents required for title certificate



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(1) Fixed Assets (Continued)

5) Fixed assets under the land certificate handling (Continued)

Company name	Project name	Closing carrying amount	Reasons for under the land certificate handling
Sinotrans Logistics Co.	Changchun Distribution Center Warehouse No. 3	31,611,289.64	Processing
Sinotrans Air Transport Development Co.	20 Tianzhu Road, Tianzhu Airport Industrial Zone	30,954,771.39	Processing
Sinotrans North China Co.	Stations	30,893,945.34	Due to the age, the documents required for the title certificate are missing.
Sinotrans Chongqing Co.	11th Floor, Block 339C	28,731,558.84	Firefighting failed
Sinotrans Logistics Co.	Changchun Distribution Center Warehouse No. 5	27,817,275.95	Processing
Sinotrans Logistics Co.	Warehouse supporting 1	25,562,217.70	Processing
Sinotrans Air Transport Development Co.	Sinotrans (Changchun) Logistics Co., Ltd. Warehouse 2	23,983,076.24	Processing
Sinotrans Logistics Co.	Zhangzhou Distribution Center 1 # Warehouse	18,502,835.28	Planning completion acceptance is blocked, and is being actively negotiated for
Sinotrans Air Transport Development Co.	Sinotrans (Zhengzhou) Airport Logistics Co., Ltd. Warehouse No. 2	13,938,465.94	Failed acceptance
Sinotrans Logistics Co.	Zhangzhou Distribution Center 2 # Warehouse	13,387,104.50	Planning completion acceptance is blocked, and is being actively negotiated for
Sinotrans Air Transport Development Co.	Sinotrans (Zhengzhou) Airport Logistics Co., Ltd. Warehouse No. 3	12,919,602.76	Failed acceptance
Sinotrans Logistics Co.	Office Building F, Hefei Distribution Center	11,796,923.87	Completion of final accounts in 2019, in progress
Sinotrans Logistics Co.	Phase II Complex	11,508,911.00	Because the greening has not passed the acceptance, it is being processed.
Sinotrans Logistics Co.	Phase I Comprehensive Building	7,480,148.15	Processing
Sinotrans Air Transport Development Co.	Office Building of Nanchang Airport Logistics Project	7,120,334.48	Processing
Total	—	1,545,544,260.61	—

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

16. FIXED ASSETS (CONTINUED)

(2) Clearance of fixed assets

Item	Closing balance	Opening balance
Clearance of fixed assets	165,564.11	3,421,608.05
Total	165,564.11	3,421,608.05

17. CONSTRUCTION IN PROGRESS

(1) Details of construction in progress

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Public Terminal in High-tech Zone of Jiangmen City	719,533,510.25	-	719,533,510.25	542,777,025.31	-	542,777,025.31
Shaanxi Company Distribution Center	303,032,478.96	-	303,032,478.96	201,355,419.46	-	201,355,419.46
Guangxi Nanning Distribution Center	187,952,748.08	-	187,952,748.08	115,566,374.08	-	115,566,374.08
Qingdao Logistics Center Project	154,865,130.17	-	154,865,130.17	96,295,676.04	-	96,295,676.04
Meishan Consolidation Procurement Logistics Center Project	112,611,217.69	-	112,611,217.69	646,448.26	-	646,448.26
Jiaozhou Smart Logistics Warehouse	68,574,183.53	-	68,574,183.53	-	-	-
Sinotrans Tianjin Airport Comprehensive Logistics Base Project	63,798,704.06	-	63,798,704.06	43,620,761.25	-	43,620,761.25
Zhenjiang Distribution Center	57,124,076.08	-	57,124,076.08	37,797,284.32	-	37,797,284.32
Comprehensive Bonded Zone Storage Project	49,182,519.14	-	49,182,519.14	48,558,637.74	-	48,558,637.74
Hengxi warehouse	40,729,157.25	-	40,729,157.25	25,216,841.95	-	25,216,841.95
Hefei Airport Logistics Center Project	39,230,123.02	-	39,230,123.02	50,107,956.04	-	50,107,956.04
Lianyungang Shangxingliu Park Project	31,179,159.59	-	31,179,159.59	-	-	-
Sinotrans Changchun Logistics Center Project	28,182,233.22	-	28,182,233.22	437,848.27	-	437,848.27
Warehouse No. 1 of Zhengzhou Airport Logistics Park	23,483,962.14	-	23,483,962.14	23,497,612.62	-	23,497,612.62
Jinzhou Warehouse	21,532,603.51	-	21,532,603.51	378,305.95	-	378,305.95
Fangchenggang Dongwan Phase II Project	21,133,540.83	-	21,133,540.83	21,032,130.68	-	21,032,130.68
Yunnan Company Distribution Center	20,203,674.12	-	20,203,674.12	17,685,474.91	-	17,685,474.91
Warehouse equipment installation and integration (smart logistics)	15,513,896.53	-	15,513,896.53	-	-	-
Cold storage	15,450,093.99	-	15,450,093.99	-	-	-
Xinjiang Ganquanbao Distribution Center	12,075,680.21	-	12,075,680.21	11,682,357.81	-	11,682,357.81
Other projects	189,930,250.98	20,822,000.00	169,108,250.98	781,515,374.84	20,822,000.00	760,693,374.84
total	2,175,318,943.35	20,822,000.00	2,154,496,943.35	2,018,171,529.53	20,822,000.00	1,997,349,529.53



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) Construction in progress with the top 10 largest carrying amount at the end of the period:

Item	Budget amount	Opening balance	Increase of the period	Effects of changes in the scope of consolidation	Transfer to fixed assets	Other decreases	Closing balance	Proportion of project investment to budget amount (%)	Project progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation for the period	Interest capitalisation rate for the period (%)	Sources of funds
Jiangmen Distribution High-tech Zone Public Terminal	1,189,000,000.00	542,777,025.31	176,756,484.94	-	-	-	719,533,510.25	61.00	61.00	4,138,855.40	4,138,855.40	4.90	Self-owned capital, bank loan
Shaanxi Company Distribution Center	460,000,000.00	201,355,419.46	101,677,059.50	-	-	-	303,032,478.96	65.00	65.00	11,685,863.67	3,829,191.78	3.92	Self-owned capital, bank loan
Guangxi Nanning Distribution Center	270,000,000.00	115,566,374.08	72,386,374.00	-	-	-	187,952,748.08	70.00	95.00	5,867,583.90	1,930,833.98	3.92	Self-owned capital, bank loan
Qingdao Logistics Center Project	173,750,000.00	96,295,676.04	58,569,454.13	-	-	-	154,865,130.17	80.00	80.00	5,840,470.89	1,909,158.47	3.92	Bank loan
Meishan Consolidation Procurement Logistics Center Project	435,271,700.00	646,448.26	117,337,925.04	-	-	5,373,155.61	112,611,217.69	26.00	65.00	1,339,307.95	692,859.69	3.13	Bank loan
Jiaozhou Smart Logistics Warehouse SinoTrans Tianjin Airport	570,000,000.00	-	68,574,183.53	-	-	-	68,574,183.53	12.03	12.03	-	-	-	Self-owned capital
Comprehensive Logistics Base Project	101,906,638.00	43,620,761.25	20,177,942.81	-	-	-	63,798,704.06	62.61	62.21	-	-	-	Self-owned capital
Zhenjiang Distribution Center Comprehensive Bonded Zone Storage Project	146,000,000.00	37,797,284.32	19,326,791.76	-	-	-	57,124,076.08	92.00	92.00	5,862,220.89	1,930,908.47	3.92	Self-owned capital
Hengxi warehouse	78,090,000.00	48,538,637.74	623,881.40	-	-	-	49,162,519.14	51.00	95.00	-	-	-	Bank loan
	46,170,917.07	25,216,841.95	15,512,315.30	-	-	-	40,729,157.25	88.00	88.00	-	-	-	Self-owned capital
Total	3,470,189,255.07	1,111,854,468.41	650,942,412.41	-	-	5,373,155.61	1,757,405,725.21	-	-	34,734,302.70	14,431,807.79	-	-

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

17. CONSTRUCTION IN PROGRESS (CONTINUED)

(3) As of 31 December 2019, the Group has no provision for impairment of construction in progress.

18. RIGHT-OF-USE ASSETS

(1) Details of right-of-use assets classification

Item	Buildings	Land use rights	Port and terminal facilities	Motor vehicles and vessels	Machinery equipment, furniture, appliances and other equipment	Others	Total
I. Costs							
Opening balance	2,231,330,710.77	69,849,299.84	-	3,553,543.73	12,332,856.58	34,628,114.45	2,351,694,525.37
Adjustments for changes in accounting policy	-	-	-	-	599,022.46	-	599,022.46
Opening balance	421,233,393.51	-	294,058.68	15,627,031.04	7,946,211.76	12,069,649.22	457,170,344.21
Effects of changes in the scope of consolidation	257,817,462.20	-	-	-	71,358.49	108,910.25	257,997,730.94
Increase of the period	32,321,827.80	-	-	532,977.60	-	2,309,755.94	35,164,561.34
Decrease of the period	36,148.88	-	-	-	-	-	36,148.88
Closing balance	2,878,095,887.56	69,849,299.84	294,058.68	18,647,597.17	20,949,449.29	44,496,917.98	3,032,333,210.52
II. Accumulated depreciation							
Opening balance	351,172,112.16	-	-	901,487.23	2,886,742.89	18,579,935.83	373,540,278.11
Effects of changes in the scope of consolidation	-	-	-	-	16,639.51	-	16,639.51
Increase of the period	653,439,280.05	6,008,447.27	115,066.44	4,705,230.83	7,339,318.01	6,134,380.13	677,741,722.73
Decrease of the period	9,226,124.51	-	-	100,994.37	-	314,716.58	9,641,835.46
Exchange realignments	-	-	-	-	-	-	-
Closing balance	995,385,267.70	6,008,447.27	115,066.44	5,505,723.69	10,242,700.41	24,399,599.38	1,041,656,804.89
III. Impairment provision							
Opening balance	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
IV. Net amount							
Opening balance	1,880,158,598.61	69,849,299.84	-	2,652,056.50	9,446,113.69	16,048,178.62	1,978,154,247.26
Closing balance	1,882,710,619.86	63,840,852.57	178,992.24	13,141,873.48	10,706,748.88	20,097,318.60	1,990,676,405.63

The Group leases a number of assets, including buildings land use rights, ports and terminal facilities, automobiles and ships, machinery and equipment, furniture, appliances and other equipment, with leases period ranging from 1 to 50 years.

The short-term lease expenses included in the current year's profit or loss accounted were RMB509,680,021.84 (2018: RMB347,955,900.06), and the lease expenses for low-value assets were RMB46,341,493.76 (2018: RMB20,930,400.74).

The Group's lease terms have no agreement on variable lease payments. The total cash outflow related to the lease this year was RMB1,160,989,984.38 (2018: RMB1,568,761,490.45)



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. INTANGIBLE ASSETS

Items	Amortisation period	Opening balance	Effects of changes in the scope of consolidation	Increase in the period	Decrease in the period	Re-classification	Effect from translation in foreign currency statements	Closing balance
I. Total original value	—	6,510,043,327.83	179,651,506.05	527,780,220.91	107,350,257.12	—	30,533,976.84	7,140,658,774.51
Including: Land use rights	10-60 years	5,972,015,656.53	176,772,309.07	415,700,910.39	94,424,260.71	—	30,523,296.00	6,500,587,911.28
Trademark rights	5 years	10,300,000.00	—	1,165.05	5,300,000.00	—	—	5,001,165.05
Software	5 years	450,237,130.48	2,879,196.98	110,911,889.82	7,335,090.71	—	10,680.84	556,703,807.41
Others	5 years	77,490,540.82	—	1,166,255.65	290,905.70	—	—	78,365,890.77
II. Total accumulated	—	—	—	—	—	—	—	—
Amortisation	—	1,222,790,243.38	26,206,036.58	182,720,517.38	39,286,263.56	—	774,061.13	1,393,204,594.91
Including: Land use rights	—	887,260,373.29	23,845,957.80	127,838,410.89	27,323,026.41	—	719,209.90	1,012,340,925.47
Trademark rights	—	5,300,000.00	—	135.92	5,300,000.00	—	—	135.92
Software	—	304,115,463.20	2,360,078.78	54,679,235.06	6,405,945.99	—	54,851.23	354,803,682.28
Others	—	26,114,406.89	—	202,735.51	257,291.16	—	—	26,059,851.24
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	—	5,228,339,127.68	—	—	—	—	—	5,688,540,222.83
Including: Land use rights	—	5,080,867,883.24	—	—	—	—	—	5,484,359,585.81
Trademark rights	—	—	—	—	—	—	—	1,029.13
Software	—	146,121,667.28	—	—	—	—	—	201,900,125.13
Others	—	1,349,577.16	—	—	—	—	—	2,279,482.76

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. DEVELOPMENT EXPENDITURE

Item	Opening balance	Effect of changes in the scope of consolidation	Increase in the period		Decrease in the period			Effect from translation in foreign currency statements	Closing balance
			Internal development expenditures	Others	Transfer to intangible assets	Inclusion in current profit or loss	Others		
ABCDT Digital Technology									
Application and R & D Project	10,200,741.88	-	13,370,347.68	54,845,740.25	18,120,863.89	28,179,556.21	-	-	32,116,409.71
Shipping system optimisation and operation projects	5,731,868.43	-	476,647.65	10,447,993.84	5,329,962.26	3,618,584.90	-	-	7,707,962.76
The company's strategic major customer logistics control tower construction project	2,075,471.70	-	-	7,662,264.16	3,943,396.23	-	-	-	5,794,339.63
Container O2O project	1,644,839.62	-	3,543,714.65	-	-	-	-	-	5,188,554.27
Guanwu Cloud Construction Project	1,148,584.88	-	-	7,246,980.95	2,763,962.20	1,460,377.32	-	-	4,171,226.31
Master Data Platform Construction and Implementation Project	1,320,754.72	-	-	13,200,733.91	5,601,776.15	5,488,679.26	-	-	3,431,033.22
ORACLE development	-	-	-	3,425,471.69	-	-	-	-	3,425,471.69
System equipment development and upgrading	-	-	2,331,965.56	891,364.99	-	-	-	-	3,223,330.55
Unified settlement project	1,037,225.49	-	438,589.90	2,638,558.96	2,055,660.36	216,981.12	-	-	1,841,732.87
Smart Field Construction Project (2019)	-	-	-	1,669,811.32	-	-	-	-	1,669,811.32
HR system	-	-	-	1,328,489.20	-	-	-	-	1,328,489.20
Logistics system optimisation and operation projects	1,283,078.86	-	-	557,811.33	167,886.80	347,952.83	-	-	1,325,050.56
MICE Logistics Management System	-	-	-	1,227,350.95	-	-	-	-	1,227,350.95
Express platform	534,905.66	-	-	3,715,188.68	2,620,188.68	616,981.13	-	-	1,012,924.53
Golden Chain Logistics Platform	-	-	-	970,873.79	-	-	-	-	970,873.79
Integrated Services Platform	466,600.00	-	-	456,500.00	-	-	-	-	923,100.00
Car-free carrier platform	682,075.47	-	-	108,490.56	790,566.03	-	-	-	-
Other	4,385,689.45	-	10,702,315.84	67,479,331.69	33,556,931.23	42,952,662.20	-	-	6,057,743.55
Total	30,511,836.16	-	30,863,581.28	177,872,956.27	74,951,193.83	82,881,774.97	-	-	81,415,404.91



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. GOODWILL

The details of goodwill are as follows:

Invested entities	Formation	Opening balance	Increase in the period		Decrease in the period		Effect from translation in foreign currency statements	Closing balance
			Business combination	Other increases	Derecognition of subsidiaries	Other decreases		
Kangxin Logistics (Tianjin) Limited Company (Asset Group A)	Combination not under common control	215,048,533.68	-	-	-	-	-	215,048,533.68
Shenzhen Henglu Logistics Limited Company	Combination not under common control	134,843,091.03	-	-	-	-	-	134,843,091.03
Kangxin Logistics (Harbin) Co., Ltd. (Asset Group B)	Combination not under common control	29,621,440.67	-	-	-	-	-	29,621,440.67
Keppel Logistics (Hong Kong) Limited	Combination not under common control	-	2,942,087.77	-	-	-	-	2,942,087.77
Others	Combination not under common control	41,623,993.09	-	-	-	-	-	41,623,993.09
Total	—	421,137,058.47	2,942,087.77	-	-	-	-	424,079,146.24
Goodwill impairment provision	—	251,466,988.69	-	-	-	-	-	251,466,988.69
Total net goodwill	—	169,670,069.78	2,942,087.77	-	-	-	-	172,612,157.55

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. GOODWILL (CONTINUED)

The details of the provision for impairment of goodwill are as follows:

Invested entities	Opening balance	Effects of changes in the scope of consolidation	Provision for the period	Effect from translation in foreign currency statements	Other decreases	Closing balance
Shenzhen Henglu Logistics Limited Company	134,843,091.03	-	-	-	-	134,843,091.03
Kangxin Logistics (Tianjin) Limited Company (Asset Group A)	104,783,721.31	-	-	-	-	104,783,721.31
Kangxin Logistics (Harbin) Co., Ltd. (Asset Group B)	11,840,176.35	-	-	-	-	11,840,176.35
Total	251,466,988.69	-	-	-	-	251,466,988.69

Note: The Group performs an impairment test of goodwill at the end of each year. The testing of major asset groups is as follows:

Asset Group A (Kangxin Logistics (Tianjin) Co., Ltd.)

The goodwill arose from the acquisition of Kangxin Logistics (Tianjin) Co., Ltd. by China Merchants Americold in 2010 which was considered as a business combination not under common control. 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, using a discount rate of 16.16% (2018: 14.92%). The annual cash flow of asset group A after more than 5 years is predicted according to the cash flow level of the 5th year. Other key assumptions used in estimating future cash flows are: estimated sales and gross profit based on the past performance of the asset group and management's expectations for market development. Management believes that any reasonable change in the above assumptions will not cause the aggregate book value of asset group A to exceed its recoverable amount.

The impairment of goodwill of asset group A has been evaluated by Guozhonglian Assets Appraisal Land Real Estate Co., Ltd. (hereinafter referred to as Guozhonglian) and an valuation report of Guozhonglianbaobaozi 2020 No. 2-0130 has been issued. According to the valuation report, as of 31 December 2019, the recoverable value of asset group A was RMB190,860,200, which was higher than the book value of asset group A (including goodwill).



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. GOODWILL (CONTINUED)

Asset group B (Kangxin Logistics (Harbin) Co., Ltd.)

The goodwill arose from the acquisition of Kangxin Logistics (Harbin) Co., Ltd. by China Merchants Americold (Hong Kong) Holdings Co., Ltd. (hereinafter referred to as China Merchants Americold) in 2010 which was considered as a business combination not under common control. The recoverable amount of asset group B is determined based on its value in use, which is determined based on the 5-year financial budget approved by management, and a discount rate of 16.20% (2018: 13.19%) is used. The annual cash flow of asset group B after 5 years is predicted according to the cash flow level of the 5th year. Other key assumptions used in estimating future cash flows are: estimated sales and gross profit based on the past performance of the asset group and management's expectations for market development. Management believes that any reasonable change in the above assumptions will not cause the aggregate book value of asset group B to exceed its recoverable amount.

The impairment of the goodwill of asset group B was evaluated by Guozhonglian and issued a valuation report of Guozhonglianbaobaozi 2020 No. 2-0132. According to the valuation report, as of December 31, 2019, the recoverable value of asset group B was RMB75,970,200, which was higher than the book value of the asset group (including goodwill).

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. LONG-TERM PREPAID EXPENSE

Long-term prepaid expenses are shown by item as follows:

Item	Opening balance	Effects of changes in the scope of consolidation	Transfer of fixed assets	Increase in the period	Amortisation for the period	Effect from translation in foreign currency statements	Other decreases	Closing balance	Reasons for other decreases
Modification of assets	95,816,579.71	-	-	138,663,176.22	46,380,508.43	-	8,471,239.13	179,628,008.37	Reclassification adjustments
Software expenses	12,105,702.82	-	-	5,424,485.05	6,182,347.43	-	-	11,347,840.44	—
Others	51,847,082.82	-	-	19,973,586.11	42,049,807.70	-	-	29,770,861.23	—
Total	159,769,365.35	-	-	164,061,247.38	94,612,663.56	-	8,471,239.13	220,746,710.04	—

23. DEFERRED INCOME TAX

(1) Deferred tax assets not offset

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment provision unapproved by tax authorities	53,497,810.55	216,737,640.32	48,998,865.70	196,134,562.70
Unpaid wages	49,467,907.18	197,871,627.68	14,826,153.08	59,304,612.32
Provision for litigation under process	46,028,834.58	191,512,720.60	65,864,871.95	270,810,240.29
Deductible losses	5,648,196.65	22,592,786.58	5,648,196.64	22,592,786.58
Provision for one-off housing subsidy	4,560,529.75	18,242,119.00	31,254,426.54	125,017,706.14
Depreciation of fixed assets	2,315,640.88	9,262,563.55	2,134,947.25	8,539,788.97
Other deductible temporary differences	58,664,027.29	245,606,452.71	54,079,499.06	229,468,292.01
Total	220,182,946.88	901,825,910.44	222,806,960.22	911,867,989.01



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. DEFERRED INCOME TAX (CONTINUED)

(1) Deferred tax assets not offset (Continued)

1) Deductible temporary differences and deductible losses of unrecognised deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	678,815,964.95	641,160,622.03
Deductible losses	1,087,994,866.14	823,665,959.64
Total	1,766,810,831.09	1,464,826,581.67

Note: The Group recognises deferred tax assets to the extent of the future taxable income used to deduct deductible temporary differences and deductible losses that is likely to be obtained in the future, and the excess of deductible temporary differences and deductible losses over the future taxable income is not recognised as deferred tax assets.

2) The deductible losses of unrecognised deferred tax assets will mature in the following year:

Year	Closing balance	Opening balance	Remarks
2019	—	124,157,306.62	—
2020	105,718,472.65	112,324,547.15	—
2021	135,427,664.35	135,946,648.14	—
2022	94,829,970.13	95,376,429.26	—
2023	353,032,485.63	355,861,028.47	—
2024	398,986,273.38	—	—
Deductible losses without maturity date	—	—	—
Total	1,087,994,866.14	823,665,959.64	—

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. DEFERRED INCOME TAX (CONTINUED)

(2) Deferred tax liabilities not offset

Item	Closing balance		Opening balance	
	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference
Adjustment of the fair value of assets acquired by business combination	78,889,871.59	315,559,486.36	7,639,814.96	30,559,259.84
Depreciation and Amortisation	9,579,412.06	38,699,229.78	11,417,415.83	45,669,663.29
Temporary differences of other taxes payable	2,668,977.18	10,521,558.59	2,447,552.77	9,790,211.08
Total	91,138,260.83	364,780,274.73	21,504,783.56	86,019,134.21

(3) Deferred tax assets or liabilities shown in the net amount after offset

Item	Offset amount of deferred tax assets against deferred tax liabilities at the end of the period	Closing balance of deferred tax assets or deferred tax liabilities after offset	Offset amount of deferred come tax assets against deferred tax liabilities at the beginning of the period	Closing balance of deferred tax assets or deferred tax liabilities after offset
Deferred tax assets	-6,876,701.02	213,306,245.86	-9,914,324.82	212,892,635.40
Deferred tax liabilities	6,876,701.02	84,261,559.81	9,914,324.82	11,590,458.74

24. OTHER NON-CURRENT ASSETS

Item	Closing balance	Opening balance
Lanshi Port Related Assets (Note)	175,640,676.50	-
Prepaid land use rights	48,513,050.27	38,513,050.27
other	870,057.77	-
Total	225,023,784.54	38,513,050.27

Note: For details of the Lanshi Port Related Assets, please refer to Note VIII.2,(1) Note 1.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. ASSETS UNDER RESTRICTED OWNERSHIP OR USE RIGHT

Assets under restricted ownership or use right	Closing balance	Opening balance	Remark
I. Assets used for security	-	-	—
Cash and cash equivalents	74,470,417.59	210,607,844.23	Note 1
Investment properties	2,139,194,020.53	2,161,867,835.26	Note 2
Fixed assets	304,823,510.63	332,845,933.70	Note 3, Note 4
Intangible assets	1,175,239,995.16	1,178,947,976.22	Note 2, Note 3, Note 4
II, Broker client deposits and client settlement reserves	-	-	—
III. Other reasons	-	-	—
Including: Cash and cash equivalents	12,207,337.18	-	Litigation restriction
Interest receivables	1,522,289.67	10,352,565.04	Note 1
Total	3,707,457,570.76	3,894,622,154.45	—

Note 1: The assets under restricted use right at the end of the period mainly included deposit for letter of guarantee, performance guarantee and undue bank deposit interests, as detailed in Note IX.1.

Note 2: In order to meet the financing needs of the construction of the Hong Kong "Tsing Yi 181 Project" logistics center, the Group's subsidiary, Gangrui Logistics Co., Ltd. "Gangrui Logistics" signed an 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 26 June 2015, in which Gangrui Logistics was the charger, who (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 as mortgages for long-term loans.

Note 3: Sinotrans Shanghai Cold Chain Logistics Co., Ltd., a subsidiary of the Group, borrowed from China Construction Bank. According to the loan agreement 0597886012702017001, the company's fixed assets of 200,701,448.38 yuan and intangible assets such as land use rights of 38,288,318.56 were collateral, ownership and use rights, restricted. At the same time, Shanghai Sinotrans Cold Chain Transportation Co., Ltd., a subsidiary of the Group, provides joint liability guarantee.

Note 4: On 30 June 2019, Sinotrans Chemical International Logistics Co., Ltd., a subsidiary of the Group, used fixed assets with a carrying amount of RMB53,551,303.79 and intangible assets with a carrying amount of RMB31,567,699.26 as Nantong Sinotrans Chemical Logistics Co., Ltd. Long-term and short-term loan collateral. Fixed assets with a carrying amount of RMB50,570,758.46 and intangible assets with a carrying amount of RMB16,953,299.74 are used as short-term loan collaterals for chemical logistics.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. ASSET IMPAIRMENT PROVISION AND CREDIT LOSS PROVISION

Item	Opening balance	Effect from changes in the scope of consolidation	Provision for the period	Reversal for the period	Write-off for the period	Other increases in the period	Other decreases in the period	Effect from translation in foreign currency statements	Closing balance
Credit loss provision for bills receivables	-	-	200,000.00	-	-	-	-	-	200,000.00
Credit loss provision for accounts receivables	439,817,856.93	6,645,036.82	6,138,788.42	12,919,930.18	18,277,958.09	991,464.27	343,520.64	86,365.31	422,138,102.84
Credit loss provision for other receivables	137,098,633.89	-5,736.27	32,717,479.47	7,175,587.28	906,994.09	1,030,923.11	112,417.04	39,414.73	162,685,716.52
Provision for decline in value of inventories	8,254,036.43	-37,807.37	-	-	460,901.50	-	-	-	7,755,327.56
Provision for impairment of long term accounts receivables	-	-	29,967,410.37	-	-	-	-	-	29,967,410.37
Provision for impairment of long-term equity investments	12,434,952.77	-	-	-	-	-	-	188,230.68	12,623,183.45
Provision for impairment of investment properties	1,606,790.53	-	-	-	-	-	-	-	1,606,790.53
Provision for impairment of fixed assets	119,942,220.91	-92,220,994.67	2,469,698.22	-	3,948,992.97	-	-	123,213.81	26,365,145.30
Provision for impairment of construction in progress	20,822,000.00	-	-	-	-	-	-	-	20,822,000.00
Provision for impairment of intangible assets	58,913,956.77	-	-	-	-	-	-	-	58,913,956.77
Provision for impairment of goodwill	251,466,988.69	-	-	-	-	-	-	-	251,466,988.69
Other impairment provisions	3,458,218.86	-3,458,218.86	-	-	-	-	-	-	-
Total	1,053,815,655.78	-89,077,720.35	71,493,376.48	20,095,517.46	23,594,846.65	2,022,387.38	455,937.68	437,224.53	994,544,622.03



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. SHORT-TERM BORROWINGS

(1) Classification of short-term borrowings

Category	Closing balance	Opening balance
Credit loans	1,197,378,957.50	1,884,976,623.33
Guaranteed loans	–	341,879,658.90
Mortgage loans (Note)	5,005,437.50	6,427,891.01
Pledged loans	–	–
Total	1,202,384,395.00	2,233,284,173.24

Note: Mortgage loans represents the Chemical Logistics, a subsidiary of the Group, used fixed assets to obtained a 12 months short-term loan from the Bank of China at the interest rate of 4.53% per annum.

(2) The Group had no short-term borrowings due as at the end of the period.

28. ACCOUNTS PAYABLE

(1) Analysis of accounts payable based on the transaction date is as follows:

Aging	Closing balance		Opening balance	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	8,590,260,463.00	93.92	8,533,664,465.68	94.42
1 to 2 years	302,299,511.04	3.30	259,504,939.56	2.87
2 to 3 years	98,291,199.19	1.07	122,963,874.49	1.36
Over 3 years	156,194,853.88	1.71	121,728,467.61	1.35
Total	9,147,046,027.11	100.00	9,037,861,747.34	100.00

The above ageing analysis of accounts payable is based on the time of purchasing goods or receiving services.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. ACCOUNTS PAYABLE (CONTINUED)

(2) Significant accounts payable with the aging of more than one year

Company name	Amount owed	Aging	Reasons for non-repayment
Entity 1	19,796,167.43	1 to 2 years	Unsettled
Entity 2	17,334,489.51	1–3 years	Unsettled
Entity 3	16,505,326.95	More than 2 years	Unsettled
Entity 4	16,172,973.21	More than 1 year	Unsettled
Entity 5	15,847,100.00	1 to 2 years	Unsettled
Entity 6	14,554,823.02	More than 1 year	Unsettled
Entity 7	11,638,720.76	More than 1 year	Unsettled
Entity 8	9,676,788.60	1 to 2 years	Unsettled
Entity 9	8,937,966.43	1–3 years	Unsettled
Entity 10	8,822,253.39	2 to 3 years	Unsettled
Entity 11	8,190,242.42	More than 1 year	Unsettled
Entity 12	7,615,690.82	More than 2 years	Unsettled
Entity 13	7,199,121.50	over 3 years	Unsettled
Entity 14	7,094,939.97	More than 2 years	Unsettled
Entity 15	7,092,048.24	1 to 2 years	Unsettled
Entity 16	5,348,107.37	More than 2 years	Unsettled
Entity 17	5,064,702.70	1 to 2 years	Unsettled
Entity 18	5,041,187.60	More than 2 years	Unsettled
Total	191,932,649.92	—	—

(3) There had no accounts payable to shareholders holding more than 5% (including 5%) of the voting shares of the Company.

29. CONTRACT LIABILITIES

(1) Contract liabilities

Item	Closing balance	Opening balance
Forwarding and related business advanced receipt	2,259,159,838.26	2,315,691,568.34
Logistics business advanced receipt	331,918,066.62	260,424,303.34
E-commerce business advanced receipt	17,311,802.76	159,352.33
Subtotal	2,608,389,707.64	2,576,275,224.01
Less: contract liabilities included in other non-current liabilities	—	—
Total	2,608,389,707.64	2,576,275,224.01

(2) The amount of income recognised in the carrying amount of contract liabilities at the beginning of the year was RMB2,576,275,224.01, of which RMB2,550,062,163.63 was transferred to income from operations in 2019.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. CONTRACT LIABILITIES (CONTINUED)

(3) Qualitative and quantitative analysis of contract liabilities

As of 31 December 2019, the transaction price allocated by the Group to the unfulfilled logistics and transportation service contract was RMB2,608,389,707.64 (1 January 2019: RMB2,576,275,224.01). This amount represents the amount of revenue that the Group expects to recognise when the customer gains control of the service in the future.

(4) Significant changes in contract liabilities

Items	Changed amount	Reason
Logistics advanced receipt	71,493,763.28	Undertake new projects
Total	71,493,763.28	—

30. EMPLOYEE REMUNERATION PAYABLES

(1) Classification of employee remuneration payables

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Short-term compensation	1,299,187,836.00	5,141,978,171.53	4,957,225,070.84	1,483,940,936.69
II. Post-employment benefits-defined contribution plans	40,672,909.39	529,250,768.06	517,433,712.65	52,489,964.80
III. Termination benefits	81,127,403.30	15,955,162.88	55,239,251.58	41,843,314.60
IV. Other benefits due within one year	—	—	—	—
V. Others	49,502,998.61	—	38,083,479.58	11,419,519.03
Total	1,470,491,147.30	5,687,184,102.47	5,567,981,514.65	1,589,693,735.12

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. EMPLOYEE REMUNERATION PAYABLES (CONTINUED)

(2) Short-term compensation

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Wages, bonuses, allowances and subsidies	1,188,527,792.37	3,853,673,138.51	3,662,190,812.24	1,380,010,118.64
II. Employee welfare benefits	5,079,485.26	228,947,349.45	230,923,229.58	3,103,605.13
III. Social insurance premiums	6,153,766.24	252,396,830.23	250,871,679.55	7,678,916.92
Including: medical insurance	5,334,497.95	219,391,736.87	217,919,071.21	6,807,163.61
Work-related injury insurance	311,796.29	12,094,726.94	12,116,433.40	290,089.83
Maternity insurance	507,472.00	19,893,366.40	19,820,833.43	580,004.97
Others	–	1,017,000.02	1,015,341.51	1,658.51
IV. Housing provident fund	2,645,008.01	275,844,032.95	276,352,400.41	2,136,640.55
V. Trade union funds and staff education funds	52,794,109.07	76,178,741.24	76,017,935.33	52,954,914.98
VI. Short-term paid absences	–	–	–	–
VII. Short-term profit-sharing scheme	–	–	–	–
VIII. Other short-term compensation	43,987,675.05	454,938,079.15	460,869,013.73	38,056,740.47
Total	1,299,187,836.00	5,141,978,171.53	4,957,225,070.84	1,483,940,936.69



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. EMPLOYEE REMUNERATION PAYABLES (CONTINUED)

(3) Defined contribution plan

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
1. Basic endowment insurance premiums	9,234,038.38	406,216,145.95	407,340,718.14	8,109,466.19
2. Unemployment insurance premiums	526,616.01	13,637,473.86	13,683,285.38	480,804.49
3. Enterprise annuity contributions	30,912,255.00	109,397,148.25	96,409,709.13	43,899,694.12
Total	40,672,909.39	529,250,768.06	517,433,712.65	52,489,964.80

Note 1: According to the pension and unemployment insurance plan set up by the government institutions, the Group pays to such plans a contribution on the basis of 12% to 20% and 0.48% to 2% of the employees' basic wages on a monthly basis. Apart from the above monthly payment, the Group bears no longer further payment obligation. Corresponding expenses are recorded in the profit or loss of the current period or the cost of the related assets.

Note 2: The enterprise annuity contribution of the Group is jointly borne by the entity and its employees. The total annual contribution of the entity is 5% of the total wages of the previous period, and is distributed to the individual account of employees on the basis of 5% of the individual contribution base of employees. The individual monthly contribution base of employees is the average monthly wage of employees for the previous year (the maximum individual contribution base shall not exceed 5 times the average contribution base of the Group). The rest is included in the enterprise account. The individual contribution of employees accounts for 25% of the Company's contribution for them and is deducted by the Group from the wages of employees.

Note 3: The annuity fund of the Group adopts the mode of legal person entrustment management, and the enterprise annuity fund pooled is entrusted by SINOTRANS & CSC to the trustee for the entrusted management, and a contract for the trusted management of the enterprise annuity fund is signed.

31. TAXES AND LEVIES PAYABLE

Item	Opening balance	Effect of changes in the scope of consolidation	Amount accrued for the period	Amount paid for the period	Effect from translation in foreign currency statements	Closing balance
Enterprise income tax	375,808,307.00	563,695.73	426,680,656.22	576,111,528.21	-	226,941,130.74
Value-added tax	46,285,000.39	202,507.95	456,031,765.50	447,482,309.48	129.51	55,037,093.87
Land value-added tax	3,420,020.90	-	24,754,510.27	26,289,146.85	-	1,885,384.32
Property tax	11,283,230.18	1,080,331.99	91,957,431.97	89,089,542.09	-	15,231,452.05
Land use tax	9,403,631.26	656,421.85	43,233,531.93	44,501,846.17	-	8,791,738.87
Individual income tax	21,533,093.34	-226,800.61	149,043,012.52	151,725,108.79	13,919.55	18,638,116.01
Urban maintenance & construction tax	2,980,861.40	38,490.84	23,405,727.71	23,128,935.19	-	3,296,144.76
Education surcharge	2,075,008.66	10,790.34	17,608,529.15	17,129,161.48	-	2,565,166.67
Consumption tax	-	-	510,351.26	510,351.26	-	-
Deed tax	1,403,234.78	-	6,693,822.14	7,735,160.07	-	361,896.85
Other taxes	7,782,760.74	18,147.52	39,449,522.55	35,465,116.73	-	11,785,314.08
Total	481,975,148.65	2,343,585.61	1,279,368,861.22	1,419,168,206.32	14,049.06	344,533,438.22

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES

Item	Closing balance	Opening balance
Interest payables	26,339,510.69	47,616,790.25
Dividend payables	47,911,902.30	106,507,405.73
Other payables	2,247,923,504.93	2,786,272,143.47
Total	2,322,174,917.92	2,940,396,339.45

(1) Interest payables

1) Interest payables details

Item	Closing balance	Opening balance
Interest on long-term borrowings paid in installments	21,477,203.50	39,819,679.53
Interest on corporate bonds	—	—
Interest on short-term borrowings	4,862,307.19	6,298,027.98
Others	—	1,499,082.74
Total	26,339,510.69	47,616,790.25

2) Important overdue interest

Creditor	Overdue amount	Overdue Reason
Sinotrans & CSC	26,339,510.69	No repayment request to related parties
Total	26,339,510.69	—

(2) Dividend payables

Item	Entity name	Closing balance	Opening balance
Ordinary share dividend	Sinotrans & CSC	36,125,719.92	97,000,000.00
	Guangdong Nanhai Food Import & Export Co., Ltd.	6,264,602.57	5,241,747.82
	Guangdong Food Import and Export Group Co., Ltd.	5,011,682.06	4,193,398.05
	Public shares	290,637.89	—
	Cheng Li Trading Co., Ltd.	81,150.00	—
	Sinotrans Jiangxi Company	72,259.86	72,259.86
	East shipping co., Ltd.	65,850.00	—
Total	—	47,911,902.30	106,507,405.73



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES (CONTINUED)

(3) Other payables

1) Other payables by nature

Item	Closing balance	Opening balance
Advances and collections for others payable	576,023,967.05	673,164,843.39
Non-related party capital transactions	556,183,903.74	804,343,868.96
Amount due to related parties	385,622,750.40	311,900,248.38
Deposit received	309,677,579.70	661,786,404.40
Payments for project, equipment and land	226,353,113.12	228,782,346.82
Others	194,062,190.92	106,294,431.52
Total	2,247,923,504.93	2,786,272,143.47

2) Aging analysis of other payables

Aging	Closing balance		Opening balance	
	Amount	Proportion(%)	Amount	Proportion(%)
Less than 1 year (including 1 year)	1,859,125,366.95	82.70	2,346,031,347.06	84.21
1 to 2 years (including 2 years)	170,901,462.16	7.60	210,170,945.66	7.54
2 to 3 years (including 3 years)	43,975,316.12	1.96	111,542,175.26	4.00
More than 3 years	173,921,359.70	7.74	118,527,675.49	4.25
Total	2,247,923,504.93	100.00	2,786,272,143.47	100.00

3) As at 31 December 2019, significant other payables aged over one year are listed as follows:

Entity name	Amount owed	Aging	Reason for non-repayment
Sinotrans Shanghai (Group) Co., Ltd.	40,000,000.00	1-2 years	No fixed term
Sinotrans & CSC	28,851,187.77	1-2 years and more than 3 years	No fixed term
WINSOR PROPERTIES (CHINA) LIMITED	20,063,344.05	over 3 years	No fixed term
Shanghai Tongyun International Logistics Co., Ltd.	14,100,000.00	over 3 years	No call on payment from the counterparty
Nantong Construction Engineering Group Co., Ltd.	9,559,866.44	1-2 years	No fixed term
Fuzhou Development Zone State-owned Assets Operation Co., Ltd.	5,377,743.74	over 3 years	No call on payment from the counterparty
Jilin Construction Engineering Group Co., Ltd.	5,114,965.44	2-3 years	No fixed term
Total	123,067,107.44	—	—

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES (CONTINUED)

(3) Other payables (Continued)

4) Other payables of significance as at the end of the period

Entity name	Amount owed	Aging	Nature or content
China Enterprise Cloud Chain (Shenzhen) Commercial Factoring Co., Ltd.	387,996,362.40	Within 1 year	Current accounts- outside China Merchants Group
Huaneng Guicheng Trust Co., Ltd.	184,243,767.82	Within 1 year	Current accounts- outside China Merchants Group
RED BRAVES FINANCE LTD.	117,091,203.59	Within 1 year	Current accounts- within China Merchants Group
Qingjian Group Co., Ltd.	51,763,879.98	Within 1 year	Payments for construction and equipment
Singamas Container Holdings Limited	47,530,000.00	Within 1 year	Current accounts- outside China Merchants Group
China Merchants Logistics Group Nanjing Co., Ltd.	43,732,916.26	Within 1 year	Current accounts- within China Merchants Group
Sinotrans Shanghai (Group) Co., Ltd.	42,818,799.83	1-2 years	Current accounts- within China Merchants Group
Sinotrans & CSC	37,402,187.77	Within 2 years and above 3 years	Current accounts- within China Merchants Group
Sichuan Sinotrans Storage Service Co., Ltd.	25,696,619.83	Within 1 year	Current accounts- within China Merchants Group
Zhongqing Jian'an Construction Group Co., Ltd.	23,000,000.00	Within 1 year	Payments for construction and equipment
WINSOR PROPERTIES (CHINA) LIMITED	20,063,344.05	over 3 years	Current accounts- outside China Merchants Group
Total	981,339,081.53		



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES (CONTINUED)

(3) Other payables (Continued)

5) Other amounts due to shareholders holding more than 5% (including 5%) of the voting shares of the Company

Entity name	Closing balance	Opening balance
Sinotrans & CSC	37,402,187.77	45,803,163.87
Total	37,402,187.77	45,803,163.87

33. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,772,988,139.09	1,200,840,449.95
Including: Credit loans	500,000,000.00	1,068,498,390.28
Guaranteed loans	2,165,816,159.45	53,585,344.24
Mortgage loans	106,859,483.20	78,756,715.43
Pledge loans	312,496.44	–
Lease liabilities due within one year	495,701,625.84	387,602,306.48
Total	3,268,689,764.93	1,588,442,756.43

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. OTHER CURRENT LIABILITIES

Item	Closing balance	Opening balance
Output tax pending for transferring	177,858,416.72	161,493,736.77
Others	–	2,235,359.84
Total	177,858,416.72	163,729,096.61

35. LONG-TERM BORROWINGS

Borrowing category	Closing balance	Opening balance	Period-end interest rate range (%)
Guaranteed loans	4,752,593,985.35	54,549,372.91	2.95-3.48
Mortgage loans	2,140,911,629.52	3,303,328,705.29	3.34-5.18
Credit loans	717,005,625.00	6,316,332,574.27	1.20-4.04
Pledged loans	188,616,143.24	–	4.90-8.30
Total	7,799,127,383.11	9,674,210,652.47	—
Less: Long-term borrowings due within one year	2,772,988,139.09	1,200,900,449.95	—
Including: Guaranteed loans	2,165,816,159.45	53,585,818.24	—
Credit loans	500,000,000.00	1,068,530,526.28	—
Mortgage loans	106,859,483.20	78,784,105.43	—
Pledge loans	312,496.44	–	—
Long-term borrowings due after one year	5,026,139,244.02	8,473,310,202.52	—

(1) Long-term borrowings with the top five amount at the end of the period

Lending entity	Starting date of borrowing	Ending date of borrowing	Currency	Interest rate (%)	Closing balance		Opening balance	
					Foreign currency	Local currency	Foreign currency	Local currency
Bank of China	2018-06-27	2021-06-26	HKD	2.95	2,424,521,613.60	2,171,886,461.46	2,435,798,502.72	2,134,246,648.08
China Development bank	2015-06-30	2030-06-29	HKD	5.18	1,436,450,532.42	1,286,772,386.95	1,481,434,402.85	1,298,032,823.78
DBS	2017-12-22	2020-12-21	HKD	3.48	1,428,844,492.41	1,279,958,896.30	1,435,102,176.97	1,257,436,527.46
DBS	2017-12-22	2020-12-21	HKD	2.89	952,562,994.94	853,305,930.87	956,733,470.73	838,289,867.05
ICBC	2018-12-21	2023-12-20	HKD	3.35	760,000,000.00	680,808,000.00	763,811,681.42	669,251,795.26



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. LONG-TERM BORROWINGS (CONTINUED)

(2) The maturity date of long-term borrowings is analysed as follows:

Item	Closing balance	Opening balance
1 to 2 years	2,945,413.83	1,170,469,992.10
2 to 5 years	3,596,250,111.50	6,160,337,888.57
Over 5 years	1,426,943,718.69	1,142,502,321.85
Total	5,026,139,244.02	8,473,310,202.52

36. BONDS PAYABLE

(1) Bonds payable

Item	Closing balance	Opening balance
2016 corporate bonds (phase I) — RMB2,000M	2,052,367,210.99	2,051,567,210.98
2016 corporate bonds (phase II) — RMB1,500M	1,367,119,232.80	1,514,517,123.21
Total	3,419,486,443.79	3,566,084,334.19

Note: The corporate bonds of the Group include:

On August 24, 2016, with the approval of the CSRC, the company was approved to issue unsecured corporate bonds with a face value of RMB100 and a total of RMB150 million (2016 Phase II 1.5 billion corporate bonds). The bond issuance has a maturity of 5 years, with a fixed coupon and an annual interest rate of 2.94% and 2.98%, respectively. On August 24, 2019, the Company redeemed the bonds of RMB150,000,000, and raised the coupon rate of 76 basis points for the subsequent duration of the bond. The fixed coupon and the annual interest rate were adjusted to 3.70% and 3.73%, respectively.

On March 2, 2016, with the approval of the CSRC, the company was approved to issue unsecured corporate bonds with a face value of RMB100 and a total amount of RMB200 million (2016 Phase 2 billion corporate bonds). The bond issuance has a maturity of 5 years, with a fixed coupon and an annual interest rate of 3.20% and 3.24%, respectively.

(2) The maturity date of bonds payable is analysed as follows:

Item	Closing balance	Opening balance
1 to 2 years	—	—
2 to 5 years	3,419,486,443.79	3,566,084,334.19
Over 5 years	—	—
Total	3,419,486,443.79	3,566,084,334.19

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. BONDS PAYABLE (CONTINUED)

(3) Statement of changes in bonds payable

Name of bonds	Face value	Date of issue	Bond term	Amount issued	Opening balance	Effects of changes in the scope of consolidation	Issue for the period	Interest accrued by face value	Amortisation	Repayment for the period	Effects from translation in foreign currency statements	Closing balance
2016 corporate bonds (phase I)												
—RMB2,000M	2,000,000,000.00	2016-03-02	5年	2,000,000,000.00	2,051,567,210.98	-	-	-	800,000.01	-	-	-2,052,367,210.99
2016 corporate bonds (phase II)												
—RMB1,500M	1,500,000,000.00	2016-08-24	5年	1,500,000,000.00	1,514,517,123.21	-	-	2,152,109.58	450,000.01	150,000,000.00	-	-1,367,119,232.80
Total	3,500,000,000.00			3,500,000,000.00	3,566,084,334.19	-	-	2,152,109.58	1,250,000.02	150,000,000.00	-	-3,419,486,443.79
Less: Bonds payable due within one year	-			-	-	-	-	-	-	-	-	-
Bonds payable due after one year	3,500,000,000.00			3,500,000,000.00	3,566,084,334.19	-	-	-	-	-	-	-3,419,486,443.79

37. LEASE LIABILITIES

(1) Lease Liabilities

Item	Ending Balance	Beginning Balance
Lease payments	2,647,081,119.42	2,781,365,126.05
Unrecognised financing costs	631,455,146.85	819,130,274.58
Less: Lease liabilities due within one year	495,701,625.84	387,602,306.48
Lease liabilities due after one year	1,519,924,346.73	1,574,632,544.99



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. LEASE LIABILITIES (CONTINUED)

(2) Expiry period of lease liability

Item	Ending Balance
Minimum lease payments for irrevocable operating leases:	—
1 year after the end of the reporting period	571,768,012.48
2 years after the end of the reporting period	402,953,088.67
3 years after the end of the reporting period	227,177,927.95
Future years	1,445,182,090.32
Total	2,647,081,119.42

The Group does not face significant liquidity risks related to lease liabilities.

38. LONG-TERM PAYABLES

Item	Closing balance	Opening balance
Payables to non-controlling interests	192,657,228.79	360,805,628.79
Loan from related parties	—	292,104,012.24
Others	4,608,469.41	3,396,890.20
Total	197,265,698.20	656,306,531.23
Less: long-term payables due within one year	—	—
Long-term payables due after one year	197,265,698.20	656,306,531.23

(1) Top five long-term payables at the end of the period

Item	Closing balance	Opening balance
Sinotrans & CSC (Note 1)	100,718,773.77	100,718,773.77
Guangdong Sinotrans Co., Ltd. (Note 2)	91,938,455.02	91,938,455.02
Shilong Port Authority of Guangdong Province	3,396,890.28	3,396,890.20
Infinity (China) Co., Ltd.	1,211,579.13	—
Total	197,265,698.20	196,054,118.99

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. LONG-TERM PAYABLES (CONTINUED)

(1) Top five long-term payables at the end of the period (continued)

Note 1: Guangxi Sinotrans Logistics Co., Ltd., a subsidiary of the Group, borrowed RMB179.92 million from Sinotrans & CSC in 2014 with a loan interest rate of 5.65%. No repayment date was agreed. The Group repaid RMB99.2 million in 2018 and ended the period at RMB80.72 million;

The Sinotrans Logistics Investment Holding Co., Ltd., a subsidiary of the Group, borrowed RMB20 million from Sinotrans & CSC in 2016 with a loan term of 18 years. The interest rate of the loan was determined by reference to the bank loan during the same period.

Note 2: The Group borrowed RMB91.94 million from Guangdong Sinotrans Co., Ltd. in 2013 with a loan term of 10 years. The loan interest rate was referenced to the bank's loan interest rate for the same period. The total principal and interest at the end of the period was RMB91.94 million.

(2) Analysis on the maturity date of long-term payables

Item	Closing balance	Opening balance
1 to 2 years	84,115,664.05	–
2 to 5 years	93,150,034.15	115,525,206.56
Over 5 years	20,000,000.00	540,781,324.67
Total	197,265,698.20	656,306,531.23

39. LONG-TERM EMPLOYEE REMUNERATION PAYABLE

Item	Opening balance	Provision for the period	Payment for the period	Actuarial adjustment	Interest adjustment	Currency translation difference	Changes in the scope of consolidation	Closing balance
I. Net liabilities of post-employment benefits-defined benefit plans	994,685.14	–	23,800.00	–	30,640.52	–	–	1,001,525.66
II. Termination benefits	640,425.88	–	120,989.74	–	20,758.83	–	–	540,194.97
III. Other long-term benefits	1,407,908.66	–	22,589.52	–	–	–	–	1,385,319.14
Total	3,043,019.68	–	167,379.26	–	51,399.35	–	–	2,927,039.77



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Estimated liabilities

Item	Opening balance	Effect of changes in the scope of consolidation	Increase in the period	Decrease in the period	Effect from translation in foreign currency statements	Closing balance	Reason for change
Pending litigation (Note 1)	288,289,871.07	-	90,858,767.22	162,656,041.73	-	216,492,596.56	Repayment and accrual based on risk items
Accidental losses (Note 2)	70,000,000.00	-	-	70,000,000.00	-	-	Settlement under settlement agreement
One-time housing subsidy (Note 3)	22,592,786.58	-	-	-	-	22,592,786.58	—
Disposal costs (Note 4)	15,590,920.40	-	99,439.94	1,300,927.13	-	14,389,433.21	Amortization of unrecognized financing costs
other	11,452,024.55	-	6,022,497.73	1,453,400.00	-	16,021,122.28	Repayment and accrual based on risk items
Total	407,925,602.60	-	96,980,704.89	235,410,368.86	-	269,495,938.63	—

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 estimated liabilities accrued for such pending action that may result in losses ended 31 December 2019 is RMB216,492,596.56 (31 December 2018: RMB288,289,871.07).

Note 2: The Group's preliminary estimate of accident loss due to accidental safety accident this period is about RMB70,000,000.00.

Note 3: The term "one-off housing subsidy" refers to the estimated liabilities of the Group prior to its restructuring in 2002. The Group is not expected to adopt a new one-off housing subsidy scheme in the foreseeable future.

Note 4: The disposal cost is the reconstruction of the leased cold storage by Kangxin Logistics (Tianjin) Co., Ltd. and China Merchants International Cold Chain (Shenzhen) Co., Ltd., and it is agreed in the contract that after the lease term expires, the lessee shall bear the costs of restoring the original state of the warehouse.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. DEFERRED INCOME

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Government grants	395,905,585.01	24,946,278.41	37,513,272.13	383,338,591.29
Total	395,905,585.01	24,946,278.41	37,513,272.13	383,338,591.29

(1) Government grants

Government grants type	Year-end book balance		Included in profit or loss	Amount refunded this year	Reason for refund
	Included in other non-current liabilities	Included in other current liabilities			
Subsidies for logistics infrastructure projects	172,523,657.35	—	10,443,039.87	—	—
Relocation compensation	72,097,485.26	—	4,251,939.12	—	—
Land repayment	63,770,841.81	—	1,444,498.28	—	—
Special logistics project subsidies	44,317,854.89	—	18,051,188.29	—	—
Other	30,628,751.98	—	3,322,606.57	—	—
Total	383,338,591.29	—	37,513,272.13	—	—

42. OTHER NON-CURRENT LIABILITIES

Item	Opening Balance	Increase due to consolidation scope change	Increased this year	Decrease this year	Impact of translation of foreign currency statements	Ending Balance
Lanshi Port Related Liabilities (Note)	—	—	71,319,466.31	—	—	71,319,466.31
total	—	—	71,319,466.31	—	—	71,319,466.31
Less: other non-current liabilities due within one year	—	—	—	—	—	—
Other non-current liabilities due after one year	—	—	71,319,466.31	—	—	71,319,466.31

Note: For details of the Lanshi Port related liabilities, please refer to Note viii.2,(1) Note 1

43. SHARE CAPITAL

Item	Opening balance		Increase in the period	Decrease in the period	Closing balance	
	Investment amount	Proportion(%)			Investment amount	Proportion(%)
Total share capital	6,049,166,644.00	100.00	1,351,637,231.00	—	7,400,803,875.00	100.00
Total	6,049,166,644.00	100.00	1,351,637,231.00	—	7,400,803,875.00	100.00

Note: With the approval of the shareholders' meeting and the CSRC, the Company completed the issuance of 1,351,637,231 RMB-denominated ordinary shares (A shares) on 10 January 2019.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. CAPITAL RESERVE

31 December 2019:

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Capital (or share capital) premium	4,122,434,020.57	2,067,360,103.39	121,849,255.60	6,067,944,868.36
1. Capital invested by investors	3,103,350,547.94	–	–	3,103,350,547.94
2. Difference formed by acquisition of non- controlling interests (Note)	–	2,067,360,103.39	121,849,255.60	1,945,510,847.79
3. Others	1,019,083,472.63	–	–	1,019,083,472.63
II. Other capital reserves	2,052,645.11	3,303,317.69	594,320.30	4,761,642.50
1. Other changes in owners' equity of invested entities other than net profit or loss, other comprehensive income and profit distribution	2,052,645.11	3,303,317.69	594,320.30	4,761,642.50
2. Others	–	–	–	–
Total	4,124,486,665.68	2,070,663,421.08	122,443,575.90	6,072,706,510.86
Including: state-owned exclusive capital reserve	–	–	–	–

Note: On 10 January 2019, the Company completed the issuance of 1,351,637,231 RMB-denominated ordinary shares (A shares). The difference between the fair value of the issuance of the shares and the carrying amount of the non-controlling interests of Sinoair, which amounted to RMB2,038,565,420.42, was included in the capital reserve.

On 30 September 2019, the Company acquired 49% of the shares of the two companies held by the minority shareholders of China Merchants Americold Logistics Co., Ltd. and China Merchants Americold Holdings Co., Ltd. The difference between the transaction consideration and the carrying amount of non-controlling interests acquired included in capital reserve was RMB28,759,891.12.

On 30 September 2019, the Company acquired 30% of the equity held by the minority shareholders of Shanghai Huazhan Storage Trading Co., Ltd. The difference between the transaction consideration and the carrying amount of non-controlling interests acquired was included in the capital reserve of RMB34,791.85.

The Company will offset the issuance expenses related to the issuance of A shares in the current period by deducting the capital reserve of RMB80,457,205.38; Sinotrans Logistics, which belongs to the Group, is in accordance with the relevant performance compensation terms with Shenzhen Henglu Investment Co., Ltd. and China Chengxin Investment Group Co. Obtained the shares held by minority shareholders without compensation for a period of time. As the net book value of the invested unit is negative, the difference between the zero consideration and the negative net assets of the invested unit is offset by the capital reserve of RMB41,392,050.22

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. CAPITAL RESERVE

31 December 2018:

Item	Opening balance	Increase in the period	Decrease in the period	Closing 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. Differences arising from the acquisition of minority shareholders' equity	–	–	–	–
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 the owner's equity of an investee other than net profit or loss, other comprehensive income and profit distribution	–	2,052,645.11	–	2,052,645.11
2. Other	–	–	–	–
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: As Sinoair ceased to be listed on 28 December 2018, the company ended the period by deducting the capital reserve from the equity separation and circulation rights of RMB224,302,824.00 originally included in "other non-current assets".

As of 31 December 2018, the Group no longer consolidate China Merchants Loscam International following its disposal. When the Group obtained control of Loscam International in previous years, capital reserve of RMB349,803,173.26 was recovered to other comprehensive income (being foreign exchange translation difference) in accordance with the principle of merger accounting for business combination under common control. Such balance was reversed back to capita reserve following the disposal.

Other capital reserves are mainly capital increase for the minority shareholders of Sinotrans Chemical Logistics, and changes in the owner's equity of the Group's joint ventures and associates other than profit or loss and other comprehensive income.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. SPECIAL RESERVE

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Safety production costs	41,536,205.81	68,757,108.09	56,772,494.14	53,520,819.76
Total	41,536,205.81	68,757,108.09	56,772,494.14	53,520,819.76

Note: The Group is engaged in special freight transportation or dangerous goods and other special regulations in accordance with the provisions of *Caiqi [2012] No. 16 "Administrative Measures for the Extraction and Use of Enterprise Safety in Production"* issued by the Ministry of Finance and the State Administration of Work Safety. Cargo companies use the operating income as a basis to draw safety production expenses, which are included in the cost of the relevant products or profit or loss, and transferred to special reserves.

46. SURPLUS RESERVES

31 December 2019:

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserves	811,845,310.51	87,200,712.48	–	899,046,022.99
Total	811,845,310.51	87,200,712.48	–	899,046,022.99

31 December 2018:

Item	Opening balance	Increase in the period	Decrease in the period	Closing 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

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.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. RETAINED EARNINGS

Item	Amount for the current period	Amount for the previous period
Closing balance of the previous period	12,484,368,855.91	10,376,503,880.96
Add: adjustments of retained earnings at the beginning of the period	-67,948,139.86	-
Including: Changes in accounting policies (Note 1)	-67,948,139.86	-
Opening balance	12,416,420,716.05	10,376,503,880.96
Increase in the period	2,803,495,055.06	2,704,106,404.93
Including: net profit attributable to the owners of the company during the period	2,803,495,055.06	2,704,106,404.93
Decrease in the period	1,049,404,936.37	596,241,429.98
Including: statutory surplus reserves withdrawn during the period	87,200,712.48	112,267,353.00
Profit distribution	962,104,503.75	483,933,331.52
Other decreases	99,720.14	40,745.46
Closing balance of the period	14,170,510,834.74	12,484,368,855.91

Note 1: Since 1 January 2019, the Group applied New Lease Standard and the cumulative effect on the opening retained earnings amounted to RMB67,948,139.86.

Note 2: Cash dividends that still need to be approved by the shareholders meeting during the year.

On 31 March 2020, the board of directors announced that a 7,400,803,875 shares issued on 31 March 2020 will be issued with a year-end dividend of RMB0.12 per share for the year ended 31 December 2019 (2018: per share RMB0.13), for a total of RMB888,096,465.00.

Note 3: Cash dividends was approved by the shareholders meeting during the year.

On 25 March 2019, the Board of Directors of the Company declared that a final dividend of RMB0.13 per share (2017: RMB0.08 per share), i.e. RMB962,104,503.75 (2018: RMB483,933,331.52) in aggregate, would be distributed for the year ended 31 December 2018 in respect of 7,400,803,875 shares issued as at 25 March 2019.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. OPERATING INCOME AND OPERATING COSTS

Item	Amount for the current year		Amount for the previous year	
	Income	Cost	Income	Cost
Forwarding and related business	54,827,540,556.37	52,657,229,823.15	54,140,247,153.03	51,110,022,416.84
Logistics business	19,839,396,911.93	17,930,300,886.48	20,805,555,265.09	18,741,117,496.07
E-commerce business	2,983,153,807.00	2,834,635,928.11	2,366,034,096.71	1,916,079,899.43
Total	77,650,091,275.30	73,422,166,637.74	77,311,836,514.83	71,767,219,812.34

49. TAXES AND SURCHARGES

Item	Amount for the current year	Amount for the previous year
Property tax	89,336,308.71	74,539,403.28
Land use tax	38,735,123.15	34,887,867.34
Urban maintenance and construction tax	27,578,902.06	16,788,985.98
Stamp duty	23,350,421.21	23,865,777.34
Educational surcharges	13,452,266.80	13,371,712.21
Others	5,825,744.31	27,540,033.43
Total	198,278,766.24	190,993,779.58

50. SELLING EXPENSES

Item	Amount for the current year	Amount for the previous year
Employee salaries	641,544,865.73	676,988,121.66
Business entertainment fees	38,642,115.67	43,238,122.23
Traveling expenses	27,383,501.26	34,912,093.10
Depreciation and amortisation for other assets	19,728,872.05	18,864,438.99
Rental	15,226,785.39	37,691,606.40
Communication fees	14,438,986.29	14,189,118.23
Motor vehicle expenses	11,906,102.19	26,222,413.92
Depreciation of right-of-use assets	11,338,692.76	—
Office expenses	11,214,201.43	10,996,210.77
Property, utilities and gas charges	9,210,111.90	11,410,981.45
Others	51,104,957.95	56,547,853.82
Total	851,739,192.62	931,060,960.57

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. ADMINISTRATIVE EXPENSES

Item	Amount for the current year	Amount for the previous year
Employee salaries	1,770,746,102.61	1,844,412,703.19
Depreciation and Amortisation for other assets	179,590,990.55	157,631,609.22
Comprehensive service fees for consultation of valuation	88,394,925.50	95,709,002.68
Depreciation of right-of-use assets	68,083,921.61	--
Property, utilities and gas charges	64,466,563.11	59,991,466.75
Communication fees	59,783,483.36	137,416,890.80
Business entertainment fees	52,628,046.93	57,328,470.46
Traveling expenses	50,059,071.58	60,781,262.63
Motor vehicle expenses	41,002,680.49	50,652,200.85
Rental	34,656,979.11	135,561,736.44
Office expenses	28,574,019.46	31,958,140.02
Repair and maintenance fees	20,982,470.47	20,296,619.75
Insurance fees	17,355,450.35	18,738,062.41
Audit fees	12,756,399.33	24,459,484.45
Advertising fees	12,200,903.01	3,338,123.10
Legal and professional fees	10,734,635.36	8,089,115.24
Conference and training expenses	5,029,476.59	7,990,817.20
Others	78,334,469.30	97,724,429.95
Total	2,595,380,588.72	2,812,080,135.14

52. RESEARCH & DEVELOPMENT EXPENSE

Item	Amount for the current year	Amount for the previous year
Information system development	73,437,937.69	23,925,038.10
Total	73,437,937.69	23,925,038.10



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. FINANCIAL COSTS

Item	Amount for the current year	Amount for the previous year
Interest expenses	585,379,976.64	621,839,136.92
Including: bank and other borrowings	343,426,971.15	493,723,407.74
Bond interests	131,793,633.44	109,349,999.99
Interest expense on lease liabilities	100,452,326.55	—
Others	9,707,045.50	18,765,729.19
Less: capitalised interest expenses	20,179,704.16	88,202,405.94
Less: interest income	232,823,243.91	181,001,747.60
Exchange net losses	-65,724,852.33	-37,382,323.28
Others	21,877,244.70	121,255,536.79
Total	288,529,420.94	436,508,196.89

54. OTHER INCOME

Item	Amount for the current year	Amount for the previous year
Government subsidies for international freight trains	1,215,691,251.41	501,640,420.01
Container shipping branch line volume subsidy	54,614,469.93	17,655,007.74
Charter assistance	53,800,000.00	—
Additional VAT deduction	33,608,678.23	—
Special grants for logistics projects	32,075,994.95	3,752,000.00
Logistics standardisation project subsidy	25,821,044.40	14,533,481.37
Special subsidies for export LCL	18,340,803.14	1,247,400.00
Operation compensation for Beishacang reconstruction project	16,178,650.08	—
Local fiscal rebates	12,585,163.52	1,371,224.71
Customs special inspection subsidy	8,961,272.18	1,186,925.95
Special subsidy for the development of the central financial service industry (cold chain logistics)	2,685,800.00	1,947,765.12
Subsidy for National Highway Transport Trailer Pilot Project other	2,000,000.00	7,076,500.00
	63,617,727.96	81,285,664.37
Total	1,539,980,855.80	631,696,389.27

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. INVESTMENT INCOME

Item	Amount for the current year	Amount for the previous year
Long-term equity investment income	1,359,827,783.72	1,726,985,153.01
Including: Investment income recognised under equity method	1,309,598,043.77	1,170,771,434.70
Gain on equity disposal	50,229,739.95	556,213,718.31
Held-for-trading financial assets	8,378,367.06	202,735,197.23
Including: Investment income obtained during the holding period	8,378,367.06	28,865,492.90
Disposal proceeds	-	173,869,704.33
Investment in other equity instruments	1,808,421.18	4,098,542.12
Including: Investment income obtained during the holding period	1,808,421.18	4,098,542.12
Other non-current financial assets	10,000,000.00	-
Including: Investment income obtained during the holding period	10,000,000.00	-
Gains from re-measurement of residual equity at fair value after loss of control (Note)	129,335,320.15	660,598,884.90
Income from derecognition of financial assets measured at amortised cost	278,713.15	-22,081,854.49
Other	-	-
Total	1,509,628,605.26	2,572,335,922.77

There are no significant restrictions on the repatriation of investment income of the Group.

Note: As mentioned in Note VIII, the acquisition of 40% equity of Shanghai Huaxing by Sinotrans Eastern, a subsidiary of the Company, this year constituted a business combination not under the same control. Sinotrans Eastern will measure the equity held before the acquisition date at the fair value on the acquisition date, and account for the difference between the book value of the equity held before the acquisition date and the book value of RMB129,335,320.15 as investment income.

In 2018, the Group transferred 55% of the equity of China Merchants Loscam International and lost control. The difference between the fair value of the remaining equity and the fair value of the identifiable net assets was RMB660,598,884.90 as investment income for the year.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. GAINS (LOSSES) FROM CHANGES IN FAIR VALUE

Item	Amount for the current year	Amount for the previous year
Held-for-trading financial assets (Note)	151.09	236,004,338.46
Total	151.09	236,004,338.46

Note: Gains from changes in fair value mainly represented the preference shares of Americold Company held by the Group, which was disposed of in 2018.

57. CREDIT LOSS IMPAIRMENT

Item	Amount for the current year	Amount for the previous year
Credit loss of bills receivable	200,000.00	–
Credit loss of accounts receivable	-6,781,141.76	170,891,049.50
Credit losses of other receivables	25,541,892.19	82,013,838.32
Credit loss of long-term receivables	29,967,410.37	–
Total	48,928,160.80	252,904,887.82

58. IMPAIRMENT OF ASSETS

Item	Amount for the current year	Amount for the previous year
Impairment losses on fixed assets	2,469,698.22	1,096,385.98
Loss from decline in value of inventories	–	91,782.26
Impairment losses of construction in progress	–	20,722,000.00
Goodwill impairment loss	–	134,843,091.03
Total	2,469,698.22	156,753,259.27

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. INCOME FROM DISPOSAL OF ASSETS

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Gain from disposal of non-current assets	152,818,956.07	137,572,742.62	152,818,956.07
Including: Gain from disposal of fixed assets	74,936,594.24	135,546,831.86	74,936,594.24
Gain from disposal of intangible assets	77,723,137.63	731,999.13	77,723,137.63
Gain from disposal of construction in progress	–	1,236,496.40	–
Others	159,224.20	57,415.23	159,224.20
Total	152,818,956.07	137,572,742.62	152,818,956.07

60. NON-OPERATING INCOME

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Government grants	33,182,969.98	39,704,161.55	33,182,969.98
Unpayable accounts payable	25,293,197.63	2,508,495.00	25,293,197.63
Gains on liquidated damages and compensation (Note 1)	22,636,747.27	4,927,522.02	22,636,747.27
Non-current asset retirement income	16,045,567.23	33,050,943.09	16,045,567.23
Demolition compensation income	395,000.00	5,344,835.35	395,000.00
Gains on inventory overage	218,873.26	2,106,250.73	218,873.26
Others (Note 2)	55,033,825.12	3,563,731.22	55,033,825.12
Total	152,806,180.49	91,205,938.96	152,806,180.49

Note 1: The gains on liquidated damages and compensations mainly represented the compensations obtained by the Group which were incurred for disputes and accidents in the ordinary course of business.

Note 2: Other gains are mainly due to the merger of Sinotrans Eastern Co., Ltd., a subsidiary of the Group, under non-common control this year. It acquired 40% equity of Shanghai Huaxing. The difference of RMB43,242,304.47 between the fair value of the identifiable net assets and the transaction consideration is included in non-operating income.



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. GOVERNMENT GRANTS

Breakdown of government grants:

Item	Amount for the current year	Amount for the previous year
Government grants received related to assets:	—	—
Fixed asset investment subsidy	19,899,558.41	32,591,895.37
Government subsidy for land purchase	4,954,720.00	80,000.00
Construction of customs clearance coordination platform	92,000,000	1,576,625.29
Subtotal	24,946,278.41	34,248,520.66
Revenue-related government grants received:	—	—
Government subsidies for international freight trains	1,215,691,251.41	501,640,420.01
Shipping container volume subsidies	54,614,469.93	17,655,007.74
Charter assistance	53,800,000.00	—
Special grants for logistics projects	19,732,250.39	14,533,481.37
Logistics standardization project subsidy	19,081,846.03	3,752,000.00
Special subsidies for export LCL	18,340,803.14	1,247,400.00
Operation compensation for Beishacang reconstruction project	16,178,650.08	—
Enterprise Settlement Award	15,000,000.00	—
Customs special inspection subsidy	8,961,272.18	1,186,925.95
Local fiscal rebates	5,902,148.60	1,371,224.71
Subsidy for National Highway Transport Trailer Pilot Project	—	7,076,500.00
Other government subsidies (Note)	74,814,589.04	125,798,099.19
Subtotal	1,502,117,280.80	674,261,058.97
total	1,527,063,559.21	708,509,579.63
Less: government grants included in deferred income	24,946,278.41	51,819,687.84
Plus: Government grants transferred from deferred income to current profit and loss	37,437,866.75	45,108,059.03
Less: government grants to offset related costs	—	30,397,400.00
Government grants included in the current profit and loss	1,539,555,147.55	671,400,550.82
Including: Government grants included in other income	1,506,372,177.57	631,696,389.27
Government grants included in non-operating income	33,182,969.98	39,704,161.55

Note: Other government subsidies consist of several government grant items that are not material and are therefore not disclosed separately.

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. NON-OPERATING EXPENSES

Item	Amount for the current year	Amount for the previous year	Amount included in the current non-recurring gains or losses
Pending litigation losses (Note 1)	90,858,767.22	171,787,821.19	90,858,767.22
Compensation, liquidated damages and fines (Note 1)	45,112,038.37	30,215,387.26	45,112,038.37
Damage to non-current assets	14,228,934.97	10,219,155.02	14,228,934.97
External donation expenditure	12,609,957.40	11,275,718.70	12,609,957.40
Others (Note 2)	36,032,362.16	77,266,809.27	36,032,362.16
Total	198,842,060.12	300,764,891.44	198,842,060.12

Note 1: Losses such as pending lawsuits and compensation mainly include the Group's estimated losses based on disputes and accidents that occur in daily business. For details, please refer to Note IX. 40.

Note 2: Other losses were mainly due to Shanghai Huayou International Logistics Co., Ltd.'s proposed liquidation. Its assets at the end of the year were measured at its liquidation value and its liabilities were measured at its estimated settlement amount. The relevant balance of RMB28,153,367.66 was included in non-operating expenses.

63. INCOME TAX EXPENSES

(1) Table of income tax expenses

Item	Amount for the current year	Amount for the previous year
Current income tax	417,075,474.29	803,737,092.84
Deferred income tax adjustment	-18,531,165.96	105,735,463.34
Total	398,544,308.33	909,472,556.18



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. INCOME TAX EXPENSES (CONTINUED)

(2) Adjustment process of accounting profit and income tax expenses

Item	Amount for the current year
Profit before tax	3,325,553,560.92
Income tax expense at 25% tax rate (previous year: 25%)	831,388,390.23
Tax effects of non-deductible expenses	58,271,594.83
Tax effects of tax-exempt income	-476,489,244.75
Tax effect of deductible losses and deductible temporary differences not recognised in the current year	129,029,735.51
Utilise the tax effect of unrecognised deductible losses and deductible temporary differences in previous years	-47,633,491.63
Impact of inconsistent tax rates for subsidiaries in other regions	-33,249,261.93
Withholding tax on current earnings of subsidiaries, joint ventures and associates established outside the parent company's place of registration	-
Impact of subsidiary tax deductions	-7,621,016.82
Tax rate adjustments cause changes in deferred tax assets/liabilities at the beginning of the year	203,918.99
Tax effects of unrecognised taxable temporary differences	-44,276,701.33
Pay back (refund) taxes for previous years	-11,079,614.77
other	-
Income tax expense	398,544,308.33

64. BORROWING COSTS

Item	Capitalisation rate	Capitalised amount
Construction in progress	1%-5%	20,179,704.16
Sub-total	—	20,179,704.16
Financial expenses included in the current gains or losses	—	565,200,272.48
Total interest expenses	—	585,379,976.64

65. FOREIGN EXCHANGE TRANSLATION

Item	Amount for the current year
Exchange differences included in the current gains or losses	-65,724,852.33
Exchange differences on translation of foreign operations transferred to the current profit or loss by disposal of foreign operation	-
Total	-65,724,852.33

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. LEASES

(1) The Group as lessor

1) Details of operating lease

Items	Amount
I. Income	–
Rental income	184,507,950.59
Revenue related to variable lease payments not included in lease receipts	–
2. The amount of undiscounted lease payments to be received each year for five consecutive fiscal years after the end of the reporting period	291,188,350.94
1st year	140,133,889.57
2nd year	79,567,283.28
3rd year	44,959,383.68
4th year	18,014,813.20
5th year	8,512,981.21
Total amount of undiscounted lease payments to be received in the remaining years	14,462,403.83
Within 1 year (including 1 year)	4,538,861.99
More than 1 year and less than 2 years (including 2 years)	3,395,847.28
More than 2 years and less than 3 years (including 3 years)	3,263,847.28
over 3 years	3,263,847.28

2) The operating leases of the Group as lessors are related to buildings, vehicles, and equipment. The lease term is among 1-8 years, and there are some options for lease renewal.

3) The Group believes that the unguaranteed balance of the asset does not constitute a significant risk to the Group because the leased amount is small and the general strength is short and the lease term is short.

4) This year's rental income related to operating leases was RMB184,507,950.59 (previous year: RMB247,019,421.11), of which income related to variable lease payments that did not account for lease receipts was RMB0.

(2) The Group as lessee

Items	Amount
Interest expenses on lease liabilities	100,452,326.55
Short-term lease expenses included in profit or loss	509,680,021.84
Lease fees for low-value assets	46,341,493.76
Variable lease payments not included in lease liability measurement	–
Total lease-related cash outflows	1,160,989,984.38
Related profit or loss from sale and leaseback transactions	–



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

(1) Items of other comprehensive income and their income tax effects and transfers to profit or loss

Items	Amount for the current year			Amount for the previous year		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
I. Other comprehensive income not to be reclassified into profit or loss	102,081,923.85	-	102,081,923.85	-75,969,534.02	-	-75,969,534.02
1. Remeasurement of net changes in the defined income plan	-	-	-	-	-	-
2. Other comprehensive income not to be reclassified profit or loss under the equity method	-	-	-	-	-	-
3. Changes in fair value of other equity instrument investments	102,081,923.85	-	102,081,923.85	-75,969,534.02	-	-75,969,534.02
4. Changes in fair value of the company's own credit risk	-	-	-	-	-	-
5. Others	-	-	-	-	-	-
II. Other comprehensive income to be reclassified into profit or loss	14,947,675.21	-	14,947,675.21	-126,678,896.22	-	-126,678,896.22
1. Other comprehensive income to be reclassified to profit or loss under the equity method	34,330,886.67	-	34,330,886.67	461,537.45	-	461,537.45
Less: previously included in other comprehensive income, transferred to profit or loss in the current period						
Subtotal	34,330,886.67	-	34,330,886.67	461,537.45	-	461,537.45
2. Exchange differences on translation of foreign operations	-346,519,139.10	-	-346,519,139.10	-390,858,136.76	-	-390,858,136.76
Less: previously included in other comprehensive income, transferred to profit or loss in the current period						
Subtotal	-327,135,927.64	-	-327,135,927.64	-263,717,703.09	-	-263,717,703.09
3. Others	-	-	-	-	-	-
Total other comprehensive income	117,029,599.06	-	117,029,599.06	-202,648,430.24	-	-202,648,430.24

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (CONTINUED)

(2) Adjustments to other comprehensive income items

2019

Item	Opening balance	Change in the current year	Closing balance
Remeasurement of net changes in defined income plans	-	-	-
Other comprehensive income to be reclassified to profit or loss under the equity method	1,707,132.75	-	1,707,132.75
Changes in fair value of other equity instrument investments	25,339,202.22	102,081,923.85	127,421,126.07
Changes in the fair value of the company's own credit risk	-	-	-
Other comprehensive income to be reclassified to profit or loss	-	-	-
Other comprehensive income to be reclassified to profit or loss under the equity method	25,088,282.38	34,330,886.67	59,419,169.05
Changes in fair value of other debt investments	-	-	-
Reclassification of financial assets included in other comprehensive income	-	-	-
Provision for credit impairment of other debt investments	-	-	-
Cash flow hedge reserve (effective portion of cash flow hedge profit or loss)	-	-	-
Exchange differences on translation of foreign operations	-327,135,927.64	-19,383,211.46	-346,519,139.10
Others	-	-	-
Subtotal	-275,001,310.29	117,029,599.06	-157,971,711.23



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (CONTINUED)

(2) Adjustments to other comprehensive income items (continued)

2018

Items	Opening balance	Change in the current year	Closing balance
Remeasurement of net changes in defined income plans	-	-	-
Other comprehensive income to be reclassified to profit or loss 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
Changes in the fair value of the company's own credit risk			
Other comprehensive income to be reclassified to profit or loss	-	-	-
Other comprehensive income to be reclassified to profit or loss under the equity method	24,626,744.93	461,537.45	25,088,282.38
Changes in fair value of other debt investments	-	-	-
Reclassification of financial assets included in other comprehensive income	-	-	-
Provision for credit impairment of other debt investments	-	-	-
Cash flow hedge reserve (effective portion of cash flow hedge profit or loss)	-	-	-
Exchanges differences on translation of foreign operations	149,807,679.29	-476,943,606.93	-327,135,927.64
Others	-	-	-
Subtotal	277,450,293.21	-552,451,603.50	-275,001,310.29

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash received/paid from/to operating/investing/financing activities

1) Cash received from other operating activities

Items	Amount for the current year
Government grants related to business activities	1,143,274,913.18
Received business advances, deposits, guarantees, etc.	575,464,620.92
Collection of asset-backed notes	184,243,767.82
Non-current assets rental income	76,965,463.47
Received performance bond	67,000,000.00
Receipt of guarantee deposit	65,186,806.47
Current interest income	58,358,033.45
Receipt of liquidated damages and compensation	17,995,620.60
Other	39,973,352.56
Total	2,228,462,578.47



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash received/paid from/to operating/investing/financing activities (continued)

2) Cash paid for other operating activities

Items	Amount for the current year
Repayment to China Merchants Securities for factoring collection	732,718,359.83
Payment of business compensation	227,640,716.00
Payment of deposits, advance duties, etc.	191,925,178.66
Rent and property management fees paid	172,164,975.49
Payment of business entertainment	124,760,757.67
Payment of consulting fees and audit fees	100,845,284.31
Travel expenses paid	96,588,335.09
Information technology network fees paid	83,740,505.03
Vehicle fees paid	74,853,589.96
Payment of office expenses	72,388,279.71
Communication fees paid	71,272,230.66
Decoration and repair fees paid	57,469,225.99
Bank fees paid	55,990,873.45
Payment of premiums	52,908,782.68
Payment of utilities	27,115,381.62
Payment of advertising fee	22,047,034.61
Conference fees paid	14,848,439.71
Payment of production safety fees	14,344,640.77
Management fees paid	7,018,649.48
Other	44,479,723.60
Total	2,245,120,964.32

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(1) Cash received/paid from/to operating/investing/financing activities (continued)

3) Cash received from other investing activities

Items	Amount for the current year
Repayment of borrowings from Loscam Packaging Equipment Lease (Shanghai) Co., Ltd.	340,000,000.00
Interest on wealth management products, term deposits, etc	167,367,846.41
Repayment from Dongguan Container and Port Co., Ltd	62,720,000.00
Receipt of the entrusted loan repaid by South China LPG Shipping Co., Ltd.	40,000,000.00
Repayment from Loscam Supply Chain Management (Jiaxing) Co., Ltd.	20,000,000.00
Repayment from Sinotrans Suzhou Logistics Center Co., Ltd.	7,125,000.00
Repayment from Dalian Jingda International Freight Forwarding Co., Ltd	4,800,000.00
Repayment from Shanghai Puan Warehouse Co., Ltd.	4,400,000.00
Repayment from Uni-top Industry	3,500,000.00
Total	649,912,846.41

4) Cash paid for other investing activities

Items	Amount for the current year
Replaced payment of loan of the original shareholder of Keppel Foshan	48,474,211.86
Payment of other assets of the original shareholders of Keppel Foshan	41,560,000.00
Net cash from disposal of subsidiaries (the disposal price is lower than the carrying amount of cash of the subsidiaries)	9,385,006.11
Total	99,419,217.97

5) Cash received from other financing activities

Items	Amount for the current year
Payment to Tibet Trust and China Enterprise Cloud Chain	692,604,891.39
Amount of lease liability paid	635,665,126.03
Acquired minority stake in Americold Realty Operating Partnership, L.P.	101,367,375.00
Agency fees for merging Sinoair	55,678,386.84
Repayment to Shanghai Lianhe Cold Chain Logistics Co., Ltd.	31,652,433.67
Purchase of minority shareholders of Shanghai Huazhan Storage Trading Co., Ltd.	6,296,520.00
Repayment to Sinotrans Pfeiffer Cold Chain Logistics Co., Ltd.	616,200.21
Total	1,523,880,933.14



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) Supplementary information of the cash flow statement

Items	Amount for the current year	Amount for the previous year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,927,009,252.59	3,198,968,329.58
Add: Impairment loss of assets	2,469,698.22	156,753,259.27
Credit loss impairment	48,928,160.80	252,904,887.82
Depreciation of fixed assets and investment properties	1,668,811,663.09	1,215,548,307.98
Amortisation of intangible assets	177,864,497.21	156,913,220.65
Amortisation of long-term deferred expenses	94,612,663.56	50,910,804.24
Losses from disposal of assets (gains expressed with "-")	-152,818,956.07	-137,572,742.62
Losses from damage and scrapping of non-current assets (gains expressed with "-")	-1,816,632.26	-22,831,788.07
Losses from changes in fair value (gains expressed with "-")	-151.09	-236,004,338.46
Financial expenses (income expressed with "-")	324,840,419.78	488,025,086.70
Losses on investments (income expressed with "-")	-1,509,628,605.26	-2,572,335,922.77
Decrease in deferred tax assets (increase expressed with "-")	-19,181,327.51	109,010,874.98
Increase in deferred tax liabilities (decrease expressed with "-")	650,161.55	-4,215,359.82
Decrease in inventories (increase expressed with "-")	141,307,165.07	30,064,664.52
Decrease in operating receivables (reduction expressed with "-")	410,226,098.04	-638,773,637.76
Increase in operating payables (decrease expressed with "-")	-793,289,642.83	-33,972,311.65
Net cash flows from operating activities	3,319,984,464.89	2,013,393,334.59
2. Major investing and financing activities not involving cash receipts and payments:		
Conversion of debts into capital	-	-
Convertible corporate bonds due within one year	-	-
Fixed assets under financing lease	-	-
Conversion of the balance of salary difference in the previous years into national capital	-	-
Business combination under the same control	-	-
3. Net changes in cash and cash equivalents:		
Closing cash balance	10,387,299,779.72	15,317,824,974.56
Less: Opening cash balance	15,317,824,974.56	9,709,382,226.84
Add: Adjustments of the classification of account settlement reserves at the beginning of the year	-	-
Net increase in cash and cash equivalents	-4,930,525,194.84	5,608,442,747.72

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(3) Net cash from acquisition and disposal of subsidiaries for the current period

Item	Amount for the current year
I. Obtaining information about subsidiaries	
1. Get the price of the subsidiary	348,192,000.00
2. Cash or cash equivalents paid for a business combination that occurred during the year:	298,087,000.00
Less: Cash and cash equivalents held by the company on the day of purchase	110,203,487.09
Add: Cash or cash equivalents paid in the current year by a business combination that occurred in the previous period	–
3. Obtain net cash paid by subsidiaries	187,883,512.91
4. Information on acquisition of net assets of the subsidiaries	300,957,710.63
Current assets	169,649,643.44
Non-current assets	196,422,750.54
Current liabilities	64,339,776.13
Non-current liabilities	774,907.22
II. Information on disposal of subsidiaries	
1. Prices of disposal of subsidiaries	14,791,047.00
2. Cash or cash equivalents received from disposal of subsidiaries for the current period	14,791,047.00
Less: Cash and cash equivalents held by the Company on the date of loss of control	24,176,053.11
Add: Cash or cash equivalents received in the current period from disposal of subsidiaries in the previous periods	–
3. Net cash received from disposal of subsidiaries	-9,385,006.11
4. Disposal of net assets of subsidiaries	-10,982,426.26
Current assets	29,713,309.87
Non-current assets	87,491,979.30
Current liabilities	88,187,715.43
Non-current liabilities	40,000,000.00



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. ITEMS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(4) Cash paid for distribution of dividends, profits or interest payments

Item	Amount for the current year	Amount for the previous year
Turn in profits	1,020,847,007.18	605,565,061.78
Cash paid for repayment of interests	547,954,816.51	751,004,854.48
Dividends and profits paid by subsidiaries to minority shareholders	142,469,930.86	356,340,566.04
Total	1,711,271,754.55	1,712,910,482.30

69. CASH AND CASH EQUIVALENTS

Item	Closing balance	Opening balance
I. Cash	10,387,299,779.72	15,317,824,974.56
Including: Cash on hand	7,855,552.12	10,396,081.65
Bank deposits readily available for payment	10,379,444,227.60	15,307,428,892.91
II. Cash equivalents	–	–
III. Balance of cash and cash equivalents at the end of the year	10,387,299,779.72	15,317,824,974.56
IV. Restricted cash and cash equivalents	88,200,044.44	220,960,409.27
Including: the use of restricted cash and cash equivalents by the parent company or a subsidiary within the group	88,200,044.44	220,960,409.27
V. Total cash and cash equivalents	10,475,499,824.16	15,538,785,383.83

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

70. FOREIGN CURRENCY MONETARY ITEMS

Item	Foreign currency balance at the end of the year	Exchange rate of translation	Translated RMB balance at the end of the year
Cash and bank balances	–	–	2,715,165,912.11
Including: USD	324,069,669.04	6.9762	2,260,774,825.16
HKD	319,055,708.51	0.8958	285,810,103.68
JPY	743,713,344.51	0.0641	47,672,025.39
EURO	4,287,885.83	7.8155	33,511,971.70
Other	–	–	87,396,986.18
Accounts receivable	–	–	2,877,744,428.63
Including: USD	326,844,571.35	6.9762	2,280,133,098.65
HKD	308,281,875.04	0.8958	276,158,903.66
JPY	1,474,739,539.97	0.0641	94,530,804.51
EURO	5,112,795.35	7.8155	39,959,052.06
AUD	406,116.00	4.8843	1,983,592.38
Others	–	–	184,978,977.37
Long-term Accounts receivable	–	–	20,849,881.64
Including: HKD	23,275,152.53	0.8958	20,849,881.64
Accounts payables	–	–	2,977,931,968.97
Including: USD	308,277,619.59	6.9762	2,150,606,329.78
HKD	535,720,301.43	0.8958	479,898,246.02
JPY	1,644,606,462.78	0.0641	105,419,274.26
EURO	6,407,395.28	7.8155	50,076,997.81
AUD	926,729.82	4.8843	4,526,426.46
Others	–	–	187,404,694.64
Short-term borrowings	–	–	1,131,371,780.00
Including: EUR	144,760,000.00	7.8155	1,131,371,780.00
Long-term borrowings	–	–	4,462,576,160.90
Including: USD	59,584,323.26	6.9762	415,672,155.90
HKD	4,517,642,336.46	0.8958	4,046,904,005.00



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. SEGMENT REPORTING

(1) Confirmation basis and accounting policy of report segment

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating business is divided into three operating segments, the management of the Group regularly evaluates the operating results of these segments to determine the allocation of resources to them and evaluate their business performance. On the basis of operating segments, the Group has identified three reporting segments, namely agency and related, professional logistics, and e-commerce. These reporting segments are determined on the basis of the type of income of the Group.

An analysis of the Group's operating and reporting segments is as follows:

- Forwarding and related business: It mainly includes arranging delivery of goods to designated consignees at other locations within a specified time limit in accordance with customer instructions; including shipping agency services related to freight forwarding provided to shipping companies, providing warehousing, storage yards, container loading and terminal services.
- Professional logistics business: It mainly includes providing customers with customized and professional logistics services.
- E-commerce business: It mainly includes professional logistics solutions for import and export e-commerce customers, various public services to customers through a unified online logistics e-commerce platform, and providing customers with tracking and monitoring of logistics equipment through a logistics equipment sharing platform.

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These measurement bases consistent with the accounting and measurement basis when preparing the financial statements..

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. SEGMENT REPORTING (CONTINUED)

(2) Financial Information of reporting segments

Year ended 31 December 2019

Items	Forwarding and related business	Logistics business	E-commerce Business	Undistributed items	Inter-segment elimination	Total
Operating income						
Income from external transaction	54,827,540,556.37	19,839,396,911.93	2,983,153,807.00	-	-	77,650,091,275.30
Income from inter-segment transaction	2,195,776,788.41	282,483,957.50	452,704,172.03	-	-2,930,964,917.94	-
Total operating income from segments	57,023,317,344.78	20,121,880,869.43	3,435,857,979.03	-	-2,930,964,917.94	77,650,091,275.30
Total operating costs	54,642,336,289.94	19,221,595,415.77	2,966,867,449.39	598,733,388.85	-	77,429,532,543.95
Impairment of assets	-	-	-	-2,469,698.22	-	-2,469,698.22
Credit impairment loss	-59,928,623.59	10,543,178.46	-610,569.86	1,067,854.19	-	-48,928,160.80
Gains (loss) on changes in fair value	-	-	-	151.09	-	151.09
Investment income	121,825,214.54	5,520,165.67	987,391,376.27	394,891,848.78	-	1,509,628,605.26
Including: income from investments in associates and joint ventures	121,825,214.54	5,520,165.67	987,391,376.27	194,861,287.29	-	1,309,598,043.77
Income from disposal of assets	-	-	-	152,818,956.07	-	152,818,956.07
Other income	1,433,995,971.89	50,289,141.40	55,695,742.51	-	-	1,539,980,855.80
Operating profit	1,681,096,829.27	684,153,981.69	1,058,762,906.53	-52,424,276.94	-	3,371,589,440.55
Non-operating income	31,729,957.02	30,120,790.55	378,223.14	90,577,209.78	-	152,806,180.49
Non-operating expenses	41,681,505.10	20,872,930.96	129,225.62	136,158,398.44	-	198,842,060.12
Total profit	1,671,145,281.19	693,401,841.28	1,059,011,904.05	-98,005,465.60	-	3,325,553,560.92
Income tax expenses	283,613,441.02	95,003,651.66	15,941,772.32	3,985,443.33	-	398,544,308.33
Net profit	1,387,531,840.17	598,398,189.62	1,043,070,131.73	-101,990,908.93	-	2,927,009,252.59
Total assets	30,967,079,642.45	20,843,794,735.91	5,962,286,467.33	4,113,247,102.97	-	61,886,407,948.66
Total liabilities	10,697,711,189.90	5,125,913,411.50	624,224,527.74	15,187,079,602.07	-	31,634,928,731.21



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IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. SEGMENT REPORTING (CONTINUED)

(2) Financial Information of reporting segments (continued)

Year ended 31 December 2018

Items	Forwarding and related business	Logistics business	E-commerce Business	Undistributed items	Inter-segment elimination	Total
Operating income						
Income from external transaction	54,140,247,153.03	20,805,555,265.09	2,366,034,096.71	-	-	77,311,836,514.83
Income from inter-segment transaction	2,046,597,343.32	175,067,983.28	240,933,363.87	-	-2,462,598,690.47	-
Total operating income from segments	56,186,844,496.35	20,980,623,248.37	2,606,967,460.58	-	-2,462,598,690.47	77,311,836,514.83
Total operating costs	52,766,919,505.96	20,148,701,970.26	2,295,312,213.02	950,854,233.38	-	76,161,787,922.62
Asset impairment loss	-	-91,782.26	-	-156,661,477.01	-	-156,753,259.27
Credit impairment loss	-92,557,902.79	-88,230,997.74	-1,569,913.02	-70,546,074.27	-	-252,904,887.82
Gains (loss) on changes in fair value	-	-	-	236,004,338.46	-	236,004,338.46
Investment income	45,343,391.87	4,735,532.70	1,061,170,935.18	1,461,086,063.02	-	2,572,335,922.77
Including: income from investments in associates and joint ventures	45,291,849.82	1,951,230.75	1,061,170,935.18	62,357,418.95	-	1,170,771,434.70
Income from disposal of assets	-	-	-	137,572,742.62	-	137,572,742.62
Other income	582,721,481.94	46,740,956.14	1,253,951.19	980,000.00	-	631,696,389.27
Operating profit	1,908,834,618.09	620,007,003.67	1,131,576,857.04	657,581,359.44	-	4,317,999,838.24
Non-operating income	30,642,151.37	6,033,209.61	6,851,762.15	47,678,815.83	-	91,205,938.96
Non-operating expenses	11,212,282.79	26,029,754.72	1,466,191.97	262,056,661.96	-	300,764,891.44
Total profit	1,928,264,486.67	600,010,458.56	1,136,962,427.22	443,203,513.31	-	4,108,440,885.76
Income tax expense	519,408,168.03	181,385,178.20	110,568,650.88	98,110,559.07	-	909,472,556.18
Net profit	1,408,856,318.64	418,625,280.36	1,026,393,776.34	345,092,954.24	-	3,198,968,329.58
Total assets	30,154,952,189.04	23,245,181,878.37	2,534,769,153.82	5,559,318,362.71	-	61,494,221,583.94
Total liabilities	10,173,501,623.00	6,327,167,907.51	452,227,301.21	16,687,883,846.46	-	33,640,780,678.18

IX. NOTES TO THE ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. SEGMENT REPORTING (CONTINUED)

(2) Financial Information of reporting segments (continued)

Year ended 31 December 2019

Items	Freight forwarding	Logistics	E-commerce Business	Undistributed items	Inter-segment elimination	Total
Supplementary information						
Depreciation and Amortisation expenses	769,516,558.57	933,363,541.91	120,185,279.28	-	-	1,823,065,379.76
Capital expenditures	691,259,156.36	620,386,194.85	107,433,369.53	256,563,171.02	-	1,675,641,891.76
Non-cash expenses other than depreciation and amortisation	-59,705,897.99	10,024,258.60	-610,569.86	151,713,306.30	-	101,421,097.05
Increase in long-term equity investments in associates and joint ventures arising under the equity method	519,515,658.82	98,215,705.54	489,924,942.64	252,361,476.69	-	1,360,017,783.69

Year ended 31 December 2018

Items	Freight forwarding	Logistics	E-commerce Business	Undistributed item	Inter-segment elimination	Total
Supplementary information						
Depreciation and Amortisation expenses	688,550,086.00	501,604,894.78	156,689,226.66	25,617,321.19	-	1,372,461,528.63
Capital expenditures	1,386,932,785.46	721,677,070.03	275,465,429.86	244,662,403.79	-	2,628,737,689.14
Non-cash expenses other than depreciation and amortisation	117,995,336.75	113,362,426.09	16,419,491.97	299,453,634.90	-	547,230,889.71
Increase in long-term equity investments in associates and joint ventures arising under the equity method	62,065,880.88	13,632,383.61	53,044,165.61	62,361,140.24	-	191,103,570.34



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. RELATED PARTIES WITH CONTROL RELATIONSHIP

Name of controlling shareholders and the ultimate controlling party	Place of registration	Business nature	Registered capital (RMB)	Proportion of shareholding (%)	Voting proportion (%)
China Merchants Group Co., Ltd.	Beijing	Set up transportation business, etc.	RMB16,700 million	—	—

2. THE INFORMATION ABOUT THE SUBSIDIARIES IS DESCRIBED IN NOTE VIII.

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP

Name of other related parties	Relationship with the Company
Sinotrans & CSC Group Limited	Another enterprise controlled by the same parent company
Sinotrans Container Lines Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Sunny Express Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Nanjing Tanker Corporation	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Group Finance Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Aocheng Wuhe Real Estate Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Motor Vehicle Testing Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Land Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shanghai (Group) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Logistics Center Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Chiwan Shipping & Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants International Terminal (Qingdao) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans & CSC Shanghai Qiantang Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Zhengzhou merchants logistics Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Shanghai Changhang International Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Bonded Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Container Terminal Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hebei Sinotrans Jiuling Storage and Transportation Co.,Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Sanjianfang Warehouse Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Suzhou Storage Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Sinotrans Zhanghuabang Storage & Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Yinchuan Inland Portlogistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Alashankou Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Property Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Fujian Sinotrans Majiang Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shandong foreign transportation co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Pingxiang Co.,Ltd	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Shekou New Times Real Estate Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Nantong Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Nanning Storage and Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Changhang Ro-ro Logistics Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Hebei Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Henan Sinotrans Bonded Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Changjiang Bunker (Sinopec) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Hebei Tangshan Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Container Services Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Investment Promotion Real Estate Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Nanning Warehousing and Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Changjiang International Freight Forwarding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jiangsu C.F.S. Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shaanxi Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Zhanjiang Port (Group) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Liaoning Sinotrans Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Wuxi Xihui Sinotrans Warehousing Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Yantai Anshun Automobile Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangdong trans huangpu co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Lianda Tug Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Chongqing Changhang Yihua Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Xinyangshan Container Lines Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jinling Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Foreign Trade Warehousing Island Jiefang Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Neimenggu Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Chongqing CSC Tianyi Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nantong Sinotrans Port Container Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Tianjin Foreign Transportation Binhai Logistics Management Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Tianjin Sinotrans Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Xiamen Sinotrans Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans (Jiaxing) International Freight Forwarding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Henan Sinotrans Jiuling Storage and Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Shanghai (Group) Property Development Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Gansu Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
CHINA MERCHANTS LANDMARK(SHENZHEN)CO.,LTD.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Singapore Agency Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Fujian Hexi Warehousing And Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Holdings (International) Information Technology Company Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Haichang building co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Hunan Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hubei Sinotrans Cangma Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jiangsu Logistics Co.,Ltd	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Yangtze River Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Qinhuangdao Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Hainan Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Sinotrans & CSC International Merchant & Shipping (Hong Kong) Company Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jiangsu Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Guangxi Wuzhou Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Guangxi Guigang Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Far Rise Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Suifenhe Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hunan Sinotrans Jiuling Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Anhui Waiyun Wuhu Zhujiqiao Storage and Transportation Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Chongqing Changjinag Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Container Lines (Hong Kong) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hong Kong Minghua Shipping Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Hebei Shijiazhuang Yuanshi Sinotrans Warehousing Logistics Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Heavy Industry (Jiangsu) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Wuhan Changwei International Shipping Industry Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
ASSOCIATED MARITIME COMPANY (HONG KONG) LIMITED	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Associated Maritime Company Inc.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Jinling Shipyard Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing YangYang Chemicals Transport & Trade Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Port Service (Shenzhen) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Food (Shenzhen) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Shenzhen Merchants Shekou Asset Management Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Changhang Freight Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Xunlong Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Foreign Trade Yangxing Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Long Haul Cargo Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Henan Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Petroleum Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiujiang Changwei International Freight Forwarding Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Jiujiang Changwei International Shipping Agency Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans International Trade Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Wuhan Changjiang Shipping Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangdong Sinotrans Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Nanjing Changjiang Oil Transportation Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
RED BRAVES FINANCE LTD.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
SINOTRANS SHIPPING INC.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Anhui Direct Storage and Transportation Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Motor Vehicle Testing Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Beijing Sinotrans Auto Service Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Gangjifa Logistics Co.,Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Dalian Port Group Corporation Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Dalian Jifa International Freight Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Guangxi Sinotrans Jiuling Storage and Transportation Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Wusongkou International Cruise Port Development Co., Ltd	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Changhang Shipping Development Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Changjiang International Shipping Agency	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shanghai Merchants Minghua Shipping Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Shenzhen Nanyou (Holdings) Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Sichuan Co.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Yingkou Gangrong Big Data Co., LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Zhanjiang Port International Container Terminal Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Singapore Changhang International Shipping Limited	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Steamship Co., Ltd.	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
China Merchants Securities Asset Management Co. LTD	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Guangxi Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Jiangxi Company	Another enterprise controlled by the same controlling shareholder and the ultimate controlling party
Sinotrans Air Transportation (France) Co., Ltd.	A joint venture of the Group
DHL-Sinotrans International Air Courier Ltd.	A joint venture of the Group
Sinotrans Hongfeng (Shanghai) International Logistics Co., LTD	A joint venture of the Group
Sinotrans Anmaishi (Shanghai) International Aviation Express Delivery Co., Ltd.	A joint venture of the Group
New Land Bridge (Lianyungang) Terminal Company Limited	A joint venture of the Group
Sinotrans (Pakistan) Logistics Co. LTD	A joint venture of the Group
Rongyun (Xiamen) Supply Chain Co. LTD	A joint venture of the Group
Sinotrans Sharon Logistics Co. LTD	A joint venture of the Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Shanghai Huaxing International Container Freight Transportation Co., Ltd.	A joint venture of the Group
Ningbo Taiping Int'L Trade Transportation Co., Ltd.	A joint venture of the Group
Dongguan Sinotrans Kuasheng E-Commerce Co., Ltd.	A joint venture of the Group
Beijing Sinotrans Huali Logistics Co., Ltd.	A joint venture of the Group
Zhangjiagang Bonded Port Area Sinotrans Changjiang International Logistics Co., Ltd.	A joint venture of the Group
Sinotrans Suzhou Logistics Centre Co., Ltd.	A joint venture of the Group
Tangshan Port Sinotrans Shipping Agency Co., Ltd.	A joint venture of the Group
Shanghai Tong Yun International Logistics Co. LTD	A joint venture of the Group
Wuhan Zhonggang Logistics Co., Ltd.	A joint venture of the Group
Ningbo Dagang Container Co., Ltd.	A joint venture of the Group
Shenyang Jinyun Automobile Logistics Co., Ltd.	A joint venture of the Group
Sinotrans Turkey Co., Ltd.	A joint venture of the Group
Sinotrans (Philippines) Inc.	A joint venture of the Group
Sinotrans India Logistics Co. LTD	A joint venture of the Group
Nantong Comprehensive Bonded Zone Sinotrans Logistics Co. LTD	A joint venture of the Group
Changshu Zhonglian Tally Co.,Ltd.	A joint venture of the Group
Nissin-Sinotrans International Logistics Co., Ltd.	A joint venture of the Group
Shanghai Lianhe Cold Chain Logistics Co. Ltd.	A joint venture of the Group
Jiangsu Rixin Sinotrans International Transportation Co., Ltd.	A joint venture of the Group
Weihai Comprehensive Bonded Zone Hongxin Supply Chain Management Co. Ltd.	A joint venture of the Group
Sinotrans Pufis Logistics (Shanghai) Co., Ltd.	A joint venture of the Group
Sinotrans Luzhou Port Bonded Logistics Co., Ltd.	A joint venture of the Group
MAXX LOGISTICS LTD.	A joint venture of the Group
Dalian Jd Cargo International Co., Ltd.	A joint venture of the Group
Dongguan Port Container Terminals Co., Ltd.	A joint venture of the Group
Loscam Supply Chain Management (Jiaxing) Co., Ltd.	A joint venture of the Group
Shanghai Wai-Hong Yishida International Logistics Co., Ltd.	A joint venture of the Group
Shanghai Xinghan Shipping Agency Co., Ltd.	A joint venture of the Group
Shenyang Henglu Logistics Co., Ltd.	A joint venture of the Group
Sinotrans Philippines	A joint venture of the Group
Sinotrans Djibouti Co., Ltd.	A joint venture of the Group
Sinotrans Vietnam Co., Ltd.	A joint venture of the Group
Sinotrans Ossi International Express Co. LTD	A joint venture of the Group



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. RELATED PARTIES THAT TRANSACTED WITH THE GROUP BUT WITHOUT CONTROL RELATIONSHIP (CONTINUED)

Name of other related parties	Relationship with the Company
Sinovietnam Logistics Co. LTD	A joint venture of the Group
Weihai Weidong Shipping Co., Ltd.	An associate of the Group
Liaoning Sinotrans Constant Transportation Service Co., Ltd.	An associate of the Group
Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	An associate of the Group
Nantong Sinotrans Prince Port Storage Co., Ltd.	An associate of the Group
Nanjing Huaxing Loading and Unloading Service Co., Ltd.	An associate of the Group
Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	An associate of the Group
China Merchants Logistics Group Nanjing Co., Ltd.	An associate of the Group
Ma'Anshan Tianshun Port Co., Ltd.	An associate of the Group
Wuhan Port Container Co., Ltd.	An associate of the Group
Qingdao Huasheng Airport Logistics Co., Ltd.	An associate of the Group
Tianjin Shiyun Logistics Co., Ltd.	An associate of the Group
Jiangsu Jiangyin Port Group Co.,Ltd.	An associate of the Group
Yangzhou Comprehensive Protection Supply Chain Management Co., Ltd.	An associate of the Group
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	An associate of the Group
Qingdao Yujiachang Container Storage and Transportation Co., Ltd.	An associate of the Group
China International Exhibition Transportation Co., Ltd.	An associate of the Group
Tianjin Runfeng Logistics Co., Ltd.	An associate of the Group
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	An associate of the Group
Shanghai Pu'An Storage Co., Ltd.	An associate of the Group
Shenzhen Haixing Harbor Development Co.,Ltd.	An associate of the Group
Guangxi Yunyu Port Service Co., Ltd.	An associate of the Group
AMS Global Transportation Co., Ltd.	An associate of the Group
Shenzhen Haiyitong technology co. LTD	An associate of the Group
Sinotrans pufez yida (Shanghai) logistics co., LTD	An associate of the Group
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	An associate of the ultimate controlling party
China Merchants Bank Co., Ltd.	An associate of the ultimate controlling party
Ocean Network Express (China) Ltd.	Another related party
Ningbo Daxie Merchants International Terminal Co., Ltd.	Another related party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS:

(1) Pricing policy and basis

- 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, which was valid from 1 January 2018 to 31 December 2020. Pursuant to the new agreement, the pricing of the Group's connected transactions with China Merchants and its 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.

- 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.
- 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 1 January 2018 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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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions for the purchase and sale of goods and the provision and acceptance of services

1) Purchase of goods, acceptance of services

Name of other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
Other enterprises under the control of the same controlling shareholder and the ultimate controlling party	—	1,796,319,078.23	2,045,476,333.71
Sinotrans Container Lines Co., Ltd.	Transportation and related service	755,570,131.16	865,860,843.32
Sinotrans Sunny Express Co., Ltd.	Transportation and related service	374,534,000.60	366,644,407.38
China Merchants Nanjing Tanker Corporation	Transportation and related service	212,994,385.41	174,404,772.54
China Merchants Group Finance Co., Ltd.	Interest expenses	101,207,033.78	138,896,760.97
Beijing Sinotrans Motor Vehicle Testing Co., Ltd.	Transportation and related service	22,449,383.30	34,859,605.85
Beijing Sinotrans Land Transportation Co., Ltd.	Transportation and related service	22,356,200.91	3,144,580.48
Shenzhen Merchants Shekou International Cruise Home Port Co., Ltd.	Transportation and related service	21,347,667.86	29,855,745.00
Beijing Sinotrans Logistics Center Co., Ltd.	Transportation and related service	21,030,928.98	—
Shenzhen Chiwan Shipping & Transportation Co., Ltd.	Transportation and related service	19,015,428.87	—
Sinotrans & CSC Shanghai Qiantang Co., Ltd.	Transportation and related service	15,655,553.74	32,431,850.05
Zhengzhou merchants logistics co. LTD	Transportation and related service	15,093,761.17	—
Shanghai Changhang International Shipping Co., Ltd.	Transportation and related service	13,948,156.11	93,532,812.04
Dalian Container Terminal Co., Ltd.	Transportation and related service	12,261,193.00	—
Hebei Sinotrans Jiuling Storage and Transportation Co., Ltd.	Transportation and related service	11,896,642.81	6,442,048.14
Beijing Sinotrans Sanjianfang Warehouse Co., Ltd.	Transportation and related service	9,657,021.16	—
Sinotrans Suzhou Storage Co., Ltd.	Transportation and related service	8,285,551.45	5,193,777.41
China Merchants Bonded Logistics Co., Ltd.	Transportation and related service	8,201,157.00	—
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	8,121,390.32	7,950,249.36
Shanghai Sinotrans Zhanghuabang Storage & Transportation Co., Ltd.	Transportation and related service	8,071,189.39	6,844,259.26
Sinotrans Yinchuan Inland Portlogistics Co., Ltd.	Transportation and related service	7,748,353.99	2,606,335.59
Sinotrans Alashankou Company	Transportation and related service	7,162,544.64	5,035,834.97
China Merchants Property Management Co., Ltd.	Purchase of goods	7,034,429.34	—
China Merchants International Terminal (Qingdao) Co., Ltd.	Transportation and related service	6,731,603.22	4,921,179.26
Guangxi Sinotrans Pingxiang Co., Ltd.	Transportation and related service	6,410,408.36	15,429,686.92
Sinotrans Nantong Co., Ltd.	Transportation and related service	6,211,674.00	4,788,766.74
Guangxi Sinotrans Nanning Storage and Transportation Company	Transportation and related service	5,763,021.37	16,110,124.92
Shenzhen Changhang Ro-ro Logistics Co. LTD	Transportation and related service	5,390,280.94	—
Sinotrans Hebei Co., Ltd.	Transportation and related service	5,151,149.32	2,565,499.28
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Transportation and related service	4,838,408.65	—
Henan Sinotrans Bonded Logistics Co., Ltd.	Transportation and related service	4,213,765.26	10,104,325.94
China Changjiang Bunker (Sinopec) Co., Ltd.	Transportation and related service	4,061,450.01	11,021,161.54
Sinotrans Hebei Tangshan Company	Transportation and related service	3,995,435.30	12,461,583.69

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. 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 of goods, acceptance of services (continued)

Name of other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
China Merchants Container Services Limited	Transportation and related service	3,822,222.42	5,054,873.42
Guangxi Waiyun Nanning Warehousing and Transportation Company	Transportation and related service	3,172,406.00	-
Shenzhen Investment Promotion Real Estate Management Co., Ltd.	Purchase of goods	3,165,847.95	19,105,900.00
Changjiang International Freight Forwarding Co., Ltd.	Transportation and related service	3,118,171.16	2,643,404.82
Sinotrans Jiangsu C.F.S. Co., Ltd.	Transportation and related service	3,085,665.34	3,691,840.94
Sinotrans Shaanxi Co., Ltd.	Transportation and related service	2,874,678.83	2,692,542.75
Zhanjiang Port (Group) Co., Ltd.	Transportation and related service	2,862,975.84	-
Wuxi Xihui Sinotrans Warehousing Co., Ltd.	Transportation and related service	2,585,185.87	2,302,440.13
Yantai Anshun Automobile Transportation Co., Ltd.	Transportation and related service	2,540,831.07	2,118,777.73
Shenzhen Lianda Tug Co., Ltd.	Transportation and related service	2,405,011.32	-
Chongqing Changhang Yihua Shipping Co., Ltd.	Transportation and related service	2,371,187.39	-
Shanghai Xinyangshan Container Lines Co., Ltd.	Transportation and related service	2,369,033.95	2,704,324.03
Shanghai Foreign Trade Warehousing Island Jiefang Storage and Transportation Co., Ltd.	Transportation and related service	1,919,210.51	-
Sinotrans Neimenggu Co., Ltd.	Transportation and related service	1,837,086.76	5,999,971.36
Chongqing CSC Tianyi Logistics Co., Ltd.	Transportation and related service	1,625,004.09	-
Nantong Sinotrans Port Container Logistics Co., Ltd.	Transportation and related service	1,551,775.48	2,322,404.97
Sinotrans (Jiaxing) International Freight Forwarding Co., Ltd.	Transportation and related service	1,390,325.55	4,200,809.63
Henan Sinotrans Jiuling Storage and Transportation Company	Transportation and related service	1,271,526.59	4,178,334.23
Sinotrans Shanghai(Group)Property Development Co.,Ltd.	Transportation and related service	1,239,972.35	-
Sinotrans Gansu Co., Ltd.	Transportation and related service	1,236,488.69	3,097,497.43
Sinotrans Shanghai (Group) Co., Ltd.	Transportation and related service	1,235,872.32	-
Sinotrans Singapore Agency Limited	Transportation and related service	1,135,214.58	-
China Merchants Holdings (International) Information Technology Company Limited	Transportation and related service	1,100,541.50	-
Sinotrans Hunan Co., Ltd.	Transportation and related service	844,592.48	2,102,701.79
Tianjin Sinotrans Co., Ltd.	Transportation and related service	666,319.83	-
Hubei Sinotrans Cangma Logistics Co., Ltd.	Transportation and related service	360,007.68	465,548.23
Sinotrans Jiangsu Logistics Co.,Ltd	Transportation and related service	276,671.81	3,793,024.13
China Yangtze River Shipping Co., Ltd.	Transportation and related service	256,872.96	6,271,569.17
Sinotrans Qinhuangdao Co. LTD	Transportation and related service	37,910.42	32,859,039.98
Guangdong Trans Huangpu Co. LTD	Transportation and related service	23,315.76	-
Sinotrans Hainan Co., Ltd.	Transportation and related service	2,358.49	9,827,994.67
Xiamen Sinotrans Co., Ltd.	Transportation and related service	-	15,345,388.51
Sinotrans Fujian Hexi Warehousing And Transportation Co., Ltd.	Transportation and related service	-	5,523,391.47



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. 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 of goods, acceptance of services (continued)

Name of other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
Sinotrans & CSC International Merchant & Shipping (Hong Kong) Company Limited	Transportation and related service	–	4,495,829.30
Sinotrans Jiangsu Co., Ltd.	Transportation and related service	–	3,071,994.73
Sinotrans Guangxi Wuzhou Co., Ltd.	Transportation and related service	–	5,573,691.89
Sinotrans Guangxi Guigang Company	Transportation and related service	–	2,930,523.05
Far Rise Co., Ltd.	Transportation and related service	–	362,513.64
Sinotrans Suifenhe Logistics Co., Ltd.	Transportation and related service	–	2,385,093.24
Hunan Sinotrans Jiuling Storage and Transportation Co., Ltd.	Transportation and related service	–	3,124,725.39
Anhui Waiyun Wuhu Zhujiqiao Storage and Transportation Co. LTD	Transportation and related service	–	2,239,037.28
Chongqing Changjinan Shipping Co., Ltd.	Transportation and related service	–	8,184,654.23
Other	Transportation and related service	7,525,491.82	25,700,280.92
Joint venture	—	436,245,276.18	365,480,348.95
Sinotrans Air transportation (France) Co., Ltd.	Transportation and related service	90,325,213.53	126,507,782.61
DHL-Sinotrans International Air Courier Ltd.	Transportation and related service	81,371,482.36	88,017,015.69
Sinotrans Hongfeng (Shanghai) international logistics co., LTD	Transportation and related service	61,805,178.79	8,448,128.15
Sinotrans Anmaishi (Shanghai) International Aviation Express Delivery Co., Ltd.	Transportation and related service	59,877,139.06	32,970,610.19
(Lianyungang) Terminal Company Limited	Transportation and related service	40,099,123.00	32,199,530.44
Sinotrans (Pakistan) Logistics Co. LTD	Transportation and related service	16,839,671.32	12,097,280.11
Rongyun (Xiamen) Supply Chain Co. LTD	Transportation and related service	14,570,445.90	–
Sinotrans Sharon Logistics Co. LTD	Transportation and related service	14,284,822.22	4,100,957.24
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Transportation and related service	7,571,134.19	10,617,056.82
Ningbo Taiping Int'L Trade Transportation Co., Ltd.	Transportation and related service	7,416,922.20	–
Dongguan Sinotrans Kuasheng E-Commerce Co., Ltd.	Transportation and related service	7,048,163.00	6,562,865.18
Beijing Sinotrans Huali Logistics Co., Ltd.	Transportation and related service	5,288,284.38	4,022,428.76
Zhangjiagang Bonded Port Area Sinotrans Changjiang International Logistics Co., Ltd.	Transportation and related service	3,946,812.36	–
Sinotrans Suzhou Logistics Centre Co., Ltd.	Transportation and related service	3,942,156.03	7,632,169.51
Tangshan Port Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	2,998,826.45	2,688,864.39
Shanghai Tong Yun International Logistics Co. LTD	Transportation and related service	2,804,013.15	2,778,719.44
Wuhan Zhonggang Logistics Co., Ltd.	Transportation and related service	2,574,493.37	–
Ningbo Dagang Container Co., Ltd.	Transportation and related service	2,572,706.83	–
Shenyang Jinyun Automobile Logistics Co., Ltd.	Transportation and related service	2,300,783.04	–
Sinotrans Turkey Co., Ltd.	Transportation and related service	2,155,591.73	–
Sinotrans (Philippines) Inc.	Transportation and related service	1,632,212.93	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. 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 of goods, acceptance of services (continued)

Name of other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
Sinotrans India Logistics Co. LTD	Transportation and related service	1,582,934.72	2,447,427.59
Nantong Comprehensive Bonded Zone Sinotrans Logistics Co. LTD	Transportation and related service	1,043,794.97	—
Changshu Zhonglian Tally Co., Ltd.	Transportation and related service	—	11,220,274.04
Other	Transportation and related service	2,193,370.65	13,169,238.79
Associates	—	305,759,222.86	166,498,872.32
Weihai Weidong Shipping Co., Ltd.	Transportation and related service	63,052,221.30	39,131,618.42
Liaoning Sinotrans Constant Transportation Service Co., Ltd.	Transportation and related service	44,869,385.64	28,875,159.10
Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	Transportation and related service	34,327,709.49	33,523,324.71
Nantong Sinotrans Prince Port Storage Co., Ltd.	Transportation and related service	31,312,680.95	—
Nanjing Huaxing Loading and Unloading Service Co., Ltd.	Transportation and related service	29,614,562.88	19,848,546.21
Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	Transportation and related service	25,586,457.18	—
China Merchants Logistics Group Nanjing Co., Ltd.	Transportation and related service	17,037,868.18	10,596,268.07
Ma'Anshan Tianshun Port Co., Ltd.	Transportation and related service	14,024,720.38	12,365,339.48
Wuhan Port Container Co., Ltd.	Transportation and related service	12,533,908.98	4,746,063.20
Qingdao Huasheng Airport Logistics Co., Ltd.	Transportation and related service	9,006,775.93	8,201,723.79
Tianjin Shiyun Logistics Co., Ltd.	Transportation and related service	6,425,575.10	—
Jiangsu Jiangyin Port Group Co., Ltd.	Transportation and related service	5,719,682.78	—
Yangzhou Comprehensive Protection Supply Chain Management Co., Ltd.	Transportation and related service	4,301,718.13	—
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	Transportation and related service	4,068,847.39	—
Qingdao Yujiachang Container Storage and Transportation Co., Ltd.	Transportation and related service	2,114,210.12	2,320,137.05
China International Exhibition Transportation Co., Ltd.	Transportation and related service	187,395.49	2,082,355.66
Other	Transportation and related service	1,575,502.94	4,808,336.63
An associate of the ultimate controlling party	—	1,020,178.08	15,236,599.16
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Transportation and related service	141.51	—
China Merchants Bank Co., Ltd.	Interest expenses	1,020,036.57	15,236,599.16
Other related parties	—	430,790,947.25	—
Ocean Network Express (China) Ltd.	Transportation and related service	407,426,314.13	—
Ningbo Daxie Merchants International Terminal Co., Ltd.	Transportation and related service	23,364,633.12	—
Total services accepted	—	2,970,134,702.60	2,592,692,154.14



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. 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 other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
Other enterprises under the control of the same controlling shareholder and the ultimate controlling party	—	1,405,044,825.93	842,650,534.17
Sinotrans Container Lines Co., Ltd.	Transportation and related service	732,777,273.71	207,201,228.58
Jiaxing Sinotrans Shipping Agency Co., Ltd.	Transportation and related service	198,939,055.22	111,403,626.71
Sinotrans Sunny Express Co., Ltd.	Transportation and related service	130,118,673.53	142,168,087.09
Sinotrans & CSC Shanghai Qiantang Co., Ltd	Transportation and related service	71,667,242.57	50,154,216.63
China Merchants Group Finance Co., Ltd.	Interest expenses	52,235,637.60	43,121,855.32
Hong Kong Minghua shipping co. LTD	Transportation and related service	19,900,553.52	—
China Merchants Nanjing Tanker Corporation	Transportation and related service	19,011,613.81	2,847,157.74
Chongqing Changhang Yihua Shipping Co., Ltd.	Transportation and related service	13,886,608.97	30,164,904.69
Shanghai Changhang International Shipping Co., Ltd.	Transportation and related service	12,764,911.62	2,055,399.90
Sinotrans Gansu Co., Ltd.	Transportation and related service	12,229,740.01	17,593,969.48
Hebei Shijiazhuang Yuanshi Sinotrans Warehousing Logistics Co., Ltd.	Transportation and related service	11,551,588.15	—
China Merchants Heavy Industry (Jiangsu) Co., Ltd.	Transportation and related service	10,173,834.62	11,221,172.23
Wuhan Changwei International Shipping Industry Co., Ltd.	Transportation and related service	9,855,246.23	—
Henan Sinotrans Bonded Logistics Co., Ltd.	Transportation and related service	9,690,757.06	5,563,570.59
Changjiang International Freight Forwarding Co., Ltd.	Transportation and related service	7,539,484.14	—
ASSOCIATED MARITIME COMPANY (HONG KONG) LIMITED	Transportation and related service	7,534,559.63	—
Associated Maritime Company Inc.	Transportation and related service	6,274,623.57	—
Beijing Sinotrans Motor Vehicle Testing Co., Ltd.	Transportation and related service	6,202,792.51	—
China Merchants International Terminal (Qingdao) Co., Ltd.	Transportation and related service	4,291,294.93	—
Tianjin Sinotrans Co., Ltd.	Transportation and related service	3,973,460.77	10,259,198.29
China Yangtze River Shipping Co., Ltd.	Transportation and related service	3,603,821.80	2,799,528.08
Sinotrans Suzhou Storage Co., Ltd.	Transportation and related service	3,303,935.10	—
Nanjing Jinling Shipyard Co., Ltd.	Transportation and related service	3,299,550.78	4,095,528.17
Nanjing YangYang Chemicals Transport & Trade Co., Ltd.	Transportation and related service	2,746,183.77	1,014,482.85
China Merchants Port Service (Shenzhen) Co., Ltd.	Transportation and related service	2,734,042.18	—
China Merchants Food (Shenzhen) Co., Ltd.	Transportation and related service	2,591,671.55	2,710,862.07
Shanghai Foreign Trade Warehousing Island Jiefang Storage and Transportation Co., Ltd.	Transportation and related service	2,462,028.27	—
Beijing Sinotrans Land Transportation Co., Ltd.	Transportation and related service	2,417,579.61	21,291,051.67
Shenzhen Merchants Shekou Asset Management Co., Ltd.	Transportation and related service	2,358,490.57	—
Changhang Freight Co., Ltd.	Transportation and related service	2,239,996.80	—
Shenzhen Xunlong Shipping Co., Ltd.	Transportation and related service	2,221,884.00	—
Shanghai Foreign Trade Yangxing Storage And Transportation Co., Ltd.	Transportation and related service	2,221,698.08	—
Sinotrans Jiangsu Logistics Co., Ltd	Transportation and related service	2,110,950.46	—
Sinotrans Container Lines (Hong Kong) Co., Ltd.	Transportation and related service	2,083,026.02	19,002,791.21

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. 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 other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
Sinotrans Hebei Co., Ltd.	Transportation and related service	1,990,398.84	128,807.32
Long Haul Cargo Co. LTD	Transportation and related service	1,945,175.92	–
Sinotrans Neimenggu Co., Ltd.	Transportation and related service	1,735,402.89	3,543,152.40
Sinotrans Henan Co., Ltd.	Transportation and related service	1,669,685.00	–
Sinotrans Yinchuan Inland Portlogistics Co., Ltd.	Transportation and related service	1,613,768.64	–
Nanjing Petroleum Transportation Co., Ltd.	Transportation and related service	1,569,931.78	–
Jiujiang Changwei international freight forwarding Co., Ltd.	Transportation and related service	1,416,544.82	–
Shanghai Xinyangshan Container Lines Co., Ltd.	Transportation and related service	1,401,220.80	2,060,855.21
Sinotrans Shaanxi Co., Ltd.	Transportation and related service	1,143,027.39	3,691,190.18
Jiujiang Changwei International Shipping Agency Co., Ltd.	Transportation and related service	1,086,183.66	13,056,276.10
Chongqing CSC Tianyi Logistics Co., Ltd.	Transportation and related service	1,046,698.24	–
Hubei Sinotrans Cangma Logistics Co., Ltd.	Transportation and related service	863,988.78	10,152,133.13
Sinotrans Alashankou Company	Transportation and related service	319,215.21	3,132,777.72
Sinotrans Hunan Co., Ltd.	Transportation and related service	253,047.00	2,801,468.00
Guangxi Sinotrans Pingxiang Co., Ltd.	Transportation and related service	219,244.85	2,343,781.00
Beijing Sinotrans Logistics Center Co., Ltd.	Transportation and related service	151,641.50	34,340,753.44
Hebei Sinotrans Jiuling Storage and Transportation Co., Ltd.	Transportation and related service	39,664.52	4,775,392.62
Huangshi Sinotrans International Freight Forwarding Co., Ltd.	Transportation and related service	19,592.38	5,425,426.80
Sinotrans International Trade Co., Ltd.	Transportation and related service	9,064.00	3,678,681.10
Beijing Sinotrans Sanjianfang Warehouse Co., Ltd.	Transportation and related service	–	8,546,866.74
Sinotrans Hainan Co., Ltd.	Transportation and related service	–	6,295,470.48
Sinotrans Guangxi Wuzhou Co., Ltd.	Transportation and related service	–	18,507,896.47
Wuhan Changjiang Shipping Co., Ltd.	Transportation and related service	–	8,300,997.45
Other	Transportation and related service	9,537,518.55	27,199,976.71
Joint ventures	—	217,026,954.81	332,262,456.30
DHL-Sinotrans International Air Courier Ltd.	Transportation and related service	51,753,489.33	50,181,629.98
Sinotrans Anmaishi (Shanghai) International Aviation Express Delivery Co., Ltd.	Transportation and related service	47,172,062.67	15,670,288.19
Shanghai Tong Yun International Logistics Co. LTD	Transportation and related service	33,672,251.60	10,727,194.27
Nissin-Sinotrans International Logistics Co., Ltd.	Transportation and related service	21,276,475.79	25,735,142.68
Shanghai Lianhe Cold Chain Logistics Co. Ltd.	Transportation and related service	9,690,111.07	9,007,521.64
Jiangsu Rixin Sinotrans International Transportation Co., Ltd.	Transportation and related service	9,334,213.23	9,515,746.49
Sinotrans Air Transportation (France) Co., Ltd.	Transportation and related service	9,027,498.99	–
Sinotrans Hongfeng (Shanghai) International Logistics Co., LTD	Transportation and related service	5,170,598.33	10,045,027.31
MAXX LOGISTICS LTD.	Transportation and related service	4,135,206.04	3,962,780.56
Sinotrans Sharon Logistics Co. LTD	Transportation and related service	4,020,920.76	–
Beijing Sinotrans Huali Logistics Co., Ltd.	Transportation and related service	3,910,444.28	18,457,103.26



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. 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 other related parties	Content of related party transactions	Amount of the current year	Amount of the previous year
Weihai Comprehensive Bonded Zone Hongxin Supply Chain Management Co. Ltd.	Transportation and related service	3,839,610.62	—
Rongyun (xiamen) supply chain co. LTD	Transportation and related service	3,510,812.37	2,266,145.60
Zhangjiagang Bonded Port Area SinoTrans Changjiang International Logistics Co., Ltd.	Transportation and related service	3,440,358.52	—
Ningbo Taiping Int'L Trade Transportation Co., Ltd.	Transportation and related service	1,367,656.93	159,494,195.04
Dongguan SinoTrans Kuasheng E-Commerce Co., Ltd.	Transportation and related service	1,305,142.94	1,617,028.05
SinoTrans (Pakistan) Logistics Co. LTD	Transportation and related service	258,601.83	2,393,288.29
Shanghai Huasing International Container Freight Transportation Co., Ltd.	Transportation and related service	224,439.87	2,272,304.51
SinoTrans Pufis Logistics (Shanghai) Co., Ltd.	Transportation and related service	146,167.06	321,409.73
Dongguan Port Container Terminals Co., Ltd.	Interest expenses	1,266,836.69	3,301,909.45
SinoTrans Suzhou Logistics Centre Co., Ltd.	Interest expenses	666,187.50	693,500.00
SinoTrans Luzhou Port Bonded Logistics Co., Ltd.	Interest expenses	272,000.00	288,000.00
Other	Transportation and related service	1,565,868.39	6,312,241.25
Associates	—	152,322,735.86	88,817,966.48
Weihai Weidong Shipping Co., Ltd.	Transportation and related service	83,096,195.42	7,942,262.87
Tianjin Shiyun Logistics Co., Ltd.	Transportation and related service	12,402,455.21	27,822,429.85
Tianjin Runfeng Logistics Co., Ltd.	Transportation and related service	11,655,030.00	9,421,515.81
China Merchants Logistics Group Nanjing Co., Ltd.	Transportation and related service	10,284,186.29	5,546,823.88
Nantong sinoTrans prince port storage Co., Ltd.	Transportation and related service	9,497,440.03	—
Shenyang Fuyun Cold Chain Logistics Co., Ltd.	Transportation and related service	6,071,428.56	8,095,238.08
SinoTrans huajie international logistics (Beijing) Co., Ltd.	Transportation and related service	4,101,931.97	7,354,856.73
Qingdao Yujiachang Container Storage and Transportation Co., Ltd.	Transportation and related service	2,160,580.87	5,770,346.10
China International Exhibition Transportation Co., Ltd.	Transportation and related service	1,321,335.28	2,533,354.28
Zhongxin Southbound Channel (Chongqing) Logistics Development Co., Ltd.	Transportation and related service	100,864.83	6,036,653.99
Shanghai Pu'An Storage Co., Ltd.	Interest expenses	4,498,591.47	4,982,887.84
Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	Interest expenses	4,370,736.99	—
Other	Transportation and related service	2,761,958.94	3,311,597.05
Associates of the ultimate controlling party	—	339,001,960.83	80,843,384.94
COFCO Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	Transportation and related service	327,573,841.06	70,437,751.10
China Merchants Bank Co., Ltd.	Transportation and related service	79,159.14	—
China Merchants Bank Co., Ltd.	Interest expenses	11,348,960.63	10,405,633.84
Other related parties	—	45,318,630.85	—
Ocean Network Express (China) Ltd.	Transportation and related service	45,318,630.85	—
Total services accepted	—	2,158,715,108.28	1,344,574,341.89

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Related entrusted management

On January 1, 2017, the Company and Sinotrans & CSC renewed the "Custody Agreement", which agreed that Sinotrans & CSC will trust the operations and management of some of its subsidiaries to the company. Costs are custody fees charged by Sinotrans & CSC based on the custody costs determined on the basis of pricing. The custody period is from January 1, 2017 to December 31, 2018. The custody fee is RMB10,377,358.50 per year.

In January 2019, the company and Sinotrans & CSC renewed the "Custody Agreement" and continued to be entrusted to manage some of the subsidiaries of Sinotrans & CSC. The trusteeship period was from January 1, 2019 to December 31, 2021. The fee is divided into a fixed part and a floating part, of which the fixed part is RMB15 million per year, and the floating part is determined according to factors such as the adoption of the "one enterprise, one strategy" plan and the completion of the operating profit of the entrusted enterprise.

(4) Related leases

1) The Group as the lessor

Name of lessee	Type of leased assets	Rental income recognised for current year	Rental income recognised for the previous year
Sinotrans Container Lines Co.	Transportation equipments	41,455,524.99	56,005,180.62
Sinotrans Sunshine Express Co.	Buildings, transportation equipments	26,203,537.39	28,653,818.08
Sinotrans Container Lines (Hong Kong) Co.	Transportation equipments	23,836,219.85	16,356,530.87
Shenyang Fuyun Cold Chain Logistics Co.	Buildings	6,071,428.56	—
Chongqing Changhangyi Logistics Co.	Transportation equipments	2,841,380.08	690,699.29
China Yangzijiang Shipping Co.	Transportation equipments	2,304,868.38	2,020,575.73
Shanghai SIPG Container Storage Service Co.	Buildings, transportation equipments	597,406.60	632,475.34
Chongqing Yangtze River Shipping Co.	Transportation equipments	—	1,362,163.87
Sinotrans Shanghai (Group) Co.	Furniture	—	6,839,085.84
China Merchants Port (Shenzhen) Co.	Buildings	—	972,817.92
Others	Buildings, transportation equipment, other assets	809,350.09	1,185,854.30
Total	—	104,119,715.94	114,719,201.86



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related leases (continued)

2) The Group as the lessee

Name of lessor	Type of leased assets	Rental fee for current year (based on the former lease standard)	Rental fee for the previous year
Beijing Aocheng Wuhe Real Estate Co., Ltd.	Land and buildings	53,135,154.48	59,587,646.02
Sinotrans Shanghai (Group) Co., Ltd.	Land and buildings	16,033,845.51	20,020,370.59
Shenzhen Shekou New Times Real Estate Management Co., Ltd.	Land and buildings	8,250,124.86	6,803,104.76
Fujian Sinotrans Majiang Storage & Transportation Co., Ltd.	Land and buildings	6,697,656.00	–
Shandong Sinotrans Co., Ltd.	Land and buildings	5,965,484.59	6,684,498.64
China Merchants International Terminal (Qingdao) Co., Ltd.	Land and buildings	4,623,478.87	1,710,179.58
Liaoning Sinotrans Co., Ltd.	Land and buildings	2,687,628.94	4,792,424.87
Guangdong Sinotrans Huangpu Co., Ltd.	Land and buildings	2,535,309.95	2,462,227.92
Sinotrans Jinling Co., Ltd.	Land and buildings	2,451,800.88	2,591,220.30
Tianjin Sinotrans Binhai Logistics Management Co., Ltd.	Land and buildings	1,445,448.58	2,435,589.76
Fujian Outer Canal West Storage and Transportation Co., Ltd.	Land and buildings	1,210,490.40	–
Tianjin Sinotrans Co., Ltd.	Land and buildings	1,189,669.35	1,803,630.42
Shenzhen China Merchants Venture Co., Ltd.	Land and buildings	1,152,283.09	–
Beijing Haichang Building Co., Ltd.	Land and buildings	1,139,208.78	–
Suzhou Sinotrans Storage Co., Ltd.	Land and buildings	1,122,152.88	–
China Merchants Bonded Logistics Co., Ltd.	Land and buildings	1,073,773.97	6,378,032.20
Ningbo Sinotrans Logistics Co., Ltd.	Land and buildings	600,000.00	1,200,000.00
China Merchants Shekou Industrial Zone Holding Co., Ltd.	Land and buildings	572,596.57	620,631.35
Shandong Sinotrans Yantai Co., Ltd.	Land and buildings	565,863.76	904,391.11
Xiamen Sinotrans Co., Ltd.	Land and buildings	461,975.72	1,430,298.81
Sinotrans Lianyungang Co., Ltd.	Land and buildings	400,000.00	1,147,561.90
Sinotrans (Shenzhen) Co., Ltd.	Land and buildings	53,300.00	717,993.22
Shenzhen China Merchants Property Management Co., Ltd.	Land and buildings	–	1,437,576.48
China Outer Canal North Co., Ltd.	Land and buildings	–	343,849.24
Shenzhen Nanyou (Group) Co., Ltd.	Land and buildings	–	1,055,498.19
Qingdao Huasheng Airport Logistics Co., Ltd.	Land and buildings	–	1,091,235.84
Henan Sinotrans Jiuling Storage and Transportation Company	Land and buildings	–	4,132,948.56
other	Land and buildings	2,645,482.91	2,301,389.65
Total	—	116,012,730.09	131,652,299.41

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related guarantees

1) The Group as the guarantor

Financing guarantees:

Guaranteed parties	Guaranteed balance in the end of the year	Guaranteed balance at the beginning of the year	Starting date of the guarantee	Maturity date of the guarantee	Whether the guarantee has been fulfilled
China Merchants Shipping Enterprise Co., Ltd.	2,300,000,000.00	2,300,000,000.00	2018-6-24	2021-6-24	No
CHINA ASSESS INVESTMENT LIMITED	1,279,148,652.00	1,251,161,028.00	2017-12-22	2020-12-22	No
China Merchants Shipping Enterprise Co., Ltd.	852,765,768.00	834,107,352.00	2017-12-22	2020-12-22	No
China Merchants China-Belarus Commercial trading Logistics Co., Ltd.	443,928,962.84	601,568,957.74	2016-5-31	2031-5-30	No
Jiangmen High-tech Port Development Co., Ltd.	187,652,588.56	560,000,000.00	2018-12-18	2021-12-17	No
Shanghai Sinotrans Cold Chain Logistics Co., Ltd.	155,303,811.32	120,740,648.03	2017-3-29	2032-3-26	No
Shenzhen Haixing Port Development Co., Ltd.	98,340,000.00	-	2019-7-1	2037-7-1	No
Dongguan Port Container Port Affairs Co., Ltd.	16,383,681.74	17,419,500.00	2015-8-27	2023-1-9	No
Sinotrans Sharon Logistics Co., Ltd.	14,937,055.48	14,937,055.48	2016-7-1	2021-6-30	No
Sinotrans Logistics Co., Ltd.	-	130,000,000.00	2017-12-25	2020-12-25	Yes
Sinotrans Luzhou Port Bonded Logistics Co., Ltd.	-	19,380,000.00	2017-1-10	2022-1-10	Yes
Sinotrans (Hong Kong) Logistics Co., Ltd.	-	343,160,000.00	2017-6-6	2020-6-6	Yes
China Merchants Logistics Shenzhen Co., Ltd.	-	55,000,000.00	2017-10-20	2019-10-19	Yes
Hongguang Development Co., Ltd.	-	683,436,000.00	2018-6-5	2019-6-6	Yes

Credit guarantees:

The Group provides guarantees for its subsidiaries to apply for credit lines to China Merchants Group Finance Co., Ltd. and China Merchants Bank Co., Ltd. The validity period of the credit is generally one year, and the credit line can be used in a rolling cycle within the valid period. As of December 31, 2019, the Group provided a credit guarantee line for its subsidiaries of RMB439,500,000.00.

Operating guarantees:

The Group provides operational guarantees for its subsidiaries and joint ventures to operate project logistics, loading and unloading operations, bidding operations, ocean shipping booking agents, warehousing services and other asset transactions for the above-mentioned operations. On the 31 December 2019, the balance of operating guarantees provided to subsidiaries and joint ventures was RMB18,240,802.86.



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related guarantees (continued)

2) The Group as the guaranteed party

Guarantor	Guaranteed balance in the end of the year	Guaranteed balance at the beginning of the year	Starting date of the guarantee	Maturity date of the guarantee	Whether the guarantee has been fulfilled
China Merchants Holdings (Hong Kong) Company Limited (Note)	1,286,772,386.95	1,291,557,005.68	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 RMB2,540.98 million). China Merchants Group (Hong Kong) Co., Ltd., a related party of the Company, provided full guarantee

(6) Related party funding arrangement

Related party	Loan amount	Starting date	Maturity date	Description
Borrowed				
China Merchants Group Finance Co., Ltd.	500,000,000.00	2018-01-02	2020-04-16	Non-current liabilities due within one year
China Merchants Group Finance Co., Ltd.	100,000,000.00	2019-12-17	2022-12-17	Long term loan
Guangdong Sinotrans Co., Ltd.	91,938,455.02	2013-08-22	2023-08-21	Long term receivables
Sinotrans & CSC	80,718,773.77	2014-09-28	No fixed expiration period	Long term receivables
Sinotrans & CSC	20,000,000.00	2016-03-27	2034-03-06	Long term receivables
Lent				
Sinotrans Suzhou Logistics Center Co., Ltd.	49,875,000.00	2016-8-17	2026-8-17	Long term receivables and Non-current assets due within one year
Shanghai Pu'an Storage Co., Ltd.	34,880,000.00	2017-4-18	2024-12-30	Long term receivables and Non-current assets due within one year

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Remuneration of directors, supervisors, general managers and senior managers

1) Remuneration of directors, supervisors and general managers

Items	Amount for current year	Amount for the prior year
Directors:	—	—
Fee	589,473.76	444,117.65
Other remuneration	—	—
— Wages, allowances and non-cash benefits	2,573,850.85	3,824,058.13
— Discretionary bonuses	1,577,113.54	3,570,000.00
— Contributions under the pension plan	432,471.01	540,304.25
Supervisors:	—	—
Fee	190,476.16	166,168.73
Other remunerations	—	—
— Wages, allowances and non-cash benefits	667,202.96	300,322.50
— Discretionary bonuses	690,189.00	381,945.00
— Contributions under the pension plan	189,656.76	83,282.46

Note: The directors' fees disclosed above include RMB589,473.76 paid to independent non-executive directors (previous year: RMB444,117.65).



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Remuneration of directors, supervisors, general managers and senior managers (continued)

2) Scope of remuneration of directors, supervisors and general managers

Items	Fee of directors	Wages, allowances and non-cash benefits	Discretionary bonuses	Contributions under the pension plan	Total
Directors:					
— Guan Peng Li	-	1,125,988.98	735,000.00	179,964.48	2,040,953.46
— De Xing Song	-	-	-	-	-
— Rong Song	-	1,060,488.98	689,150.00	166,803.48	1,916,442.46
— Jian Su	-	-	-	-	-
— Xian Liang Xiong	-	-	-	-	-
— Jian Jiang	-	-	-	-	-
— Ke Wei Xu	-	-	-	-	-
— Tai Wen Wang	147,368.44	-	-	-	147,368.44
— Yan Meng	147,368.44	-	-	-	147,368.44
— Hai Qing Song	147,368.44	-	-	-	147,368.44
— Qian Li	147,368.44	-	-	-	147,368.44
— Hong Wang(Resignation)	-	-	-	-	-
— Lin Wang (Resignation)	-	139,844.02	152,963.54	45,468.52	338,276.08
— Xue Ming Wu (Resignation)	-	247,528.87	-	40,234.53	287,763.40
Supervisors:					
— Ying Jie Liu	-	-	-	-	-
— Fang Sheng Zhou	95,238.08	-	-	-	95,238.08
— Zhao Ping Fan	95,238.08	-	-	-	95,238.08
— Dong Xiao Ren	-	299,496.98	314,875.00	88,172.04	702,544.02
— Zheng Mao	-	367,705.98	375,314.00	101,484.72	844,504.70
Directors:					
— Hong Wang	-	-	-	-	-
— De Xing Song	-	-	-	-	-
— Guan Peng Li	-	1,119,574.50	1,050,000.00	140,470.62	2,310,045.12
— 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
Supervisors:					
— Fang Sheng Zhou	107,352.94	-	-	-	107,352.94
— Zhao Ping Fan	58,815.79	-	-	-	58,815.79
— Dong Xiao Ren	-	300,322.50	381,945.00	83,282.46	765,549.96

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Remuneration of directors, supervisors, general managers and senior managers (continued)

2) Scope of remuneration of directors, supervisors and general managers (continued)

Note: Director Guanpeng Li concurrently served as the general manager of the company in the previous year, and his salary in the previous year includes his remuneration as general manager; he resigned as general manager in April 2019;

The director Lin Wang is also the deputy general manager of the Company and the chairman of Sinotrans Eastern, a wholly-owned subsidiary of the Company, and the above salary includes his remuneration for the above positions. He resigned as the director in April 2019.

Director Xueming Wu also served as the deputy general manager of the company last year, and his salary last year included his remuneration as a deputy general manager; resigned as a director in April 2019;

Hong Wang resigned as a director in February 2019;

Jian Su, Xianliang Xiong and Jian Jiang have served as directors since 5 June 2019.

3) The director Hong Wang, Dexing Song, Kewei Xu, Jian Su, Xianliang Xiong and Jian Jiang have not received remuneration from the Company for current year.

4) Five highest paid individuals

2 of the top five highest paid employees this year were directors (previous year: 3). Details of their compensation are set out above. The remuneration details of the remaining 3 (previous year: 2) non-directors and non-supervisors' top employees this year are as follows:

Items	Amount for current year	Amount for the prior year
Salary, allowance and non-cash benefits	2,518,536.06	1,681,734.63
Discretionary bonuses	1,617,000.00	1,575,000.00
Contributions to the pension scheme	374,929.14	227,635.03

The number of highest paid individuals with remuneration within the following bands who are not directors or supervisors is as follows:

Item	The number of individuals for current year	The number of individuals for the prior year
Less than HK\$1,000,000	0	0
HK\$1,000,001 to HK\$1,500,000	0	0
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	0	0



Chapter 12 Financial Report

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Remuneration of directors, supervisors, general managers and senior managers (continued)

5) Except for Director Dexing Song, Director Jian Su, Director Xianliang Xiong, Director Jian Jiang and Director Kewei Xu who did not receive remuneration from the Company this year, none of the directors of the company waived or agreed to waive any remuneration. During the previous record period, the Company did not pay any remuneration to any directors, supervisors or the five highest paid individuals as an incentive to attract them to join or upon joining the company or as compensation for termination.

6) Key management remuneration

Key management remuneration (including amounts paid and payable to directors, supervisors and senior management) are as follows:

Item	Amount for current year	Amount for the prior year
Salary, allowance and non-cash benefits	8,262,311.14	8,664,804.13
Discretionary bonuses	5,568,839.00	8,099,445.00
Contributions to the pension scheme	1,332,172.38	1,205,840.09
Total	15,163,322.52	17,970,089.22

(8) Transfer of assets by related parties

Related party	Content of related party transactions	Amount for current year	Amount for the prior year
Guangdong Sinotrans Co., Ltd	Equity investment transfer	75,610,000.00	–
Nanjing Changjiang Oil Transportation Co., Ltd.	Equity investment transfer	14,791,047.00	–
Sinotrans Shanghai (Group) Co., Ltd.	Equity investment transfer	6,296,520.00	–
Beijing Sinotrans Logistics Center Co., Ltd.	Transfer of intangible assets	249,622.65	–
Changhang Cargo Co., Ltd.	Transfer of fixed assets	–	52,747,074.11
China Merchants Shekou Industrial Zone Holding Co., Ltd.	Transfer of fixed assets	–	7,554,285.85

(9) Deposit of related parties

The difference between the Group's deposits and withdrawals at China Merchants Bank Co., Ltd. from January to December 2019 was a net deposit of RMB101,535,257.74. From January to December 2019, there were deposits and withdrawals with China Merchants Group Finance Co., Ltd. The balance of the deposit was a net deposit of RMB303,206,346.65.

(10) Trademark license

The Group signed a Trademark Licensing Agreement with Sinotrans & CSC in March 2015, authorizing the Group to use ten trademarks, including Sinotrans & CSC's registration number 779072, for a period of 1 March 2015 to 28 February 2025.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(11) Other

On 19 December 2019, the company's first Renminbi-oriented asset-backed notes for the year 2019 (hereinafter referred to as the "current notes") were issued by the China Interbank Market Dealers Association with a total issued amount of RMB1.1 billion. On 20 December 2019, the issuance of notes for this period was completed to raise funds. China Merchants Securities Co., Ltd., as the co-lead underwriter of the notes, purchased asset-backed notes for RMB162.5 million.

(12) Balances of major claims and debts

Items	Name of related parties	31 December 2019	31 December 2018	
Bank deposit	Other enterprises controlled by the same parent company and ultimate controlling party	3,840,372,185.49	3,537,165,838.84	
	China Merchants Group Finance Co., Ltd.	3,840,372,185.49	3,537,165,838.84	
	Associate of the ultimate controlling party	408,188,903.10	306,653,645.36	
	China Merchants Bank Co., Ltd.	408,188,903.10	306,653,645.36	
Accounts receivables	Other enterprises controlled by the same parent company and ultimate controlling party	85,156,846.14	79,348,101.20	
	Sinotrans Container Lines Co., Ltd.	20,334,447.39	21,148,836.85	
	Sinotrans Sunshine Express Co., Ltd.	19,237,755.12	21,140,421.58	
	Sinotrans Container Lines (Hong Kong) Co., Ltd.	3,953,575.52	6,353,674.71	
	Sinotrans Gansu Co., Ltd.	3,636,796.73	6,640,249.97	
	Shanghai China Merchants Minghua Shipping Co., Ltd.	3,147,066.90	–	
	Changhang International Shipping (Singapore) Company	3,015,842.48	–	
	China Merchants Nanjing Oil Transportation Co., Ltd.	2,964,915.99	1,292,245.55	
	Shenzhen China Merchants Shekou Asset Management Co., Ltd.	2,500,000.00	–	
	Far rise Co., Ltd.	2,376,662.87	2,902,664.27	
	Beijing Sinotrans Land Transport Co., Ltd.	2,350,626.45	–	
	Sinotrans Inner Mongolia Co., Ltd.	2,227,976.07	–	
	Henan Sinotrans Bonded Logistics Co., Ltd.	2,181,245.67	1,908,992.33	
	Chongqing Wanqiao Transportation Technology Development Co., Ltd.	2,010,832.20	5,410,832.20	
	Dalian Port Jifa Logistics Co., Ltd.	1,507,794.40	–	
	Chongqing Changhang Yihua Shipping Co., Ltd.	1,408,699.44	–	
	Changjiang International Freight Forwarding Co., Ltd.	1,204,053.07	–	
	China Merchants International Terminal (Qingdao) Co., Ltd.	1,006,844.56	–	
	Sinotrans International Trade Co., Ltd.	185,368.00	1,273,467.30	
	Hebei Sinotrans Jiuling Storage & Transportation Co., Ltd.	–	3,120,471.05	
	Tianjin Sinotrans Co., Ltd.	–	1,006,068.37	
	Other	9,906,343.28	7,150,177.02	
		Joint ventures and associates	52,143,191.84	57,485,228.94
		DHL Sinotrans International Air Courier Co., Ltd.	9,871,054.68	9,941,732.43
		Sinotrans-Nissin International Freight Co., Ltd.	5,034,966.32	4,187,788.38
		Weihai Weidong Shipping Co., Ltd.	3,359,386.50	1,981,779.85
		Shenyang Jinyun Automobile Logistics Co., Ltd.	3,219,247.88	–
	China Merchants Logistics Group Nanjing Co., Ltd.	2,215,358.60	8,915,805.49	



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
	China International Exhibition and Transportation Co., Ltd.	2,114,547.86	1,299,189.51
	Ningbo Taiping International Trade Intermodal Co., Ltd.	2,043,276.43	–
	Jiangsu Rixin Sinotrans International Transportation Co., Ltd.	1,843,924.47	2,475,982.75
	Tianjin Runfeng Logistics Co., Ltd.	1,668,890.21	2,230,057.25
	Qingdao Yujiachang Sinotrans Container Storage & Transportation Co., Ltd.	1,625,092.65	383,610.74
	Tianjin Shiyun Logistics Co., Ltd.	1,491,060.47	4,784,947.76
	Shanghai Lianhe Cold Chain Logistics Co., Ltd.	1,483,843.93	1,729,644.17
	Sinotrans Pfeiffer Yida (Shanghai) Logistics Co., Ltd.	1,391,981.65	–
	Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	1,362,686.85	1,373,368.70
	Sinotrans Amex (Shanghai) International Air Express Co., Ltd.	1,194,080.19	–
	Beijing Sinotrans Huali Logistics Co., Ltd.	1,109,362.60	3,988,629.85
	Loscam Supply Chain Management (Jiaxing) Co., Ltd.	1,085,053.73	–
	MAXX LOGISTICS LTD.	1,037,359.62	5,301,707.72
	China Yangzijiang Shipping Co., Ltd.	810,779.48	–
	Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	486,340.74	1,222,752.08
	Sinotrans Air Transport (France) Co., Ltd.	–	3,888,512.88
	Other	7,694,896.98	3,779,719.38
	Associates of the ultimate controlling party	3,339,450.42	7,773,949.46
	COFCO China Merchants (Shenzhen) Grain Electronic Trading Center Co., Ltd.	3,339,450.42	7,773,949.46
	Other related parties	7,365,140.07	1,539,924.22
	Ocean Network Shipping (China) Co., Ltd.	7,365,140.07	1,539,924.22
	Total amount of accounts receivable	148,004,628.47	146,147,203.82
Other receivables	Other companies controlled by the same parent company and ultimate controlling party	63,494,103.97	21,804,626.08
	Sinotrans & CSC	27,150,710.30	–
	Changhang Cargo Co., Ltd.	18,877,058.04	18,140,978.54
	Shenzhen China Merchants Shekou Asset Management Co., Ltd.	5,000,000.00	–
	Shenzhen Nanyou (Group) Co., Ltd.	2,834,077.64	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
	China Merchants Bonded Logistics Co., Ltd.	2,004,623.64	907,597.84
	Shanghai Sinotrans Qiantang Co., Ltd.	1,800,000.00	–
	Shenzhen Shekou New Times Real Estate Management Co., Ltd.	1,382,372.00	–
	other	4,445,262.35	2,756,049.70
	Joint ventures and associates	86,303,289.25	430,244,956.81
	Shenyang Jinyun Automobile Logistics Co., Ltd.	19,905,205.04	–
	Sinotrans Djibouti	19,546,555.39	8,209,463.65
	MAXX LOGISTICS LTD.	16,529,370.43	16,246,197.06
	Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	7,042,454.77	9,406,544.19
	Sinotrans-DHL International Air Express Co., Ltd.	5,107,749.26	3,626,802.32
	Sinotrans (Pakistan) Logistics Co., Ltd.	3,625,546.01	2,234,797.78
	Dalian Jingda International Freight Forwarding Co., Ltd.	3,600,000.00	3,717,450.00
	Guangxi Yunyu Port Co., Ltd.	2,500,000.00	2,500,000.00
	Dongguan Sinotrans E-commerce Co., Ltd.	2,192,033.55	4,779.37
	Nanjing Huaxing Loading Service Co., Ltd.	1,776,601.48	–
	Sinotrans Turkey Co., Ltd.	1,661,347.41	1,321,351.08
	Sinotrans Luzhou Port Bonded Logistics Co., Ltd.	636,000.00	5,175,172.51
	China Merchants Logistics Group Nanjing Co., Ltd.	100,000.00	1,371,105.55
	Loscam Packaging Equipment Leasing (Shanghai) Co., Ltd.	–	340,101,840.13
	Loscam Supply Chain Management (Jiaxing) Co., Ltd.	–	20,014,499.97
	Dongguan Port Container Port Co., Ltd.	–	14,817,206.31
	Other	2,080,425.91	1,497,746.89
	Other related parties	300,000.00	9,394,958.06
	Ocean Network Shipping (China) Co., Ltd.	300,000.00	9,394,958.06
	Total other receivables	150,097,393.22	461,444,540.95
Dividends receivable	Joint ventures and associates	22,797,362.80	63,826,982.07
	China United Tally Co.	20,000,000.00	10,000,000.00
	China International Exhibition and Transportation Co.	2,797,362.80	–
	Shenzhen Haixing Port Development Co.	–	25,949,781.00
	New land Bridge (Lianyungang) Terminal Co.	–	19,718,775.91
	Wuhan Port Container Co.	–	6,000,000.00
	Huali Global Transportation Co.	–	622,425.16



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
	Sinotrans (Pakistan) Logistics Co., Ltd.	–	1,536,000.00
Prepayments	Other companies controlled by the same parent company and ultimate controlling party	56,394,423.97	6,707,243.87
	China Merchants Nanjing Oil Transportation Co., Ltd.	23,150,273.01	–
	Shanghai Wujingkou International Cruise Port Development Co., Ltd.	6,193,887.72	–
	Sinopec Yangtze River Fuel Co., Ltd.	5,507,399.51	–
	Sinotrans Shaanxi Co., Ltd.	4,554,258.90	–
	Fujian Sinotrans Majiang Storage & Transportation Co., Ltd.	3,650,222.52	–
	Yingkou Gangrong Big Data Co., Ltd.	1,804,842.58	–
	Yinchuan Sinotrans Land Port Logistics Co., Ltd.	1,772,727.28	–
	Dalian Jifa International Freight Co., Ltd.	1,635,792.26	–
	Dalian Port Group Co., Ltd.	1,286,960.41	–
	Xiamen Sinotrans Co., Ltd.	0.04	1,400,000.00
	China Outer Canal North Tangshan Company	–	1,631,055.80
	Other	6,838,059.74	3,676,188.07
	Joint ventures and associates	26,209,605.93	47,587,534.56
	Tangshan Port Sinotrans Shipping Agency Co., Ltd.	10,251,199.63	30,195,891.63
	Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	5,238,682.64	–
	Sinotrans Philippines	4,830,605.40	–
	Jiangsu Jiangyin Port Group Co., Ltd.	1,329,512.26	–
	Sinotrans Suzhou Logistics Center Co., Ltd.	653,243.85	1,049,168.76
	Nanjing Huaxing Loading Service Co., Ltd.	340,000.00	2,286,676.08
	MAXX LOGISTICS LTD.	–	1,119,310.19
	Liaoning Sinotrans Hengjiu Transportation Service Co., Ltd.	–	8,587,851.98
	Other	3,566,362.15	4,348,635.92
	Other related parties	81,277.68	–
	Ocean Network Shipping (China) Co., Ltd.	81,277.68	–
	Total advances	82,685,307.58	54,294,778.43
Non-current assets due within one year	Joint ventures and associates	12,085,000.00	59,564,215.69
	Sinotrans Suzhou Logistics Center Co., Ltd.	7,125,000.00	7,125,000.00
	Shanghai Pu'an Storage Co.	4,960,000.00	4,400,000.00
	Dongguan Container Terminals Co., Ltd.	–	48,039,215.69
Long-term receivables	Joint ventures and associates	72,670,000.00	85,091,296.80
	Sinotrans Suzhou Logistics Center Co., Ltd.	42,750,000.00	49,875,000.00
	Shanghai Pu'an Storage Co., Ltd.	29,920,000.00	34,880,000.00
	Sinotrans Vietnam Co., Ltd.	–	336,296.80
Accounts payable	Other companies controlled by the same parent company and ultimate controlling party	329,703,740.32	241,236,722.46
	Sinotrans Container Lines Co., Ltd.	148,557,919.02	146,862,219.06

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
	Sinotrans Sunshine Express Co., Ltd.	27,952,503.01	20,060,060.09
	China Merchants Nanjing Oil Transportation Co., Ltd.	27,417,442.11	18,253,796.77
	Beijing Sinotrans Land Transport Co., Ltd.	18,663,010.85	–
	Beijing Sinotrans Logistics Center Co., Ltd.	14,232,990.97	–
	Dalian Container Terminal Co., Ltd.	10,098,123.20	–
	Shanghai Wujingkou International Cruise Port Development Co., Ltd.	9,862,381.35	–
	Shanghai Changjiang International Shipping Agency Co., Ltd.	7,947,544.00	–
	Henan Sinotrans Jiuling Storage and Transportation Company	5,906,586.60	4,056,586.60
	Beijing Sinotrans Sanjianfang Warehouse Co., Ltd.	4,853,072.13	–
	Beijing Sinotrans Automobile Transportation Co., Ltd.	3,574,154.93	6,974,056.23
	Sinotrans Shaanxi Co., Ltd.	2,676,637.77	36,100.00
	Shanghai Sinotrans Qiantang Co., Ltd.	2,603,018.87	2,534,091.15
	Shanghai Changhang Shipping Development Co., Ltd.	2,389,046.00	–
	Zhanjiang Port International Container Terminal Co., Ltd.	2,321,046.95	–
	Shanghai Changhang International Shipping Co., Ltd.	2,210,386.19	3,961,603.50
	Shanghai Sinotrans Zhang Huazheng Storage and Transportation Co., Ltd.	2,055,016.25	1,210,355.73
	Shenzhen China Merchants Shekou International Cruise Home Port Co., Ltd.	1,962,490.00	–
	Chongqing Changhangyi Logistics Co., Ltd.	1,890,799.84	–
	Chongqing Yangtze River Shipping Co., Ltd.	1,886,857.90	5,311,393.38
	Sinopec Yangtze River Fuel Co., Ltd.	1,577,358.75	1,047,706.99
	Changjiang International Freight Forwarding Co., Ltd.	1,357,326.82	–
	Henan Sinotrans Bonded Logistics Co., Ltd.	1,299,132.98	1,003,948.18
	China Outer Canal North Co., Ltd.	1,138,184.08	–
	Wuxi Xihui Sinotrans Storage Co., Ltd.	951,207.84	1,706,971.38
	Sinotrans Inner Mongolia Co., Ltd.	744,466.42	1,540,772.08
	Jiangsu Sinotrans Container Station Co., Ltd.	475,474.27	1,023,689.96
	Shanghai Xinyangshan Container Transport Co., Ltd.	313,585.70	1,027,014.47
	Hebei Sinotrans Jiuling Storage & Transportation Co., Ltd.	311,641.80	3,555,875.59
	Sinotrans Container Lines (Hong Kong) Co., Ltd.	–	3,397,964.83
	Shenzhen Chiwan Tug Co., Ltd.	–	4,861,669.00
	Shanghai Changhang International Merchant Shipping (Hong Kong) Co., Ltd.	–	3,351,753.09
	Other	22,474,333.72	9,459,094.38
	Joint ventures and associates	114,639,074.11	62,727,527.85
	China Merchants Logistics Group Nanjing Co., Ltd.	35,452,299.88	31,710,623.64
	Maanshan Tianshun Port Co., Ltd.	8,579,827.16	–
	Sinotrans Djibouti	8,091,512.68	–
	Sino-Singapore Southbound Channel (Chongqing) Logistics Development Co., Ltd.	7,426,086.98	3,313,551.55
	Nanjing Huaxing Loading Service Co., Ltd.	5,620,886.51	3,081,247.89



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
	Shenzhen Haiyitong Technology Co., Ltd.	4,621,400.50	-
	Lukai Packaging Equipment Leasing (Shanghai) Co., Ltd.	4,465,067.67	-
	Sinotrans Huajie International Logistics (Beijing) Co., Ltd.	4,413,793.49	-
	Weihai Weidong Shipping Co., Ltd.	4,111,647.70	4,812,223.76
	Xinluqiao (Lianyungang) Terminal Co., Ltd.	3,435,172.07	-
	Shenyang Henglu Logistics Co., Ltd.	3,207,266.17	2,123,398.43
	Liaoning Sinotrans Hengjiu Transportation Service Co., Ltd.	2,277,395.84	-
	Ningbo Taiping International Trade Intermodal Co., Ltd.	2,087,693.36	-
	Wuhan Port Container Co., Ltd.	1,671,312.41	2,157,474.57
	Sino-Vietnam Sinotrans Logistics Co., Ltd.	1,630,820.07	-
	Sinotrans Philippines	1,557,429.17	-
	Sinotrans (Pakistan) Logistics Co., Ltd.	1,538,016.62	-
	Sinotrans Suzhou Logistics Center Co., Ltd.	1,253,484.02	-
	Sinotrans Oasis International Express Co., Ltd.	1,199,421.98	-
	Sinotrans Sharon Logistics Co., Ltd.	1,188,736.15	2,266,865.51
	Sinotrans Hongfeng (Shanghai) International Logistics Co., Ltd.	25,716.00	5,535,805.93
	Shanghai Tongyun International Logistics Co., Ltd.	18,774.50	1,705,963.00
	Other	10,765,313.18	6,020,373.57
	Other related parties	35,758,741.22	-
	Ocean Network Shipping (China) Co.	29,817,972.36	-
	Ningbo Daxie Merchants International Terminal Co.	5,940,768.86	-
	Total accounts payable	480,101,555.65	303,964,250.31
Other payables	Other companies controlled by the same parent company and ultimate controlling party	241,593,117.28	570,738,878.54
	RED BRAVES FINANCE LTD.	117,091,203.59	115,193,998.39
	Sinotrans Shanghai (Group) Co., Ltd.	42,818,799.83	40,294,278.59
	Sinotrans & CSC	37,402,187.77	45,803,163.87
	Sichuan Sinotrans Storage Service Co., Ltd.	25,696,619.83	19,940,149.92
	Henan Sinotrans Jiuling Storage and Transportation Company	6,243,459.15	9,481,229.56
	Dalian Port Group Co., Ltd.	4,085,912.00	-

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
	Guangxi Sinotrans Jiuling Storage and Transportation Co., Ltd.	2,965,715.71	7,738,994.03
	Anhui Sinotrans Direct Storage and Transportation Co., Ltd.	1,846,000.00	2,635,923.20
	Guangdong Sinotrans Co., Ltd.	824,518.52	4,328,897.98
	Beijing Sinotrans Automobile Transportation Co., Ltd.	240,000.00	1,460,000.00
	Shandong Sinotrans Co., Ltd.	-	19,985,761.32
	Hunan Sinotrans Jiuling Storage and Transportation Co., Ltd.	-	15,130,880.00
	Sinotrans Guangxi Company	-	10,150,385.09
	Beijing Sinotrans Automotive Services Co., Ltd.	-	5,535,000.00
	Beijing Sinotrans Motor Vehicle Inspection Co., Ltd.	-	5,000,000.00
	Hubei Sinotrans Warehouse Code Logistics Co., Ltd.	-	5,860,000.00
	China Merchants Securities Asset Management Co., Ltd.	-	260,562,302.79
	Other	2,378,700.88	1,637,913.80
	Joint ventures and associates	68,084,462.42	91,047,525.86
	China Merchants Logistics Group Nanjing Co., Ltd.	43,732,916.26	58,655,855.93
	Shanghai Tongyun International Logistics Co., Ltd.	14,415,000.00	14,100,000.00
	Shanghai Xinghan Shipping Agency Co., Ltd.	2,854,479.15	5,850,000.00
	Shanghai Waihong Iseta International Logistics Co., Ltd.	2,486,200.00	2,296,200.00
	Shenyang Fuyun Cold Chain Logistics Co., Ltd.	1,544,280.00	-
	Rongyun (Xiamen) Supply Chain Co., Ltd.	1,000,000.00	1,000,000.00
	Other	2,051,587.01	9,145,469.93
	Total other payables	309,677,579.70	661,786,404.40
Dividends payable	Other companies controlled by the same parent company and ultimate controlling party	36,197,979.78	97,072,259.86
	Sinotrans & CSC	36,125,719.92	97,000,000.00
	Sinotrans Jiangxi Company	72,259.86	72,259.86
Interest payable	Other companies controlled by the same parent company and ultimate controlling party	26,339,510.69	46,235,212.31
	Sinotrans & CSC	26,339,510.69	46,235,212.31
Long-term payables	Other companies controlled by the same parent company and ultimate controlling party	192,657,228.79	360,805,628.79
	Sinotrans & CSC	100,718,773.77	100,718,773.77
	Guangdong Sinotrans Co.	91,938,455.02	91,938,455.02
	SINOTRANS SHIPPING INC.	-	168,148,400.00



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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(12) Balances of major claims and debts (continued)

Items	Name of related parties	31 December 2019	31 December 2018
short-term loan	Other companies controlled by the same parent company and ultimate controlling party	66,000,000.00	1,200,000,000.00
	Sinotrans & CSC	66,000,000.00	-
	China Merchants Group Finance Co., Ltd.	-	1,200,000,000.00
Long term loan	Other companies controlled by the same parent company and ultimate controlling party	100,000,000.00	1,500,000,000.00
	China Merchants Group Finance Co., Ltd.	100,000,000.00	1,500,000,000.00
Non-current liabilities due within one year	Other companies controlled by the same parent company and ultimate controlling party	500,000,000.00	1,050,000,000.00
	China Merchants Group Finance Co., Ltd.	500,000,000.00	1,000,000,000.00
	China Merchants Shipping Co., Ltd.	-	50,000,000.00

(13) Related party commitments

Items	Closing balance	Opening balance
Related party commitments	1,236,948,456.97	177,108,674.36

Note: the above commitments are related party lease commitments.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, accounts receivables, borrowings and payables. The details of financial instruments are set out in the notes to items mentioned above. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. These risk exposures are managed and monitored by the management of the Group to ensure that the risks above are controlled within a limited range.

1. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective in risk management is to strike an appropriate balance between risks and returns, to minimise the negative impact of the risks on the Group's operating performance and to maximise the interests of shareholders and others equity investors. Based on this risk management objective, the Group's basic strategy for risk management is to identify and analyse the risks faced by the Group, establish an appropriate risk tolerance baseline and conduct risk management, and monitor the risks in a timely and reliable manner and control the risks within a limited range.

The Group uses sensitivity analysis techniques to analyse the reasonableness of risk variables and the possible impact of possible changes on current profit or loss or shareholders' equity. Since any risk variable rarely changes in isolation, and the correlation between variables will have significant impact on the resulting amount, the following analysis is based on the assumption that each variable is altered independently.



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XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(1) Market risk

1) Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. The Group is subject to foreign exchange risk primarily related to USD and HKD. As at 31 December 2019, 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	<i>Unit: RMB</i>	
	31 December 2019	31 December 2018
Cash and bank balances		
Include: USD	2,260,774,825.18	4,777,628,189.01
HKD	285,810,103.68	571,427,697.80
Accounts receivables		
Include: USD	2,280,133,098.65	1,910,667,426.94
HKD	276,158,903.66	20,512,556.25
Short-term borrowings		
Include: HKD	–	1,025,315,658.90
Long-term receivables		
Include: HKD	20,849,881.64	31,408,501.48
Non-current assets due within one year		
Include: HKD	–	18,586,996.26
Accounts payable		
Include: USD	2,150,606,329.78	1,110,892,659.14
HKD	479,898,246.02	62,782,726.60
Long term loan		
Include: USD	415,672,155.90	601,076,175.10
HKD	4,046,904,005.00	6,310,080,163.71
Long-term payables		
Include: USD	–	433,338,229.33
HKD	–	26,914,182.91
Total	12,216,807,549.49	16,900,631,163.43

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.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(1) Market risk (continued)

1) Foreign exchange risk (continued)

Sensitivity analysis of foreign exchange risk

With other variables remaining unchanged, the pre-tax effects of reasonable changes in the exchange rate on current profit or loss and shareholders' equity are as follows:

Unit: RMB

Exchange rate changes	Current period		Last period	
	Effects on total profit	Pre-tax effects on shareholders' equity	Effects on total profit	Pre-tax effects on shareholders' equity
USD appreciation by 5% against RMB	113,770,171.30	113,770,171.30	215,212,900.08	215,212,900.08
USD devaluation by 5% against RMB	-113,770,171.30	-113,770,171.30	-215,212,900.08	-215,212,900.08
HKD appreciation by 5% against RMB	-201,604,943.26	-201,604,943.26	-358,730,472.89	-358,730,472.89
HKD devaluation by 5% against RMB	201,604,943.26	201,604,943.26	358,730,472.89	358,730,472.89

2) Interest rate change risk

The Group's foreign currency borrowings are mainly US dollar and Hong Kong dollar floating rate borrowings, and the borrowing rate is not affected by the People's Bank of China's adjustment of the benchmark lending rate. In the short-term, medium- and long-term loan interest rate arrangements, the Group hedged floating-rate loan contracts by signing interest rate swap contracts, to a certain extent, avoiding the impact of rising interest rates on costs.

The Group's major liabilities with interest rate risk are short-term borrowings, bonds payable, long-term payables, and long-term borrowings.



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XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(1) Market risk (continued)

2) Interest rate change risk (continued)

Sensibility analysis of interest rate risks

Interest rate risk sensitivity analysis

The sensibility analysis of interest rate risks is based on the following assumptions:

- Any changes in market interest rates affect interest income or expenses of financial instruments with variable interest rates;
- For financial instruments with fixed interest rates that are measured at fair value, any changes in market interest rates only affect their interest income or expenses;
- Any changes in fair value of other financial assets and liabilities that are calculated using the discounted cash flow method at the prevailing market interest rate at the date of statement of financial position.

Based on the above assumptions, and with other variables remaining unchanged, the pre-tax effects of the possible reasonable changes in interest rates on current profit or loss and shareholders' equity are as follows:

Unit: RMB

Changes in interest rate	Current year		Last year	
	Effects on total profit	Pre-tax effects on shareholders' equity	Effects on total profit	Pre-tax effects on shareholders' equity
Interest rate rises by 0.5%	-22,312,880.80	-22,312,880.80	-22,091,334.34	-22,091,334.34
Interest rate is lowered by 0.5%	22,312,880.80	22,312,880.80	22,091,334.34	22,091,334.34

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(1) Market risk (continued)

3) Other price risks

The Group's classified financial assets held for trading, other debt investments, investments in other equity instruments and other non-current financial assets are measured at fair value at the end of the reporting period. Therefore, the Group bears the risk of price changes in the securities market. The Group adopted a combination of multiple equity securities to reduce the price risk of equity securities investment. With other variables unchanged, the possible pre-tax impact of possible changes in stock prices on shareholders' equity is as follows:

Items	Stock price changes	Current year			Last year		
		Effects on total profit	Effects on other comprehensive income	Pre-tax effects on shareholders' equity	Effects on total profit	Effects on other comprehensive income	Pre-tax effects on shareholders' equity
Held-for-trading financial assets	Stock price rises by 10%	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss		—	—	—	—	—	—
Other equity instrument investments		-	25,455,559.09	25,455,559.09	-	15,283,293.72	15,283,293.72
Available-for-sale financial assets		—	—	—	—	—	—
Held-for-trading financial assets	Stock price falls by 10%	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss		—	—	—	—	—	—
Other equity instrument investments		-	-25,455,559.09	-25,455,559.09	-	-15,283,293.72	-15,283,293.72
Available-for-sale financial assets		—	—	—	—	—	—



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XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(2) Credit risk

As at 31 December 2019, the maximum credit risk exposure that is likely to cause financial losses to the Group was due primarily to the losses on the Group's financial assets arising from the failure of the other party to the contract to fulfill its obligations, including the carrying amount of the recognised financial assets in the consolidated statement of financial position; for financial instruments measured at fair value, the carrying amount reflects its risk exposure that is not the maximum, and its maximum risk exposure will change with future changes in fair value. In addition, it also includes losses to be paid for the performance of contingent obligations and financial guarantees, see the amount of financial guarantee contracts disclosed in Note IX. 40 "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 the reporting period to ensure that 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 reduced significantly.

Except for the top five in Note IX.3 "bills receivable", "Note IX.4 "accounts receivable" and Note IX.7 "other receivables", the Group has no other significant credit concentration risks.

The Group's cash and cash equivalents is mainly the bank deposits deposited with the state-owned banks with a good reputation and a high credit rating and other large and medium-sized listed banks, and the Group does not consider that it has significant credit risks, and there will be few serious losses resulting from any bank defaults.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(2) Credit risk (continued)

As part of the Group's credit risk management, the Group uses the aging of accounts receivables to assess losses on the impairment of receivables arising from the business. This type of business involves a large number of small customers which have the same risk characteristics. The aging information can reflect the solvency of these customers when the receivables fall due. As at 31 December 2019, the credit risk and expected credit losses for the accounts receivables and contract assets of this type of business are as follows:

Items	Expected average loss rate (%)	Carrying amount	Impairment provision
Less than 1 year (including 1 year)	0.86	9,952,114,617.18	85,627,311.11
1 to 2 years (including 2 years)	46.54	130,861,971.18	60,909,069.56
2 to 3 years (including 3 years)	87.50	52,244,996.45	45,714,686.35
More than 3 years	100.00	170,076,209.68	170,076,209.68
Total	–	10,305,297,794.49	362,327,276.70

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 2019 to 31 December 2019, the Group's assessment method and major assumptions did not change.

As at 31 December 2019, the maximum amount of financial guarantee provided by the Group was RMB129,660,737.22. For the details of the financial guarantee contract are set out in Note X. 4 (5). On 1 January 2019, the Group's management assessed the overdue borrowings under the guarantee, the financial position of the borrower concerned and the economic situation of the debtor's industry and concluded that since the initial recognition of such financial guarantee contract, there was no significant increase in relevant credit risk. As a result, the Group has no division into the financial guarantee contract that is required to measure loss provisions on the basis of the amount equivalent to the expected credit loss over the entire life, and measures its impairment provision on the basis of the amount equivalent to the expected credit loss of the above financial guarantee contract within the next 12 months. During the period from 1 January 2019 to 31 December 2019, the Group's assessment method and major assumptions did not change.

(3) Liquidity risk

When 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.

The unused bank borrowings of the Group at the end of the period amounted to RMB17,347 million (December 31, 2018: RMB15,540 million).



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XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1 · RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(3) Liquidity risk (continued)

According to the maturity date of undiscounted contract cash flows, the financial liabilities held by the Group are analysed as follows:

Items	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years	Total
1. Non-derivative financial assets and liabilities					
Cash and bank balances	10,475,499,824.16	10,475,499,824.16	-	-	10,475,499,824.16
Held-for-trading financial assets	5,641,228.80	5,641,228.80	-	-	5,641,228.80
Bills receivable	18,389,129.53	18,389,129.53	-	-	18,389,129.53
Accounts receivable	10,114,964,014.88	10,537,102,117.72	-	-	10,537,102,117.72
Financing receivables	600,596,569.69	600,596,569.69	-	-	600,596,569.69
Other receivables	1,582,848,572.99	1,745,534,289.51	-	-	1,745,534,289.51
Other current assets	626,309,693.00	626,309,693.00	-	-	626,309,693.00
Other equity instruments investments	256,540,744.93	-	-	256,540,744.93	256,540,744.93
Other non-current financial assets	692,424,249.35	-	-	692,424,249.35	692,424,249.35
Long-term receivables	102,637,410.37	-	125,479,820.74	7,125,000.00	132,604,820.74
Short-term borrowings	1,202,384,395.00	1,212,410,874.64	-	-	1,212,410,874.64
Long term borrowings	5,026,139,244.02	199,135,064.22	4,714,875,677.11	1,245,691,339.80	6,159,702,081.13
Accounts payable	9,147,046,027.11	9,147,046,027.11	-	-	9,147,046,027.11
Other payables	2,247,923,504.93	2,247,923,504.93	-	-	2,247,923,504.93
Non-current liabilities due within one year	3,268,689,764.93	3,412,827,627.11	-	-	3,412,827,627.11
Other current liabilities	177,858,416.72	177,858,416.72	-	-	177,858,416.72
Bonds payable	3,419,486,443.79	119,500,000.00	3,546,247,488.58	-	3,665,747,488.58
Lease liabilities	1,519,924,346.73	-	895,896,827.72	1,179,416,279.22	2,075,313,106.94
Long-term payables	197,265,698.20	9,745,793.60	130,877,418.58	112,060,602.94	252,683,815.12

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 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 recognised using the observable prevailing 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 carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements is approximate to the fair value of such assets and liabilities.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. FAIR VALUE (CONTINUED)

(1) Assets measured at fair value on a continuous basis

Items	Fair value at the end of the period			Total
	Level I measurement at fair value	Level II measurement at fair value	Level III measurement at fair value	
I. Continuous measurement at fair value	—	—	—	—
(1) Held-for-trading financial assets	41,228.80	5,500,000.00	100,000.00	5,641,228.80
1. Financial assets measured at fair value through profit or loss	41,228.80	5,500,000.00	100,000.00	5,641,228.80
2. Financial assets designated to be measured at fair value through current profit or loss	—	—	—	—
(2) Other equity instrument investments	256,540,744.93	—	—	256,540,744.93
(3) Other non-current financial assets	—	—	692,424,249.35	692,424,249.35
Total assets measured at fair value on a continuous basis	256,581,973.73	5,500,000.00	692,524,249.35	954,606,223.08

XII. CONTINGENT LIABILITIES

Items	31 December 2019	31 December 2018
Contingent liabilities formed by external guarantees:	—	—
— Parent company loan guarantee	—	—
— Loan guarantee for fellow subsidiaries	5,218,799,782.72	6,879,173,985.77
— Joint venture loan guarantee	31,320,737.22	51,736,555.48
— Loan guarantee for associates	98,340,000.00	—
Total	5,348,460,519.94	6,930,910,541.25



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XII. CONTINGENT LIABILITIES (CONTINUED)

(1) As of 31 December 2019, the status of the Group's pending lawsuits and arbitrations is as follows:

Concerned Parties	Litigation/deputy content	Amounts involved (RMB10,000)	Litigation/deputy status
Taizhou Medical City Huaying Trading Co., Ltd.	The Group purchased drugs from the company and sold the same to third parties in 2016. Third parties did not make payment to drug purchaser due to their default on payment.	8,666.12	First trial
Shanghai Oriental Pearl Import and Export Co., Ltd.	In 2018, the group purchased fabric from the other party and sold it to a third party, but failed to pay the payment to the fabric seller due to the payment default of the third party.	2,091.06	First trial
Yuyao Fenghui building decoration engineering department	The group leased the house to the lessee in 2014, and the group was involved in the dispute between a third party and the lessee over the renovation project cost of the leased house.	1,220.82	First trial

(2) As of 31 December 2019, the Group had no contingent liabilities arising from other matters.

Please refer to Note XIII for details related to the Group's capital expenditure commitments.

(3) As of 31 December 2019, the Group has no contingent assets

XIII. CAPITAL COMMITMENTS

Items	Closing balance	Opening balance
Capital expenditures contracted but not recognised in the financial statements	–	–
— Purchase and construction of assets	1,422,293,185.96	441,793,934.15
— Port investment projects	261,388,045.54	258,814,983.70
— Investments in associates, joint ventures and other invested entities	56,831,235.05	90,862,020.28
Total	1,740,512,466.55	791,470,938.13

Note: On 1 February 2018, according to the National Development and Reform Commission's Reply on the Approval of Sinotrans Logistics Merchants Logistics Group Co., Ltd. and Other Overseas Joint Establishment of China-Belarus Industry Investment Fund Project (Fagai Foreign Investment (2018) No. 214), China-Belarus Industry Investment The fund was established in the Cayman Islands and adopted a limited partnership system. Sinotrans Logistics Group Co., Ltd., a subsidiary of the Group, is a limited partner and has agreed to contribute US \$ 15 million. As of 31 December 2019, it has invested US \$ 6.85 million. It has committed but did not contribute. The amount is approximately RMB56,831,235.05.

XIV. NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) Since the outbreak of pneumonia caused by a new type of coronavirus (“COVID-19”) in China in January 2020, the Group has actively responded to and strictly implemented various national regulations and requirements for the prevention and control of coronavirus. The Company and its subsidiaries have resumed work since February 10, supporting the national epidemic in a multi-pronged manner in terms of supply security and social responsibility.

According to the current situation, the domestic epidemic situation has been basically controlled, but the spread of international epidemic situation has intensified. The logistics business of Sinotrans is closely related to international trade, shipping capacity, and the resumption of the enterprises production. Currently, affected by the epidemic, the business of foreign trade imports and exports is suffering the sluggish external demand, the reduction of order, the withdrawal of international routes continuously, the decrease of the container throughput significantly year-on-year, all that directly having a great impact on the logistics business revenue of the Group in the short term.

Due to the on-going outbreak of the epidemic, especially the impact of the international epidemic is gradually emerging. The Group will continue to pay close attention to the development of coronavirus, and evaluate and actively respond to its impact on the financial status and operating results of the Group.

- (2) Except for the aforesaid events, the Group has no other significant post balance sheet events that need to be disclosed.

XV. EXCHANGE OF NON-MONETARY ASSETS

The Group had no exchange of non-monetary assets during the period.



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XVI. DEBT RESTRUCTURING

Debt restructuring method	Book value of debt	Debt restructuring losses	Increase in long-term equity investment	Percentage of debtor's equity (%)
Debt recovery	27,993,754.82	-15,487,084.02	-	-

Note: According to the execution ruling of the Beijing Third Intermediate People's Court [(2017) Jing 03 Zhihui No. 11 ter], the court ruled against the enforced person Tianjin Metallurgical Group Co., Ltd. located at No. 225 Chongqing Road, Heping District, Tianjin City according to law. The original No. 267 real estate was evaluated and two public auctions were conducted on the judicial network platform because no one bid for the auction. The real estate owned by the executed party Tianjin Metallurgical Group Co., Ltd., located at No. 267, No. 225 Chongqing Road, Heping District, Tianjin, was owned by the company's subsidiary Sinotrans Logistics North China Co., Ltd. to compensate Tianjin Metallurgical Group No. 3 Iron and Steel Co., Ltd., Tianjin Debt of Metallurgical Group Co., Ltd.

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. CASH AND BANK BALANCES

Item	Closing balance			Opening balance		
	Amount in original currency	Exchange rate	Amount in RMB	Amount in original currency	Exchange rate	Amount in RMB
Cash on hand	-	-	146,977.29	-	-	38,767.91
Include: RMB	86,202.96	1.0000	86,202.96	9,408.54	1.0000	9,408.54
USD	6,347.01	6.9726	44,255.19	2,029.74	6.8632	13,930.51
Others	-	-	16,519.14	-	-	15,428.86
Cash in bank	-	-	4,072,817,027.79	-	-	2,232,340,868.76
Include: RMB	3,849,788,308.08	1.0000	3,849,788,308.08	2,157,686,652.55	1.0000	2,157,686,652.55
USD	31,929,055.84	6.9726	222,628,534.73	10,856,898.11	6.8632	74,513,063.11
Others	-	-	400,184.98	-	-	141,153.10
Other cash and cash equivalents	-	-	253,975.55	-	-	311,799.07
Include: RMB	253,975.55	1.0000	253,975.55	311,799.07	1.0000	311,799.07
Total	-	-	4,073,217,980.63	-	-	2,232,691,435.74
Including: total amount deposited abroad	-	-	54,875.13	-	-	4,493,132.24

(1) Restricted use of cash and cash equivalents at the end of the period

Items	Closing balance	Opening balance	Reasons for restricted use
Credit card deposit	134,797.50	134,797.50	Credit card deposit
Interest receivable	119,178.05	177,001.57	Interests receivable
Total	253,975.55	311,799.07	—

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

2. BILLS RECEIVABLE

(1) Classification of bills receivable

Type	Closing balance	Opening balance
Commercial acceptance bills	2,397,802.00	–
Total	2,397,802.00	–

(2) The Company has no bills receivable pledged at the end of the period.

(3) The Company has no bills receivables which were endorsed or discounted at the end of the period but yet undue at the date of the statement of financial position.

Type	Amount derecognised at the end of the year	Amount not derecognised at the end of the year
Trade acceptance draft	–	1,000,000.00
Total	–	1,000,000.00

(4) As at 31 December 2019, the Company did not convert the notes into accounts receivable due to the inability of the drawer to perform obligation (31 December 2018: Nil).

(5) As at 31 December 2019 and 31 December 2018, the Group considers that there are no significant credit risk in the held by it and would not cause significant losses due to default (it is expected that bills receivable can be fully recovered)), thus no provision for bad debts has been made.

(6) There was no bills receivable from shareholders holding more than 5% (including 5%) of the voting shares of the Company in the balance above.

(7) The aging of the bills receivable above is less than 360 days.

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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. ACCOUNTS RECEIVABLE

(1) General situation of accounts receivable

Items	Closing balance	Opening balance
Accounts receivable	988,181,425.04	1,248,776,352.86
Less: credit loss provision	64,261,468.67	72,836,730.09
Total	923,919,956.37	1,175,939,622.77

(2) Classification of accounts receivable

Items	Carrying amount					Total	Credit loss provision					Net Value	Original currency	Credit loss accrual reasons	Closing balance
	Aging						Aging								
	Within 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	over 3 years		Within 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	over 3 years				
Low risk portfolio	66,752,228.61	1,613,947.92	894,773.64	1,414,243.07	2,283,487.34	72,958,680.58	-	-	-	-	-	72,958,680.58	RMB	—	72,958,680.58
Normal risk portfolio	701,607,682.75	129,204,307.09	45,139,934.08	8,290,153.38	30,980,667.16	915,222,744.46	6,400,349.49	662,764.84	18,288,155.46	7,929,531.72	30,980,667.16	64,261,468.67	RMB, USD	Expected credit loss model	915,222,744.46
Including: aging portfolio	701,607,682.75	129,204,307.09	45,139,934.08	8,290,153.38	30,980,667.16	915,222,744.46	6,400,349.49	662,764.84	18,288,155.46	7,929,531.72	30,980,667.16	64,261,468.67	RMB, USD	Expected credit loss model	915,222,744.46
Payment nature combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total	768,359,911.36	130,818,255.01	46,034,707.72	9,704,396.45	33,264,154.50	988,181,425.04	6,400,349.49	662,764.84	18,288,155.46	7,929,531.72	30,980,667.16	64,261,468.67	—	—	988,181,425.04

(3) Overall aging of accounts receivable

Items	Closing balance			Opening balance		
	Carrying amount	Proportion (%)	Credit loss provision	Carrying amount	Proportion (%)	Credit loss provision
Within 1 year (including 1 year)	899,178,166.37	90.99	7,063,114.33	1,155,904,307.14	92.56	9,213,086.12
1 to 2 years (including 2 years)	46,034,707.72	4.66	18,288,155.46	56,946,434.35	4.56	30,179,633.23
2 to 3 years (including 3 years)	9,704,396.45	0.98	7,929,531.72	11,729,399.59	0.94	10,269,554.05
over 3 years	33,264,154.50	3.37	30,980,667.16	24,196,211.78	1.94	23,174,456.69
Total	988,181,425.04	100.00	64,261,468.67	1,248,776,352.86	100.00	72,836,730.09

(4) At the end of the year, there was no reversal or recovery of credit loss provisions.

(5) The Company has no accounts receivable that were actually written off at the end of the period.

(6) As of December 31, 2019, the Company had no arrears from shareholders who held more than 5% (including 5%) of the voting shares of the Company.

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. ACCOUNTS RECEIVABLE (CONTINUED)

(7) Amounts due from related parties

Company name	Relationship with the Company	Amount	Percentage of total accounts receivables (%)
Sinotrans South China Co., Ltd. Dongguan Branch	Subsidiary	17,194,767.46	1.74
Longyan Sinotrans Logistics Co., Ltd.	Subsidiary	14,535,377.46	1.47
Sinotrans Middle East Co., Ltd.	Subsidiary	8,245,502.34	0.83
Sinotrans North China Co., Ltd.	Subsidiary	8,177,341.30	0.83
Hunan Zhongnan International Land Port Co., Ltd.	Subsidiary	7,985,165.77	0.81
Sinotrans Northeastern Co., Ltd. Shenyang Branch	Subsidiary	5,587,569.68	0.57
Sinotrans Hubei Co., Ltd.	Subsidiary	2,567,336.00	0.26
Sinotrans Heavy-lift Logistics Co., Ltd. Rugao Branch	Subsidiary	1,691,928.66	0.17
Sinotrans Angola Limited	Subsidiary	1,318,338.93	0.13
Other	—	5,655,352.98	0.57
Total	—	72,958,680.58	7.38

(8) Top 5 accounts receivable

Company name	Relationship with the Company	Amount	Aging	Credit loss provision	Percentage of total accounts receivable (%)
Entity 1	Unrelated party	29,929,090.00	Within 2 years	840,156.15	3.03
Entity 2	Unrelated party	29,069,891.79	Within 3 years	55,232.80	2.94
Entity 3	Unrelated party	28,382,284.94	Within 3 years	468,424.19	2.87
Entity 4	Unrelated party	21,628,694.87	Within 1 years	41,094.52	2.19
Entity 5	Unrelated party	20,026,940.59	Within 2 years	38,250.80	2.03
Total	—	129,036,902.19	—	1,443,158.46	13.06



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. ACCOUNTS RECEIVABLE (CONTINUED)

(9) Accounts receivable derecognised by transfer of financial assets

Company name	Derecognition amount	Gains and losses related to derecognition (Loss is listed with "-")
Entity 1	7,993,947.06	-124,837.77
Entity 2	4,298,809.03	-67,132.51
Entity 3	2,934,131.89	-45,820.98
Entity 4	1,650,558.00	-25,776.00
Entity 5	1,275,657.21	-19,921.35
Entity 6	1,232,931.03	-19,254.11
Entity 7	1,113,307.93	-17,386.01
Entity 8	975,698.88	-15,237.04
Entity 9	786,520.92	-12,282.73
Entity 10	767,146.10	-11,980.17
Entity 11	689,802.75	-10,772.33
Entity 12	549,310.40	-8,578.33
Entity 13	279,397.56	-4,363.22
Entity 14	95,280.00	-1,487.96
Entity 15	70,283.30	-1,097.58
Entity 16	62,250.00	-972.13
Entity 17	52,100.00	-813.62
Entity 18	33,650.15	-525.50
Total	24,860,782.21	-388,239.34

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. FINANCING RECEIVABLES

(1) Classification of financing receivable

Classification	Closing Balance	Opening Balance
Bank acceptance bills	31,467,958.31	22,838,736.35
Accounts receivable	–	–
Total	31,467,958.31	22,838,736.35

(2) The Company has no pledged bills receivable at the end of the period.

(3) Bills receivable endorsed or discounted at the end of the year and not yet due at the balance sheet date

Classification	Closing Balance	Opening Balance
Bank acceptance bill	22,948,699.00	–
Total	22,948,699.00	–

(4) As of 31 December 2019, the Company did not convert the bills receivable into accounts receivable due to the inability of the drawer to perform (31 December 2018: Nil)

(5) As of 31 December 2019 and 31 December 2018, the Company believes that the bank acceptance bills held do not have significant credit risk and will not cause significant losses due to bank defaults. Full recovery), so no provision for bad debts was made.

(6) Among the above balances, there was no bills receivable from shareholder units holding more than 5% (including 5%) voting rights of the Company.

(7) The aging of the bills receivable mentioned above are all within 360 days.

5. Other receivables

Items	Closing balance	Opening balance
Interests receivable	–	–
Dividends receivable	90,850,271.49	84,271,356.22
Other receivables	9,633,449,885.96	7,685,751,348.29
Total	9,724,300,157.45	7,770,022,704.51



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(1) Dividends receivable

Investee	Opening balance	Increase due to consolidation scope change	Increase this year	Decrease this year	Translation differences in foreign currency statements	Closing balance	Non-recoverable reason	Whether an impairment occurred and the basis for its judgment
Dividends receivable aged within 1 year	6,218,447.53	-	688,363,046.17	691,784,130.90	-	2,797,362.80	—	—
Including: Sinotrans Hubei Co., Ltd.	4,682,447.53	-	15,385,990.10	20,068,437.63	-	-	—	—
China International Exhibition and Transportation Co., Ltd.	-	-	2,797,362.80	-	-	2,797,362.80	Declared unreleased	No
Sinotrans Central China Co., Ltd.	-	-	170,137,443.14	170,137,443.14	-	-	—	No
Sinotrans South China Co., Ltd.	-	-	161,418,150.14	161,418,150.14	-	-	—	No
Sinotrans Yangtse Co., Ltd.	-	-	128,185,094.94	128,185,094.94	-	-	—	No
Sinotrans Logistics Development Co., Ltd.	-	-	48,632,178.36	48,632,178.36	-	-	—	No
Sinotrans Logistics Co., Ltd.	-	-	42,309,684.76	42,309,684.76	-	-	—	No
Sinotrans Northeastern Co., Ltd.	-	-	29,799,783.08	29,799,783.08	-	-	—	No
Sinotrans Fujian Co., Ltd.	-	-	23,847,649.10	23,847,649.10	-	-	—	No
Sinotrans Land Bridge Transportation Co., Ltd.	-	-	21,476,951.92	21,476,951.92	-	-	—	No
Sinotrans Chongqing Co., Ltd.	-	-	11,557,306.30	11,557,306.30	-	-	—	No
Sinotrans (Japan) Co., Ltd.	-	-	11,288,700.00	11,288,700.00	-	-	—	No
Sinotrans-Nisshin International Freight Co., Ltd.	-	-	5,000,000.00	5,000,000.00	-	-	—	No
Sinotrans Korea Shipping Co., Ltd.	-	-	4,660,827.65	4,660,827.65	-	-	—	No
Jiangsu Jiangyin Port Group Co., Ltd.	-	-	4,387,500.00	4,387,500.00	-	-	—	No
Sinotrans Logistics Packaging Co., Ltd.	-	-	2,626,649.81	2,626,649.81	-	-	—	No
Sinotrans Heavy-lift Logistics Co., Ltd.	-	-	730,824.07	730,824.07	-	-	—	No
Ma'anshan Tianshun Port Co., Ltd.	-	-	700,000.00	700,000.00	-	-	—	No
SINOTRANS ALMAJDOUIE MIDDLE EAST CO. LTD	-	-	3,420,950.00	3,420,950.00	-	-	—	No
Sinotrans (Pakistan) Logistics Co., Ltd.	1,536,000.00	-	-	1,536,000.00	-	-	—	No
Dividend receivable aged over 1 year	78,052,908.69	-	231,479,645.34	221,479,645.34	-	88,052,908.69	—	—
Including: Sinotrans North China Co., Ltd.	45,839,160.58	-	-	-	-	45,839,160.58	Support subsidiaries' development	No
Sinotrans Eastern Co., Ltd.	10,904,887.09	-	221,479,645.34	221,479,645.34	-	10,904,887.09	Support subsidiaries' development	No
Sinotrans Anhui Co., Ltd.	8,067,261.02	-	-	-	-	8,067,261.02	Support subsidiaries' development	No
Trade Express International Limited	3,241,600.00	-	-	-	-	3,241,600.00	Support subsidiaries' development	No
China United Tally Co., Ltd.	10,000,000.00	-	10,000,000.00	-	-	20,000,000.00	Note 1	No
Total	84,271,356.22	-	919,842,691.51	913,263,776.24	-	90,850,271.49	—	—

Note 1: For details of China United Tally dividend distribution, please refer to Note IX.7(2) Note 2.

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(2) Other receivables

1) Analysis by nature of payment

Nature of payment	Closing balance	Opening balance
Related party accounts	9,412,934,127.80	7,663,794,208.14
Partner current accounts	54,131,877.50	2,102,342.38
Land and other deposits	17,613,268.64	19,356,104.35
Other accounts	148,770,612.02	780,736.32
Subtotal	9,633,449,885.96	7,686,033,391.19
Less: credit loss provision	-	282,042.90
Total	9,633,449,885.96	7,685,751,348.29

2) Aging analysis

Items	Closing balance			Opening balance		
	Carrying amount	proportion(%)	Credit loss provision	Carrying amount	proportion(%)	Credit loss provision
Within 1 year (including 1 year)	6,026,180,127.85	62.55	-	4,158,872,067.42	54.11	89,414.39
1 to 2 years (including 2 years)	115,498,366.23	1.20	-	142,129,415.25	1.85	191,607.87
2 to 3 years (including 3 years)	141,416,177.54	1.47	-	-	-	-
over 3 years	3,350,355,214.34	34.78	-	3,385,031,908.52	44.04	1,020.64
total	9,633,449,885.96	100.00	-	7,686,033,391.19	100.00	282,042.90

3) At the end of the year, there was no reversal or recovery of credit loss provisions.

4) No other receivables actually written off during the reporting period



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(2) Other receivables (continued)

5) Arrears of shareholder units holding more than 5% (including 5%) voting rights of the Company

Company Name	Closing Balance		Opening Balance	
	Amount	Credit loss provision	Amount	Credit loss provision
Sinotrans & CSC	26,984,913.17	—	—	—
Total	26,984,913.17	—	—	—

6) Other top five accounts receivable by year-end balance

Company Name	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)	Credit loss provision	Content
Sinotrans Logistics Co., Ltd.	Subsidiary	4,188,439,600.00	Within 1 year	40.83	—	Borrowings and advances
Sinotrans (Hong Kong) Logistics Co., Ltd.	Subsidiary	1,614,244,668.12	3 years and over	16.60	—	Borrowings and advances
Sinotrans South China Co., Ltd.	Subsidiary	1,340,365,535.50	3 years and over	13.78	—	Borrowings and advances
Sinotrans Eastern Co., Ltd.	Subsidiary	364,600,128.92	Within 1 year and more than 3 years	3.75	—	Borrowings and advances
Sinotrans Logistics Development Co., Ltd.	Subsidiary	286,046,528.00	Within 2 years	2.94	—	Borrowings and advances
Total	—	7,793,696,460.54	—	77.90	—	—

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(2) Other receivables (continued)

(7) Receivables from related parties

Entity name	Relationship with the Company	Amount	Proportion of total other receivables (%)
Sinotrans Logistics Co., Ltd.	Subsidiary	4,188,439,600.00	43.48
Sinotrans (Hong Kong) Logistics Co., Ltd.	Subsidiary	1,614,244,668.12	16.76
Sinotrans South China Co., Ltd.	Subsidiary	1,340,365,535.50	13.91
Sinotrans Eastern Co., Ltd.	Subsidiary	364,600,128.92	3.78
Sinotrans Logistics Development Co., Ltd.	Subsidiary	286,046,528.00	2.97
Sinotrans Central China Co., Ltd.	Subsidiary	175,921,808.08	1.83
Sinotrans Fujian Co., Ltd.	Subsidiary	173,136,603.84	1.80
Sinotrans Yangtze Co., Ltd.	Subsidiary	164,632,739.15	1.71
Ningbo Meishan Bonded Port Area Sinotrans International Logistics Co., Ltd.	Subsidiary	130,590,000.00	1.36
Sinotrans Northeastern Co., Ltd.	Subsidiary	108,000,000.00	1.12
Guangxi Sinotrans Logistics Co., Ltd.	Subsidiary	99,198,366.23	1.03
Sinotrans Heavy-Lift Logistics Co., Ltd.	Subsidiary	89,537,241.34	0.93
Sinotrans Cold Chain Logistics Co., Ltd.	Subsidiary	81,680,000.00	0.85
Shenzhen Sinotrans Logistics Co., Ltd.	Subsidiary	80,137,561.33	0.83
Zhongshan Sinotrans Logistics Co., Ltd.	Subsidiary	56,660,000.00	0.59
Chongqing Sinotrans Logistics Co., Ltd.	Subsidiary	56,290,000.00	0.58
Sinotrans Land Bridge Transportation Co., Ltd.	Subsidiary	48,746,926.65	0.51
Dongying Sinotrans Logistics Co., Ltd.	Subsidiary	40,900,000.00	0.42
Sinotrans Hubei Co., Ltd.	Subsidiary	40,567,509.53	0.42
Sinotrans Logistics Investment Holding Co., Ltd.	Subsidiary	38,852,195.16	0.40
Sinotrans Angola Limited	Subsidiary	30,197,828.05	0.31
Sinotrans Chemical International Logistics Co., Ltd.	Subsidiary	23,503,893.48	0.24
Sinotrans Chongqing Co., Ltd.	Subsidiary	20,643,000.00	0.21
Guangdong Sinotrans Huangpu Warehouse Code Co., Ltd.	Subsidiary	20,000,000.00	0.21
Shanghai Sinotrans Cold Chain Transportation Co., Ltd.	Subsidiary	20,000,000.00	0.21
Sinotrans Yangtze River Shipping Co., Ltd.	Subsidiary	19,105,730.74	0.20
Sinotrans Jiuling Storage and Transportation Co., Ltd.	Subsidiary	15,142,452.62	0.16
Sinotrans Anhui Co., Ltd.	Subsidiary	15,000,000.00	0.16
Weifang Sinotrans International Logistics Co., Ltd.	Subsidiary	14,620,000.00	0.15
Weihai Sinotrans Logistics Development Co., Ltd.	Subsidiary	13,864,500.00	0.14
Jinan Sinotrans International Logistics Co., Ltd.	Subsidiary	12,500,000.00	0.13
Xiamen Sinotrans Logistics Co., Ltd.	Subsidiary	10,537,221.01	0.11
Other	—	19,272,090.05	0.20
Total	—	9,412,934,127.80	97.71



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(2) Other receivables (continued)

- 8) On 31 December 2019, the Company had no other receivables transferred from financial assets to derecognition.
- 9) On 31 December 2019, the Company had no other receivables transfer, such as securitization and factoring with other receivables as its subject matter, and continued to be involved in the formed assets and liabilities.
- 10) On 31 December 2019, the Company did not transfer prepayments to other receivables.

6. LONG-TERM RECEIVABLES

Items	Closing balance			Opening balance			Discount rate range at the end of the period
	Gross carrying amount	Credit loss provision	Carrying amount	Gross carrying amount	Credit loss provision	Carrying amount	
Related Party Loan (Note)	1,395,344,773.34	-	1,395,344,773.34	1,606,581,598.47	-	1,606,581,598.47	1.2%-12.5%
Total	1,395,344,773.34	-	1,395,344,773.34	1,606,581,598.47	-	1,606,581,598.47	-

Note: At 31 December 2019, the Company's long-term receivables were RMB1,870,098,615.30, of which long-term receivables due within one year were RMB474,753,841.96. The Company's long-term receivables include RMB1,785,343,615.30 for entrusted loans to subsidiaries and RMB49,875,000.00 for loans to the Company's joint venture Suzhou Logistics Center and RMB34,880,000.00 for Shanghai Pu'an, of which long-term receivables due within one year were RMB7,125,000.00 and RMB4,960,000.00 respectively. For details of the borrowings of the joint ventures, please refer to Note IX.11.

7. LONG-TERM EQUITY INVESTMENTS

(1) Classification of long-term equity investment

Items	Opening balance	Increase during the period	Decrease during the period	Other increase (decrease)	Effects of changes in the scope of consolidation	Effects from translation in foreign currency statements	Closing balance
Investment in subsidiary	10,452,318,079.59	7,310,417,179.15	97,238,088.71	-132,490,787.54	-	-	17,533,006,382.49
Investment in joint venture	410,669,359.71	18,992,645.22	9,455,484.30	-	-	-	420,206,520.63
Investment in associate	256,596,433.76	38,316,472.37	12,272,362.80	-	-	-	282,640,543.33
Subtotal	11,119,583,873.06	7,367,726,296.74	118,965,935.81	-132,490,787.54	-	-	18,235,853,446.45
Less: impairment provision of long-term equity investments	8,821,076.00	-	8,821,076.00	-	-	-	-
Total	11,110,762,797.06	7,367,726,296.74	110,144,859.81	-132,490,787.54	-	-	18,235,853,446.45

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

7. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Details of long-term equity investments

Invested Entities	Investment cost	Opening balance	Increase or decrease during the period										Closing balance	Including: Closing balance of impairment provision		
			Opening balance of provision	Additional investment	Reduction in investment	Investment gains and losses recognised under the equity method	Other comprehensive income adjustments	Other equity changes	Cash dividends and profits declared	Impairment provision	Effects from translation in foreign currency statements	Others				
Subsidiaries	17,665,497,170.03	10,452,318,079.59	8,821,076.00	7,310,417,179.15	97,238,088.71	-	-	-	-	-	-	-	-	-123,669,711.54	17,533,006,382.49	-
Sinotrans Logistics Co., Ltd.	3,749,751,354.67	3,846,989,443.38	-	-	97,238,088.71	-	-	-	-	-	-	-	-	-	3,749,751,354.67	-
Sinotrans South China Co., Ltd.	1,272,219,038.71	1,272,219,038.71	-	-	-	-	-	-	-	-	-	-	-	-	1,272,219,038.71	-
Sinotrans Air Transport Development Co., Ltd.	8,297,884,810.19	1,215,305,719.75	-	7,082,579,090.44	-	-	-	-	-	-	-	-	-	-	8,297,884,810.19	-
Sinotrans Eastern Co., Ltd.	1,079,345,218.38	1,079,345,218.38	-	-	-	-	-	-	-	-	-	-	-	-	1,079,345,218.38	-
Sinotrans Yangtze 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 Co., Ltd.	430,372,292.05	430,372,292.05	-	-	-	-	-	-	-	-	-	-	-	-	430,372,292.05	-
Trade Express 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 China Co., Ltd.	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	132,490,787.54	8,821,076.00	-	-	-	-	-	-	-	-	-	-	-123,669,711.54	-	-
Sinotrans Hubei Co., Ltd.	121,144,778.00	121,144,778.00	-	-	-	-	-	-	-	-	-	-	-	-	121,144,778.00	-
Sinotrans Innovation Technology Co., Ltd.	100,000,000.00	-	-	100,000,000.00	-	-	-	-	-	-	-	-	-	-	100,000,000.00	-
Sinotrans Logistics Investment Co., Ltd.	97,238,088.71	-	-	97,238,088.71	-	-	-	-	-	-	-	-	-	-	97,238,088.71	-
Shandong Sinotrans Asia-Europe IoT Operation Co., Ltd.	30,600,000.00	-	-	30,600,000.00	-	-	-	-	-	-	-	-	-	-	30,600,000.00	-
Other	122,941,312.23	122,941,312.23	-	-	-	-	-	-	-	-	-	-	-	-	122,941,312.23	-
Joint ventures	431,211,227.30	410,669,339.71	-	-	-	18,992,645.22	-	-	-9,455,484.30	-	-	-	-	-	420,206,520.63	-
Wuhu Sanshan Port Co. Ltd	140,000,000.00	129,663,051.86	-	-	-	1,534,310.45	-	-	-	-	-	-	-	-	131,197,362.31	-
Sinotrans Hi-Tech Logistics (Suzhou) Co. Ltd	97,898,300.00	87,962,554.22	-	-	-	2,818,221.98	-	-	-	-	-	-	-	-	90,780,776.20	-
Nissin-Sinotrans International Logistics Co., Ltd.	55,518,961.25	79,086,857.03	-	-	-	9,107,655.00	-	-	-5,000,000.00	-	-	-	-	-	83,194,512.03	-
Sinotrans PFS Company Limited	90,000,000.00	48,237,574.45	-	-	-	1,231,989.19	-	-	-	-	-	-	-	-	49,469,563.64	-
Shanghai Tongyun International Logistics Co., Ltd.	16,058,835.00	32,265,064.45	-	-	-	1,423,576.26	-	-	-1,034,534.30	-	-	-	-	-	32,654,106.41	-
Shanghai United Cold Chain Logistics Co., Ltd.	15,000,000.00	14,997,945.43	-	-	-	-1,173,538.24	-	-	-	-	-	-	-	-	13,824,407.19	-
SINOTRANS ALMAJOUJIE MIDDLE EAST CO. LTD	3,695,600.00	13,502,682.47	-	-	-	-1,814,922.22	-	-	-3,420,950.00	-	-	-	-	-	8,266,810.25	-
Others	13,039,531.05	4,953,629.80	-	-	-	5,865,352.80	-	-	-	-	-	-	-	-	10,818,982.60	-
Associates	166,756,452.64	256,596,433.76	-	-	-	38,316,472.37	-	-	-12,272,362.80	-	-	-	-	-	282,640,543.33	-
Jiangsu Jiangyin Port Group Co. Ltd	59,319,000.00	141,171,292.36	-	-	-	36,704,780.26	-	-	-8,775,000.00	-	-	-	-	-	169,101,072.62	-
Shanghai Pu / An Storage Co. Ltd	78,173,640.00	76,542,805.94	-	-	-	-248,944.66	-	-	-	-	-	-	-	-	76,293,861.28	-
Ma Anshan Tianshun Port Co., Ltd.	21,000,000.00	28,988,429.10	-	-	-	773,367.69	-	-	-700,000.00	-	-	-	-	-	28,981,796.79	-
China International Exhibition Transportation Co., Ltd.	8,263,812.64	9,973,906.36	-	-	-	1,087,269.08	-	-	-2,797,362.80	-	-	-	-	-	8,263,812.64	-
Total	18,263,464,849.97	11,119,583,873.06	8,821,076.00	7,310,417,179.15	97,238,088.71	57,309,117.59	-	-	-21,727,847.10	-	-	-	-	-123,669,711.54	18,235,853,446.45	-



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

7. LONG-TERM EQUITY INVESTMENTS (continued)

(3) Investments in subsidiaries

Name of investee	Initial cost of investment	Opening balance	Effects of changes in the scope of consolidation	Increase during the period	Decrease during the period	Effects from translation in foreign currency statements	Closing balance
Sinotrans Logistics Co., Ltd.	3,846,989,443.38	3,846,989,443.38	-	-	97,238,088.71	-	3,749,751,354.67
Sinotrans South China Co., Ltd.	1,272,219,038.71	1,272,219,038.71	-	-	-	-	1,272,219,038.71
Sinotrans Air Transport Development Co., Ltd.	1,215,305,719.75	1,215,305,719.75	-	7,082,579,090.44	-	-	8,297,884,810.19
Sinotrans Eastern Co., Ltd.	1,079,345,218.38	1,079,345,218.38	-	-	-	-	1,079,345,218.38
Sinotrans Yangtze 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
Hongguang Development Co., Ltd.	430,372,292.05	430,372,292.05	-	-	-	-	430,372,292.05
Trade Express 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 China Co., Ltd.	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 Co., Ltd.	121,144,778.00	121,144,778.00	-	-	-	-	121,144,778.00
Sinotrans Innovation Technology Co., Ltd.	100,000,000.00	-	-	100,000,000.00	-	-	100,000,000.00
Sinotrans Logistics Investment Holding Co., Ltd.	97,238,088.71	-	-	97,238,088.71	-	-	97,238,088.71
Shandong Sinotrans Asia-Europe IoT Operation Co., Ltd.	30,600,000.00	-	-	30,600,000.00	-	-	30,600,000.00
Others	122,941,312.23	122,941,312.23	-	-	-	-	122,941,312.23
Total	10,680,156,168.30	10,443,497,003.59	-	7,310,417,179.15	220,907,800.25	-	17,533,006,382.49

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

7. LONG-TERM EQUITY INVESTMENTS (continued)

(4) Changes in long-term equity investment impairment provisions are as follows:

Item	Opening balance	Impact of console adjustment	Addition	Amount	Reduction Reason	Exchange rate gains/losses	Closing balance
Sinotrans Logistics Development Co., Ltd.	8,821,076.00	-	-	8,821,076.00	Losing control because of trusteeship. The amount transferred to other non-current financial assets	-	-
Total	8,821,076.00	-	-	8,821,076.00	-	-	-

(5) The company has no relevant situation that the ability to transfer funds to investment enterprises is restricted.

8. LONG-TERM BORROWINGS

Borrowing category	Closing balance	Opening balance	Period-end interest rate range (%)
Credit loans	616,875,000.00	2,624,180,565.99	1.20-4.04
Total	616,875,000.00	2,624,180,565.99	—
Less: long-term loans due within one year	500,000,000.00	1,000,000,000.00	—
Include: credit loans	500,000,000.00	1,000,000,000.00	—
Long-term borrowings due more than one year	116,875,000.00	1,624,180,565.99	—

(1) The top five highest long-term borrowings at the end of the period

Name of entity	Start date of the loan	Termination of loan	Currency	Interest rate (%)	Closing balance		Opening balance	
					Foreign currency	Local currency	Foreign currency	Local currency
China Merchants Group Finance Co., Ltd.	2018-01-02	2020-04-16	RMB	4.04	-	500,000,000.00	-	500,000,000.00
Agricultural Development Bank of China	2016-08-10	2026-08-10	RMB	1.20	-	49,875,000.00	-	57,000,000.00
Agricultural Development Bank of China	2015-11-20	2034-11-17	RMB	1.20	-	40,000,000.00	-	40,000,000.00
Agricultural Development Bank of China	2016-02-29	2033-02-28	RMB	1.20	-	27,000,000.00	-	27,000,000.00



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

9. BONDS PAYABLES

(1) Bonds payable

item	Closing balance	Opening balance
2016 corporate bonds (Phase I) – RMB2,000M	2,052,367,210.99	2,051,567,210.98
2016 corporate bonds (Phase II) – RMB1,500M	1,367,119,232.80	1,514,517,123.21
Total	3,419,486,443.79	3,566,084,334.19

Note: For details of the bonds payable by the Company, please refer to Note IX.36.

(2) Movement of bond payables

Bond Name	Principle value	Issue date	Maturity date	Amount issued	Opening balance	Effects of changes in the scope of consolidation	Issue during the year	Interest accrued by face value	Amortisation of premiums and discounts	Repayment for current year	Exchange rate gain/loss	Closing balance
2016 corporate bonds (Phase I) – RMB2,000M	2,000,000,000.00	2016-03-02	5 years	2,000,000,000.00	2,051,567,210.98	-	-	-	800,000.01	-	-	2,052,367,210.99
2016 corporate bonds (Phase II) – RMB1,500M	1,500,000,000.00	2016-08-24	5 years	1,500,000,000.00	1,514,517,123.21	-	-	2,152,109.58	450,000.01	150,000,000.00	-	1,367,119,232.80
Total	3,500,000,000.00	—	—	3,500,000,000.00	3,566,084,334.19	-	-	2,152,109.58	1,250,000.02	150,000,000.00	-	3,419,486,443.79
Less: bonds payable within 1 year	-	—	—	-	-	-	-	-	-	-	-	-
Bonds payable due after 1 year	3,500,000,000.00	—	—	3,500,000,000.00	3,566,084,334.19	-	-	-	-	-	-	3,419,486,443.79

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

10. CAPITAL RESERVE

31 December 2019:

Items	Opening balance	Increase of the period	Decrease of the period	Closing balance
I. Capital (or share capital) premium	5,114,068,361.96	5,730,941,859.44	80,457,205.38	10,764,553,016.02
Capital invested by investors	5,114,068,361.96	5,730,941,859.44	–	10,845,010,221.40
Others	–	–	80,457,205.38	-80,457,205.38
II. Other capital reserves	-544,469.65	–	–	-544,469.65
Others	-544,469.65	–	–	-544,469.65
Total	5,113,523,892.31	5,730,941,859.44	80,457,205.38	10,764,008,546.37
Including: state-owned exclusive capital reserve	–	–	–	–

31 December 2018:

Items	Opening balance	Increase of the period	Decrease of the period	Closing balance
I. Capital (or share capital) premium	5,114,068,361.96	–	–	5,114,068,361.96
1. 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	–	–	–	–



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

11. RETAINED EARNINGS

Items	Amount of current year	Amount of previous year
Closing balance of the previous period	1,920,223,092.41	1,393,750,246.98
Add: Adjustments of Retained earnings at the beginning of the period	-23,003,108.98	-
Including: Changes in accounting policies	-23,003,108.98	-
Opening balance	1,897,219,983.43	1,393,750,246.98
Increase of the period	872,007,124.80	1,122,673,529.95
Including: net profit attributable to the owners of the Company during the period	872,007,124.80	1,122,673,529.95
Decrease of the period	1,049,305,216.23	596,200,684.52
Including: Withdrawn of the statutory reserve funds during the period	87,200,712.48	112,267,353.00
Distributed profits	962,104,503.75	483,933,331.52
Closing balance of the period	1,719,921,892.00	1,920,223,092.41

12. OPERATING REVENUE AND OPERATING COST

Items	Amount of current year		Amount of previous year	
	Revenue	Cost	Revenue	Cost
Shipping and related	2,245,250,205.67	1,898,168,727.92	2,145,058,837.38	1,834,355,968.57
Total	2,245,250,205.67	1,898,168,727.92	2,145,058,837.38	1,834,355,968.57

13. FINANCE COSTS

Items	Amount of current year	Amount of previous year
Interest expenses	286,047,476.73	244,391,150.73
Including: bank and other borrowings	124,039,032.19	135,041,150.74
Bond interests	131,793,633.44	109,349,999.99
Interest expense of lease liabilities	30,214,811.10	—
Less: capitalised interest expenses	-	-
Less: interest income	266,607,689.45	180,967,204.81
Exchange net losses	-23,490,882.03	-53,925,083.65
Others	3,623,898.46	20,899,846.76
Total	-427,196.29	30,398,709.03

XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

14. INVESTMENT INCOME

Items	Amount of current year	Amount of previous year
Income from long-term equity investments	950,845,996.30	1,340,994,160.36
Including: income from investments recognised under the equity method	57,309,117.59	48,588,515.98
Income from disposal of equity	10,000,000.00	–
Other non-current financial assets	10,000,000.00	–
Including: Investment income earned during the holding period	118,290.30	10,279,868.98
Held-for-trading financial assets	118,290.30	10,279,868.98
Including: income from investments acquired during the holding period	-14,526,454.50	–
Total	946,437,832.10	1,351,274,029.34



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XVII. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

15. SUPPLEMENTARY INFORMATION ON THE COMPANY'S STATEMENT OF CASH FLOW

Items	Accumulated amount in current year	Accumulated amount in previous year
1. Adjust net profit to cash flow from operating activities:		
Net profit	872,007,124.80	1,122,673,529.95
Add: Impairment of assets	-	-
Credit impairment loss	8,748,187.28	253,551.44
Depreciation of fixed assets, depreciation of investment real estate, depreciation of right-of-use assets	36,410,017.01	9,650,705.89
Amortisation of intangible assets	28,952,087.42	17,691,394.05
Amortisation of long-term deferred expenses	516,830.25	504,258.03
Loss from disposal of assets (income is listed with "-")	1,364,048.45	-
Damage to non-current assets, loss due to scrap (income is listed with "-")	35,685.07	12,785.39
Losses from changes in fair value (income is listed with "-")	-	-
Financial expenses (income is listed with "-")	72,682,198.47	71,855,729.04
Investment loss (income is listed with "-")	-946,437,832.10	-1,351,274,029.34
Decrease in deferred tax assets (increase is indicated by "-")	-	-
Increase in deferred tax liabilities (decrease is indicated by "-")	-	-
Decrease of inventories (increased by "-")	-	3,595,453.35
Decrease in operating receivables (increase is indicated by "-")	-398,270,715.01	-459,966,273.31
Increase in operating payable (decrease is indicated by "-")	304,668,683.17	977,586,929.41
Net cash flow from operating activities	-19,323,685.19	392,584,033.90
2. Major investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible corporate bonds due within one year	-	-
Finance leased fixed assets	-	-
Balance of previous year's salary difference transferred to state capital	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	4,072,964,005.08	2,232,379,636.67
Less: Opening balance of cash	2,232,379,636.67	326,727,167.08
Add: Adjust the classification of customer settlement reserves at the beginning of the year	-	-
Net increase in cash and cash equivalents	1,840,584,368.41	1,905,652,469.59

XVIII. OTHER SIGNIFICANT EVENTS

As of 31 December 2019, the Group had no significant events to disclose.

XIX. APPROVAL OF THE FINANCIAL STATEMENTS

The Group's financial statements for the year ended 31 December 2019 were approved for issuance by the Board of Directors of the Company on 31 March 2020.

SUPPLEMENTARY INFORMATION

1. NON-RECURRING STATEMENT OF PROFIT OR LOSS FOR THE PERIOD

In accordance with the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public — Non-recurring Profit or Loss (2008) issued by China Securities Regulatory Commission, the Company's non-recurring profit or loss for 2019 are as follows:

Items	Amount of current year	Amount of previous year	Description
Gains and losses from disposal of non-current assets	203,048,696.02	693,786,460.93	—
Unauthorised approval or lack of formal approval documents or occasional tax refunds and deductions	—	—	—
Government subsidies included in profit or loss	269,249,426.21	152,105,123.07	—
Capital occupation fees charged to non-financial enterprises included in profit or loss	11,513,523.89	8,978,297.29	—
The investment cost of an enterprise's acquisition of subsidiaries, associates and joint ventures is less than the income derived from the fair value of the identifiable net assets of the investee when the investment is acquired	43,242,304.47	—	—
Non-monetary asset exchange gains and losses	—	—	—
Profit or loss from entrusting others to invest or manage assets	—	—	—
Provision for asset impairment due to force majeure factors, such as natural disasters	—	—	—
Debt restructuring gains and losses	15,487,084.02	—	—
Corporate restructuring costs	—	—	—
Gains and losses in excess of fair value resulting from transactions where the transaction price was significantly unfair	—	—	—
Net profit or loss for the period from the beginning of the company to the date of combination	—	—	—
Gains and losses from contingencies unrelated to the company's normal business operations	—	—	—



Chapter 12 Financial Report

SUPPLEMENTARY INFORMATION (CONTINUED)

1. NON-RECURRING STATEMENT OF PROFIT OR LOSS FOR THE PERIOD (CONTINUED)

Items	Amount of current year	Amount of previous year	Description
Except for the effective hedging business related to the company's normal business operations, the fair value of financial assets held at fair value through profit or loss, and financial liabilities measured at fair value through profit or loss Gains and losses from changes, and investment income from disposal of financial assets at fair value through profit or loss, financial liabilities at fair value with changes included in current profit or loss	20,186,939.33	442,838,077.81	—
Impairment reversal of receivables that were individually tested for impairment	20,095,517.46	11,371,444.80	—
Gains and losses from external entrusted loans	-	-	—
Gains and losses from changes in the fair value of investment real estate that are subsequently measured using the fair value model	-	-	—
The impact of one-time adjustments to profit or loss on profit or loss in accordance with the requirements of tax and accounting laws and regulations	-	-	—
Custody fee income from entrusted operations	25,471,698.11	10,377,358.50	—
Non-operating income and expenses other than the above	-122,461,154.08	-249,263,114.03	—
Other profit and loss items that meet the definition of non-recurring profit and loss	318,572,149.70	660,598,884.90	Gains from additional VAT deductions, re-measurement of equity at fair value and gains from income tax expenses
Subtotal	804,406,185.13	1,730,792,533.27	—
Income tax effects	-67,515,400.08	-116,774,977.15	—
Effects of non-controlling interests (net of tax)	-6,001,077.43	-15,792,892.36	—
Total	730,889,707.62	1,598,224,663.76	—

SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

In accordance with the Explanatory Announcement No. 9 on Information Disclosure for Companies Offering Securities to the Public — Calculation and Disclosure of Return on Net Assets and Earnings per Share (as amended in 2010) issued by CSRC, the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Company for 2019 are as follows:

Profit during the reporting period	Weighted average return on net assets (%)	Unit: RMB per share	
		Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	10.29	0.38	0.38
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	7.61	0.28	0.28



Chapter 13 Documents Available for Inspection

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.
Original copy of the auditor's report sealed by the auditor, and signed and sealed by the certified public accountants.
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 Board approval: 31 March 2020





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