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中國外運股份有限公司 SINOTRANS LIMITED

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

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

I. GROUP RESULTS

The board of directors (the “**Board**”) of Sinotrans Limited (the “**Company**”) is pleased to announce the condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014 together with the comparative figures in 2013, which have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and International Accounting Standard 34 “Interim Financial Reporting” as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		For the six months ended 30 June	
		2014	2013
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue	3	21,071,418	23,841,649
Other income		84,284	68,616
Business tax and other surcharges		(46,312)	(60,491)
Transportation and related charges		(18,347,034)	(21,224,429)
Staff costs		(1,411,430)	(1,313,239)
Depreciation and amortisation		(245,562)	(227,590)
Office and related expenses		(213,584)	(243,440)
Other losses, net		(78,834)	(25,716)
Other operating expenses		(205,937)	(176,874)
Operating profit	4	607,009	638,486
Finance income		45,933	40,029
Finance costs		(143,503)	(159,385)
Share of profit of joint ventures		373,742	240,626
Share of profit of associates		60,485	19,807
Profit before income tax		943,666	779,563
Income tax expense	5	(218,448)	(160,763)
Profit for the period from continuing operations		725,218	618,800
Discontinued operations			
Profit/(losses) for the period from discontinuing operations	6	9,982	(29,864)
Profit for the period		735,200	588,936
Attributable to:			
– Owners of the Company		643,966	449,789
– Non-controlling interests		91,234	139,147
		735,200	588,936
Earnings per share, Basic (RMB)	9		
– from continuing and discontinued operations		0.15	0.11
– from continuing operations		0.15	0.11

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<i>Notes</i>	For the six months ended 30 June	
		2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
Profit for the period		735,200	588,936
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive expense of joint ventures		–	(210)
Share of other comprehensive income of associates		5,982	5,139
Fair value (losses)/gains on available-for-sale financial assets	12		
– Losses arising during the period		(86,048)	(215,846)
– Reclassification adjustments to profit or loss during the period		202,905	–
Currency translation differences		2,364	(36,858)
Income tax relating to components of other comprehensive income		(29,215)	53,961
Other comprehensive income/(expense) for the period, net of tax		95,988	(193,814)
Total comprehensive income for the period		831,188	395,122
Total comprehensive income attributable to:			
– Owners of the Company		707,931	315,413
– Non-controlling interests		123,257	79,709
		831,188	395,122

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Land use rights		2,502,162	2,447,264
Prepayments for acquisition of land use rights		157,116	218,729
Property, plant and equipment	10	6,206,525	7,106,583
Intangible assets		106,323	109,835
Investments in joint ventures	11	2,273,712	2,398,520
Investments in associates		959,983	906,563
Deferred income tax assets		118,917	148,779
Available-for-sale financial assets	12	1,071,769	1,157,817
Other non-current assets		416,683	54,719
		13,813,190	14,548,809
Current assets			
Prepayments and other current assets		1,028,675	1,138,831
Inventories		155,809	60,276
Trade and other receivables	13	8,581,296	7,865,585
Restricted cash		189,695	195,204
Term deposits with initial terms of over three months		778,091	810,261
Cash and cash equivalents		6,073,226	5,275,867
		16,806,792	15,346,024
Assets classified as held for sale	7	1,137,616	—
		17,944,408	15,346,024
Total assets		31,757,598	29,894,833
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,249,002	4,249,002
Reserves		7,078,382	6,463,555
Proposed dividends	8(b)	92,130	212,450
		11,419,514	10,925,007
Non-controlling interests		2,593,895	2,492,692
Total equity		14,013,409	13,417,699

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2014

		30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited) (Restated)
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,203	3,294
Borrowings		–	345,784
Long-term bonds	14	2,992,593	3,998,853
Other non-current liabilities		215,708	180,970
		<u>3,211,504</u>	<u>4,528,901</u>
Current liabilities			
Trade payables	15	5,554,083	5,841,263
Other payables, accruals and other current liabilities		1,773,144	2,013,901
Receipts in advance from customers		1,879,695	1,686,364
Current income tax liabilities		163,241	145,468
Borrowings		805,575	854,863
Provisions		230,206	266,386
Long-term bonds due within one year	14	2,545,917	547,527
Salary and welfare payables		557,353	592,461
		<u>13,509,214</u>	<u>11,948,233</u>
Liabilities associated with assets classified as held for sale	7	<u>1,023,471</u>	<u>–</u>
		<u>14,532,685</u>	<u>11,948,233</u>
Total liabilities		<u>17,744,189</u>	<u>16,477,134</u>
Total equity and liabilities		<u>31,757,598</u>	<u>29,894,833</u>
Net current assets		<u>3,411,723</u>	<u>3,397,791</u>
Total assets less current liabilities		<u>17,224,913</u>	<u>17,946,600</u>

1. GENERAL INFORMATION

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

The directors of the Company regard SINOTRANS & CSC, an unlisted state-owned company established in the PRC, as the immediate and ultimate holding company of the Company.

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

In the current interim period, the Group has decided to dispose a very substantial portion of the national and international marine transportation operations (see Note 6). The comparative figures in the condensed consolidated statement of profit or loss have been restated to re-present the international and national marine transportation operations as discontinued operations.

These condensed consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

Except as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements are the same as those followed in the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following interpretation and amendments to IFRSs:

- IFRS 10 (Amendments), IFRS 12 (Amendments), and IAS 27 (Amendments) – Investment Entities
- IAS 32 (Amendments) – Offsetting Financial Assets and Financial Liabilities
- IAS 39 (Amendments) – Novation of Derivatives and Continuation of Hedge Accounting
- IFRS Interpretations Committee (“IFRIC”) 21 – Levies

The application of the above new interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policy in relating to non-current assets held for sale.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SEGMENT INFORMATION

The chief operating decision-maker (“Management”) reviews the Group’s internal reporting in order to assess performance and allocate resources. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. No operating segments identified by Management have been aggregated in arriving at the reportable segments of the Group.

The Group’s revenue is from rendering of services.

Before 2014, the Group presented its operating segments based on its internal organisation structure as follows: freight forwarding, shipping agency, marine transportation, storage and terminal services and other services.

During the current interim period, the Group made a decision to dispose a very substantial portion of the national and international marine transportation operations, details are set out in Note 6, and changed its internal organisation structure. Accordingly, the composition of its operating segments has been revised and the segment information for the six months ended 30 June 2013 has been restated to conform with current period’s presentation.

An analysis of the Group's reportable and operating segments from continuing operations based on the revised internal organization structure is set out below:

- Freight forwarding: primarily involve, at the instruction of its customers, arranging transportation of goods to designated consignees at other locations within specified time limits, including the shipping agency services to shipping companies related to the freight forwarding services.
- Logistics: primarily involve providing customised and professional integrated logistic services to its customers.
- Storage and terminal services: primarily involve providing services of warehousing, container yards, container freight stations and terminals.
- Other services: mainly involve providing services of trucking, shipping and express services.

Management assesses the performance of the operating segments based on segment profit/(loss). Segment profit/(loss) is the operating profit excludes the effects of other gains/(losses) and corporate expenses.

Sales between segments are charged at mutually agreed prices.

The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in Note 6.

	Freight forwarding RMB'000	Logistics RMB'000	Storage and terminal services RMB'000	Other services RMB'000	Segment total RMB'000	Inter- elimination RMB'000	Total RMB'000
Continuing operations							
For the six months ended							
30 June 2014 (Unaudited)							
Revenue – external	16,284,153	3,018,971	914,912	853,382	21,071,418	–	21,071,418
Revenue – inter-segment	<u>227,751</u>	<u>18,588</u>	<u>105,246</u>	<u>213,322</u>	<u>564,907</u>	<u>(564,907)</u>	<u>–</u>
Total revenue	<u>16,511,904</u>	<u>3,037,559</u>	<u>1,020,158</u>	<u>1,066,704</u>	<u>21,636,325</u>	<u>(564,907)</u>	<u>21,071,418</u>
Segment results	379,234	183,672	176,912	2,097	741,915	–	741,915
Other losses, net							(78,834)
Corporate expenses							<u>(56,072)</u>
Operating profit							607,009
Finance income							45,933
Finance costs							(143,503)
Share of profit/(loss) of joint ventures	16,638	(2,846)	18,408	341,542	373,742	–	373,742
Share of profit of associates							<u>60,485</u>
Profit before income tax							943,666
Income tax expense							<u>(218,448)</u>
Profit for the period from continuing operations							<u>725,218</u>

	Freight forwarding <i>RMB'000</i>	Logistics <i>RMB'000</i>	Storage and terminal services <i>RMB'000</i>	Other services <i>RMB'000</i>	Segment total <i>RMB'000</i>	Inter- elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Continuing operations							
For the six months ended 30 June 2013 (Unaudited)							
Revenue – external	19,263,527	2,831,999	896,956	849,167	23,841,649	–	23,841,649
Revenue – inter-segment	<u>244,612</u>	<u>18,753</u>	<u>79,587</u>	<u>190,954</u>	<u>533,906</u>	<u>(533,906)</u>	<u>–</u>
Total revenue	<u>19,508,139</u>	<u>2,850,752</u>	<u>976,543</u>	<u>1,040,121</u>	<u>24,375,555</u>	<u>(533,906)</u>	<u>23,841,649</u>
Segment results	367,604	158,342	176,100	9,505	711,551	–	711,551
Other losses, net							(25,716)
Corporate expenses							<u>(47,349)</u>
Operating profit							638,486
Finance income							40,029
Finance costs							(159,385)
Share of (loss)/profit of joint ventures	(1,790)	759	(24,782)	266,439	240,626	–	240,626
Share of profit of associates							<u>19,807</u>
Profit before income tax							779,563
Income tax expense							<u>(160,763)</u>
Profit for the period from continuing operations							<u>618,800</u>

4. OPERATING PROFIT FROM CONTINUING OPERATIONS

Operating profit from continuing operations is arrived at after crediting and charging the following:

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Crediting		
Rental income from		
– Buildings	27,221	20,634
– Plant and machinery	2,096	2,471
Dividend income on available-for-sale financial assets	3,434	4,499
Government grants	43,281	47,298
Gains on disposal of property, plant and equipment (<i>Note</i>)	87,655	–
Gains on disposal of land use rights (<i>Note</i>)	28,365	–
	<u>202,905</u>	<u>–</u>
Charging		
Depreciation		
– Owned property, plant and equipment	229,388	213,038
– Owned property, plant and equipment leased out under operating leases	4,795	4,537
Losses on disposal of property, plant and equipment	–	13,809
Impairment losses of receivables	36,880	16,527
Operating lease charges		
– Land use rights	32,124	30,529
– Buildings	88,942	83,285
– Plant and equipment	52,035	39,736
Amortisation of intangible assets	11,379	10,015
Charges on property management and facilities	54,470	50,741
Other tax expenses	36,155	29,209
Charges on IT support	19,526	19,518
Impairment loss of available-for-sale financial assets (<i>Note 12</i>) (included in other losses, net)	202,905	–
	<u>202,905</u>	<u>–</u>

Note: Proceeds from the disposal of property, plant and equipment and land use rights were not yet received as at 30 June 2014, and the receivables amounting to RMB178,524,000 were included in trade and other receivables (Note 13).

5. INCOME TAX EXPENSE

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

Continuing operations

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong	1,229	1,527
– PRC enterprise income tax	216,663	155,147
Deferred PRC income tax	556	4,089
	218,448	160,763

Hong Kong profit tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the period.

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2013: 25%) of the assessable income of each of the companies comprising the Group in the Mainland, China as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 15% to 20% (six months ended 30 June 2013: 15% to 20%) based on the relevant PRC tax laws and regulations.

6. DISCONTINUED OPERATIONS

Disposal of national marine transportation operation

On 25 March 2014, the Company entered into a sales agreement to dispose of its 100% equity interest in Sinotrans Sunny Express Company Limited (“Sunny Express”), which carried out a very substantial portion of the Group’s national marine transportation operation, to SINOTRANS & CSC. The disposal of the national marine transportation operation is consistent with the Group’s long-term policy to focus its activities on freight forwarding, logistics, storage and terminal services. The disposal of Sunny Express was completed on 6 June 2014, on which date the Group lost control of Sunny Express, details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 16.

Planned to disposal of international marine transportation operation

On 25 March 2014, the Company entered into sales agreements to dispose of its 100% equity interest in Sinotrans Container Lines Company Limited (“Container Lines”) and four wholly-owned subsidiaries (namely, Yunrong Shipping Company Limited, Yunhua Shipping Company Limited, Yunfu Shipping Company Limited and Yungui Shipping Company Limited), which carried out a very substantial portion of the Group’s international marine transportation operation, to SINOTRANS & CSC and fellow subsidiaries. The disposal of Container Lines and four wholly-owned subsidiaries were not completed as at 30 June 2014. The disposal is consistent with the Group’s long-term policy to focus its activities on core integrated logistic services, e.g. freight forwarding, logistics, storage and terminal services. The net proceeds of sale are expected to exceed the carrying amount of the related net assets and, accordingly, no impairment loss was recognised.

Container Lines and four wholly-owned subsidiaries have been classified and accounted for at 30 June 2014 as a disposal group held for sale (see Note 7).

Analysis of profit for the period from discontinued operations

The combined results of the discontinued national and international marine transportation operations of Sunny Express and Container Lines and four wholly-owned subsidiaries included in the profit for the period are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued operations in the current period.

	For the six months ended 30 June	
	2014	2013
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Profit for the period from discontinued operations		
Revenue	1,402,517	1,267,827
Transportation and related surcharges	(1,299,199)	(1,226,513)
Depreciation and amortisation	(33,207)	(4,128)
Others	(60,284)	(67,050)
Profit/(loss) before tax	9,827	(29,864)
Income tax expense	–	–
Profit/(loss) for the period	9,827	(29,864)
Gain on disposal of the national marine transportation operation (<i>Note 16</i>)	155	–
Profit/(loss) for the period from discontinued operations	9,982	(29,864)

Cash flows from discontinued operations

	For the six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash inflows/(outflows) from operating activities	95,546	(20,499)
Net cash outflows from investing activities	(1,367)	(104,610)
Net cash (outflows)/inflows from financing activities	(132,208)	111,381
Exchange gains/(losses) on cash and cash equivalents	2,521	(3,690)
Net cash outflows	(35,508)	(17,418)

7. ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities of Container Lines and four wholly-owned subsidiaries at the end of the reporting period are as follows:

	30 June 2014
	<i>RMB'000</i>
	(Unaudited)
Property, plant and equipment	473,847
Investments in associates	1,763
Trade and other receivables	496,952
Prepayments and other current assets	5,940
Cash and cash equivalents	159,114
Assets of Container Lines and four wholly-owned subsidiaries classified as held for sale	1,137,616
Trade payables	(665,949)
Other payables, accruals and other current liabilities	(28,491)
Receipts in advance from customers	(31,237)
Salary and welfare payables	(8,952)
Provisions	(7,901)
Borrowings	(280,941)
Liabilities of Container Lines and four wholly-owned subsidiaries associated with asset classified as held for sale	(1,023,471)

8. PROFIT APPROPRIATIONS

(a) Statutory surplus reserve

In accordance with the relevant PRC regulations and the Articles of Association of the Company, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC (“PRC GAAP”) to a statutory surplus reserve until the balance reaches 50% of the registered share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered share capital.

For the six months ended 30 June 2014, no statutory surplus reserve was appropriated as there was loss under the PRC GAAP of the Company.

For the six months ended 30 June 2013, approximately RMB23,869,000, representing 10% of profit after tax determined under the PRC GAAP, has been appropriated to the statutory surplus reserve.

(b) Dividends

In June 2014, a final dividend of RMB0.05 per ordinary share totalling RMB212,450,000 in respect of the year ended 31 December 2013 (2013: RMB0.03 per ordinary share totalling RMB127,470,000 in respect of the year ended 31 December 2012) was approved by shareholders. As at 30 June 2014, such dividend was not yet paid and was included in “other payables, accruals and other current liabilities”.

An interim dividend of RMB0.02 per ordinary share for 4,606,483,200 shares (see Note 18) as at 20 August 2014, totalling RMB92,130,000 (six months ended 30 June 2013: Nil), was declared to the owners of the Company on 20 August 2014.

9. EARNINGS PER SHARE

From continuing and discontinued operations

Basic earnings per share from continuing and discontinued operations is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the six-month period.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	643,966	449,789
Number of ordinary shares in issue (<i>thousands</i>)	4,249,002	4,249,002
Earnings per share, Basic (<i>RMB</i>)	0.15	0.11

From continuing operations

Basic earnings per share from continuing operations is calculated by dividing the profit attributable to owners of the Company from continuing operations by the number of ordinary shares in issue during the six-month period.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	643,966	449,789
Less/(add):		
Profit/(losses) for the period from discontinued operations	9,982	(29,864)
Earnings for the purpose of basic earnings per share from continuing operations	633,984	479,653
Number of ordinary shares in issue (<i>thousands</i>)	4,249,002	4,249,002
Earnings per share, Basic (<i>RMB</i>)	0.15	0.11

From discontinued operations

Basic earnings per share from discontinued operations is RMB0.002 per share (six months ended 30 June 2013: basic loss per share of RMB 0.007), based on the profit for the period from discontinued operations of RMB9,982,000 (six months ended 30 June 2013: losses of RMB29,864,000) and the denominators detailed above for basic earnings per share from continuing operations.

As there is no potential ordinary shares outstanding during both interim periods, no diluted earnings per share is presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of the related property, plant and equipment of the national marine transportation operation (see Note 6) and reclassified the related property, plant and equipment of the international marine transportation operation to “assets classified as held for sale” (see Note 7).

During the current interim period, the Group paid approximately RMB262,747,000 (six months ended 30 June 2013: RMB493,749,000) for construction costs, RMB85,973,000 (six months ended 30 June 2013: RMB44,724,000) for acquisition of plant and machinery, and RMB52,865,000 (six months ended 30 June 2013: RMB42,402,000) for motor vehicles and vessels.

11. INVESTMENT IN JOINT VENTURES

During the six months ended 30 June 2014, the Group acquired 30% equity interest of Sinotrans PFS Cold Storage (Tianjin) Co., Ltd. (previously known as PFS YIDA Cold Storage (Tianjin) Co., Ltd.), 30% equity interest in Sinotrans PFS Cold Chain Logistics Co., Ltd. (previously known as PFS YIDA Cold Storage (Shanghai) Co., Ltd.) and 30% equity interest in Sinotrans PFS Logistics (Shanghai) Co., Ltd. (previously known as PFS YIDA Logistics (Shanghai) Co., Ltd.), which are mainly engaged in construction and operation of cold storage and related services. The total cash consideration paid for these acquisitions amounted to RMB90,000,000.

During the six months ended 30 June 2013, the Group acquired 51% equity interest of Sinotrans Suzhou Logistics Center Co., Ltd. (previously known as Suzhou Wusong River International Container Port Co., Ltd.), which is mainly engaged in international freight forwarding and warehousing services. The total cash consideration paid for the acquisition amounted to RMB97,898,000.

During the six months ended 30 June 2014, certain joint ventures of the Group declared dividends amounted to RMB744,181,000 (six months ended 30 June 2013: RMB701,875,000).

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Listed equity securities	683,649	769,697
Unlisted equity investments, at cost less impairment	388,120	388,120
Available-for-sale financial assets	<u>1,071,769</u>	<u>1,157,817</u>

Movements in listed equity securities are analysed as follows:

	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
At beginning of period	769,697	1,019,084
Fair value losses	(86,048)	(215,846)
Disposal	—	(21,210)
At end of period	<u>683,649</u>	<u>782,028</u>

During the current interim period, the investment in China Eastern Airlines Corporation Limited (“China Eastern”) was impaired as there was a significant decline in the fair value of China Eastern below its acquisition cost. As a result, the cumulative loss amounted to RMB 202,905,000 (six months ended 30 June 2013: Nil), measured as the difference between the acquisition cost and the current fair value, is reclassified from investment revaluation reserve and recognised in profit or loss.

13. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	7,209,413	6,806,510
Bills receivables	264,536	293,076
Other receivables	715,344	551,787
Due from related parties	392,003	214,212
	<u>8,581,296</u>	<u>7,865,585</u>
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	7,301,460	6,875,927
Less: Allowance for impairment of receivables	(92,047)	(69,417)
Trade receivables, net	<u>7,209,413</u>	<u>6,806,510</u>

Trade and other receivables amounted to RMB496,952,000 (including trade receivables of RMB489,341,000, amount due from related parties of RMB2,862,000 and other receivables of RMB4,749,000) as at 30 June 2014 have been classified as part of a disposal group held for sale (see Note 7).

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 6 months	7,601,710	6,718,758
Between 6 and 12 months	65,182	65,131
Between 1 and 2 years	24,951	18,285
Between 2 and 3 years	2,804	459
Over 3 years	4,107	3,877
	<u>7,698,754</u>	<u>6,806,510</u>

The aging of amounts due from related parties, which are trading in nature based on invoice date, is summarized as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 6 months	110,683	126,432
Between 6 and 12 months	18,744	466
Between 1 and 2 years	84	102
Between 2 and 3 years	7	13
Over 3 years	13	–
	<u>129,531</u>	<u>127,013</u>

The credit period of the Group's trade receivables generally ranges from 1 to 6 months. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, both locally and internationally dispersed.

Bills receivables are bills of exchange with maturity dates of less than 6 months.

14. BONDS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current		
Medium-term notes	–	1,999,334
Corporate bonds (<i>Note</i>)	2,992,593	1,999,519
Long-term bonds	<u>2,992,593</u>	<u>3,998,853</u>
Current		
Medium-term notes	2,496,513	499,017
Collective bonds	49,404	48,510
Long-term bonds due within one year	<u>2,545,917</u>	<u>547,527</u>

Note: In June 2014, a subsidiary of the Company issued unsecured offshore corporate bonds with par value of RMB100 each totalling RMB1 billion. The corporate bonds are of 3-year term and with fixed annual coupon and effective interest rates of 4.50% and 4.76%, respectively.

15. TRADE PAYABLES

The normal credit period for trade payables generally ranges from 1 to 6 months. Aging analysis of trade payables (including amounts due to related parties of trading in nature) at the respective end of the reporting periods is as follows, and the analysis below includes those classified as part of a disposal group classified as held for sale (Note 7):

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 6 months	5,516,976	5,303,166
Between 6 and 12 months	427,046	232,155
Between 1 and 2 years	143,073	162,207
Between 2 and 3 years	72,974	89,033
Over 3 years	59,963	54,702
	6,220,032	5,841,263

16. DISPOSAL OF A SUBSIDIARY

As described in Note 6, the Group disposed of Sunny Express in the current interim period.

	For the six months ended 30 June 2014 RMB'000 (Unaudited)
Consideration received in cash and cash equivalents	23,904
Consideration receivable as at 30 June 2014	22,049
	45,953
Total consideration	45,953

Analysis of asset and liabilities over which control was lost

6 June 2014
RMB'000
(Unaudited)

Non-current assets

Property, plant and equipment	493,646
Intangible assets	1,299

Current assets

Prepayments and other current assets	5,599
Inventories	11,473
Trade and other receivables	74,819
Restricted cash	4,000
Cash and cash equivalents	138,622

Non-current liabilities

Provisions	(5,271)
Borrowings	(47,040)
Amount due to the Company	(361,242)

Current liabilities

Trade payables	(128,411)
Other payables, accruals and other current liabilities	(129,105)
Receipts in advance from customers	(8,474)
Salary and welfare payables	(4,117)

Net assets disposed of	<u>45,798</u>
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Gain on disposal of a subsidiary

RMB'000
(Unaudited)

Consideration received	23,904
Consideration receivable	22,049
Net assets disposed of	<u>(45,798)</u>

Gain on disposal	<u>155</u>
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The gain on disposal is included in the profit for the period from discontinued operations (see Note 6).

Net cash outflow on disposal of a subsidiary

RMB'000
(Unaudited)

Consideration received	23,904
Less: cash and cash equivalents disposed of	(138,622)
	(114,718)

17. COMPARATIVE FIGURES

The comparative figures of the condensed consolidated statement of profit or loss for six months ended 2013 and the comparative figures of the condensed consolidated statement of financial position as at 31 December 2013 have been reclassified to conform to the current interim period's presentation.

18. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2014, the Company entered into a framework acquisition agreement with Sinotrans & CSC under which the Company conditionally agreed to acquire the equity interests of various entities from Sinotrans & CSC or its subsidiaries at an aggregate consideration of RMB901,041,300, including (i) 100% equity interest in Fujian Ningde Sinotrans Company Limited, Wide Shine Development Limited, International Cargo Rental Company Limited, Jiangsu Fuchang Sinotrans Logistics Company Limited, Jiangsu Jinmao Storage Company Limited, Sinotrans Japan Company Limited and Sinotrans Korea Shipping Company Limited; (ii) 70% equity interest in Guangxi Wuzhou Sinotrans Storage Company Limited; (iii) 50% equity interests in Sinotrans-Nissin International Transportation Company Limited and Shandong Yantai Sinotrans Customs Company Limited; and (iv) 32% equity interest in Zhonglian Cargo Company Limited. The acquisition above is subject to the approval of general meeting. Details are set out in the announcement of the Company dated 8 July 2014.

On 24 July 2014, an aggregate of 357,481,000 H shares of RMB1.00 each at an issue price of HK\$4.80 per share were allotted and issued by the Company. Upon completion, the total number of shares of the Company increased from 4,249,002,200 shares to 4,606,483,200 shares. Details are set out in the announcement of the Company dated 24 July 2014.

On 31 July 2014, the disposal of Container Lines and four wholly-owned subsidiaries were completed. Details are set out in the announcement of the Company dated 31 July 2014.

II. MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the consolidated results and the notes thereto of the Company and its subsidiaries (collectively the “Group”) detailed in Section I of this announcement.

REVIEW OF OPERATING RESULTS

In the first half of 2014, China’s economy maintained overall stable paces within a reasonable range, witnessing steady improvements in development quality yet with a slowdown in economic growth. From January to June, Chinese total import and export grew by 1.2% compared to the same period of last year, of which, the growth rates of export and import were 0.9% and 1.5% respectively. In June, both Chinese import and export recorded decreases compared to the same period of last year, of which, the decrease rates of export and import were 3.1% and 0.7% respectively. The growth rates of import and export slowed down significantly in the second quarter, resulting in an overall slow growth of Chinese total import and export in the first half of the year. Foreign trade throughput of national ports above designated size increased by 5.7% in the first half of 2014 compared to the same period of last year, of which, the coastal ports posted a growth rate of 6.9% whilst inland ports recorded a decrease of 4.1%. From the perspective of freight market, the BDI index decreased sharply in the second quarter compared to the first quarter, reflecting no significant improvement in downturns in the freight market. In the first half of the year, China’s export container freight rate index increased by 0.74% compared to the same period of last year, while the export container freight rate index in Shanghai decreased by 1.57% compared to the same period of last year. In general, the macro economy and the freight market performed weaker than the expectation.

In the first half of 2014, based on the principle of “forging a consolidated platform for integrated logistics through consistent development and in-depth reform”, the Group stepped up efforts in various tasks by focusing on the work priorities raised at the beginning of the year. In the first half of the year, the Group achieved overall satisfactory performance in all the tasks.

For the six months ended 30 June 2014, as compared against the corresponding period last year, the Group recorded an increase of 5.2% for the number of containers handled by sea freight forwarding services; an increase of 18.6% for the business volume handled by air freight forwarding services; an increase of 8.0% for the number of containers handled by shipping agency business; an increase of 6.1% for the cargo volume handled by shipping agency business; an increase of 18.5% for the business volume handled by logistics business; an increase of 3.6% for the number of containers handled in terminal throughput; an increase of 2.9% for the business volume of containers handled at container yards; an increase of 20.9% for the number of containers handled by trucking business; an increase of 9.4% for the number of containers transported by shipping business; and an increase of 1.2% for the business volume handled by express services.

For the six months ended 30 June 2014, the Group achieved revenue from continuing operations of approximately RMB21,071.4 million, representing a decrease of 11.6% as compared to the corresponding period in 2013. Profit attributable to owners of the Company was RMB644.0 million, representing an increase of 43.2% as compared to the corresponding period in 2013 and earnings per share from continuing operations was RMB0.15 (corresponding period in 2013: RMB0.11).

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Revenue

For the six months ended 30 June 2014, revenue from the Group's continuing operations amounted to RMB21,071.4 million, down by 11.6% from RMB23,841.6 million for the corresponding period in 2013. The decrease in revenue was mainly attributable to a year-on-year decrease of 15.5% in revenue from the freight forwarding segment, the largest contributor to revenue, due to the replacement of business tax by value added tax.

Freight Forwarding

External revenue from the Group's freight forwarding services decreased by 15.5% to RMB16,284.2 million during the six months ended 30 June 2014, compared to RMB19,263.5 million for the corresponding period in 2013.

Volume of sea freight forwarding containers was 4.505 million TEUs for the first half of 2014, representing an increase of 5.2% from 4.281 million TEUs for the first half of 2013. Cargo tonnage of air freight forwarding services was 230,600 tonnes for the first half of 2014, representing an increase of 18.6% from 194,400 tonnes for the first half of 2013. Number of containers handled by shipping agency services was 7.33 million TEUs for the first half of 2014, representing a rise of 8.0% from 6.79 million TEUs for the corresponding period in 2013. Volume of bulk cargo handled by shipping agency services reached 105.5 million tonnes, representing an increase of 6.1% from 99.4 million tonnes for the corresponding period in 2013.

The decrease in revenue from freight forwarding services for the first half of 2014 was mainly attributable to a decrease in the agency revenue from sea freight due to the replacement of business tax by value added tax.

Logistics Services

For the six months ended 30 June 2014, external revenue from the Group's logistics services amounted to RMB3,019.0 million, up by 6.6% from RMB2,832.0 million for the corresponding period in 2013.

Business volume handled by the Group's logistics services reached 6.4 million tonnes for the first half of 2014, representing an increase of 18.5% from 5.4 million tonnes for the first half of 2013.

The increase in revenue from logistics services was mainly attributable to the rapid growth in business volume, as a result of the Company's strengthened efforts in market expansion of logistics services.

Storage and terminal services

For the six months ended 30 June 2014, external revenue from the Group's storage and terminal services amounted to RMB914.9 million, representing an increase of 2.0% from RMB897.0 million for the corresponding period in 2013.

The Group's warehouses handled 7.3 million tonnes of bulk cargo in the first half of 2014, holding the line for the corresponding period in 2013; and the number of containers handled increased by 2.9% to 4.219 million TEUs compared to 4.1 million TEUs for the corresponding period in 2013. The volume of bulk cargo handled at terminals was at a similar level recorded for the corresponding period in 2013. The number of containers handled through terminals increased by 3.6% to 1.518 million TEUs from 1.465 million TEUs for the corresponding period in 2013.

The increase in revenue from storage and terminal services was mainly attributable to the steady growth in the business volume of containers handled.

Other Services

The Group's external revenue from other services in continuing operations (mainly from trucking transportation, shipping and express services) for the six months ended 30 June 2014 amounted to RMB853.3 million, representing an increase of 0.5% from RMB849.1 million for the corresponding period in 2013.

The volume of containers handled by the Group's trucking services for the first half of 2014 was 0.451 million TEUs, representing an increase of 20.9% from 0.373 million TEUs for the corresponding period in 2013. The number of containers handled by shipping (in continuing operations) was 0.993 million TEUs, representing an increase of 11.4% from 0.891 million TEUs for the corresponding period in 2013. The number of documents and packages handled in express services was up by 1.2% from 0.850 million units in the first half of 2013 to 0.860 million units for the first half of 2014.

The Group's joint ventures recorded an investment gain of RMB343.7 million from the operation of express services, representing an increase of 27.7% compared to the same period of last year. The business volume of international express services of the joint ventures was up by 23.2% from 8.74 million units for the first half in 2013 to 10.77 million units for the first half of 2014.

Transportation and Related Charges

Transportation and related charges from continuing operations were down by 13.6% to RMB18,347.0 million for the six months ended 30 June 2014, compared with RMB21,224.4 million for the corresponding period in 2013. Such increase in transportation and related charges was mainly due to a decrease in the agency revenue from sea freight due to the replacement of business tax by value added tax.

Depreciation and Amortization

Depreciation and amortization from continuing operations amounted to RMB245.6 million for the six months ended 30 June 2014, representing an increase of 7.9% from RMB227.6 million for the corresponding period in 2013, mainly as a result of the newly operated assets during the period.

Office and Related Expenses

Office and related expenses from continuing operations amounted to RMB213.6 million for the six months ended 30 June 2014, representing a decrease of 12.2% from RMB243.4 million for the corresponding period in 2013, mainly as a result of the strengthened cost control during the period.

Other Losses, Net

Other losses, net from continuing operations increased from a loss of RMB25.7 million for the six months ended 30 June 2013 to RMB78.8 million for the period, primarily due to the impairment loss made for available-for-sale financial assets during the period.

Operating Profit

The Group's operating profit from continuing operations was RMB607.0 million for the six months ended 30 June 2014, representing a decrease of 4.9% from RMB638.5 million for the corresponding period in 2013. Operating profit as a percentage of total revenue increased to 2.9% for the six months ended 30 June 2014 from 2.7% for the six months ended 30 June 2013, or decreased to 22.3% for the six months ended 30 June 2014 from 24.4% for the six months ended 30 June 2013 as a percentage of net revenue (total revenue less transportation and related charges), which was primarily due to the impairment loss made for available-for-sale financial assets during the period.

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures in continuing operations was RMB373.7 million for the six months ended 30 June 2014, representing a significant increase of 55.3% from RMB240.6 million for the corresponding period in 2013. Such increase was due to a year-on-year increase in current profit of DHL-Sinotrans and less provision for litigation made by other joint ventures during the period.

Income Tax

For the six months ended 30 June 2014, taxation of the Group from continuing operations amounted to RMB218.4 million, representing an increase of 35.8% from RMB160.8 million for the corresponding period in 2013, primarily due to a year-on-year increase in the profit before tax. Taxation as a percentage of profit before tax climbed up to 23.1% from 20.6% for the six months ended 30 June 2013, mainly attributable to the impairment loss made for available-for-sale financial assets which could not be fully deductible against the taxable income.

PROFIT AFTER TAX FROM CONTINUING OPERATIONS

The Group's profit after tax from continuing operations was RMB725.2 million for the six months ended 30 June 2014, representing an increase of 17.2% from RMB618.8 million for the corresponding period in 2013.

PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS

The Group's operating profit from discontinued operations, being the marine transportation business to be disposed of in the year, was RMB10.0 million for the six months ended 30 June 2014, representing an increase of 133.4% (corresponding period in 2013: loss of RMB29.9 million).

PROFIT AFTER TAX

For the six months ended 30 June 2014, the Group recorded profit after tax from continuing operations and discontinued operations of RMB735.2 million, representing an increase of 24.8% when compared with RMB588.9 million for the corresponding period in 2013.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

For the six months ended 30 June 2014, profit attributable to non-controlling interests amounted to RMB91.2 million, representing a decrease of 34.4% as compared with RMB139.1 million for the corresponding period in 2013, which was mainly due to the decrease in current profit of non-wholly owned subsidiaries.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to RMB644.0 million, representing an increase of 43.2% from RMB449.8 million for the corresponding period in 2013.

LIQUIDITY AND CAPITAL RESOURCES

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

**For the six months
ended 30 June (unaudited)**

	2014	2013
	<i>In RMB million</i>	<i>In RMB million</i>
Net cash generated from operating activities	469.9	1,057.6
Net cash generated from/(used in) investing activities	184.8	(1,176.7)
Net cash generated from/(used in) financing activities	299.5	(231.5)
Exchange gains/(losses) on cash and cash equivalents	2.2	(10.3)
Net increase/(decrease) in cash and cash equivalents	956.4	(360.9)
Cash and cash equivalents at 30 June	6,232.3	5,233.7

Operating Activities

Net cash inflows generated from the Group's operating activities for the six months ended 30 June 2014 amounted to RMB469.9 million, representing a decrease of 55.6% from RMB1,057.6 million for the corresponding period in 2013. Such decrease was primarily attributable to an increase in trade and other receivables of RMB1,384.8 million (corresponding period in 2013: an increase of RMB231.5 million), an increase in prepayments and other current assets of RMB106.1 million (corresponding period in 2013: an increase of RMB54.8 million) and an increase in inventories of RMB107.0 million (corresponding period in 2013: an increase of RMB51.5 million), partially offset by an increase in trade payables of RMB506.6 million (corresponding period in 2013: an increase of RMB530.7 million) and an increase in other payables, accruals and other current liabilities of RMB547.7 million (corresponding period in 2013: a decrease of RMB132.1 million).

For the six months ended 30 June 2014, the average age of trade receivables was 63 days, as compared to 56 days for the corresponding period in 2013.

Investing Activities

For the six months ended 30 June 2014, net cash generated from investing activities amounted to RMB184.8 million, primarily comprising RMB714.1 million for dividends received from joint ventures and RMB153.9 million received from disposal of financial products, partially offset by the cash outflows including RMB415.9 million for acquisition of property, plant and equipment, RMB27.0 million for purchase of intangible assets and land use rights and the prepayments for acquisition of land use right and RMB245.6 million for purchase of interests in joint ventures. For the six months ended 30 June 2013, net cash used in investing activities amounted to RMB1,176.7 million, primarily comprising RMB666.9 million for acquisition of property, plant and equipment, RMB97.9 million for investment in joint ventures, RMB113.4 million for purchase of intangible assets and land use rights and the prepayments for acquisition of land use rights, an increase of RMB210.4 million in term deposits with maturity of over three months and RMB183.3 million for acquisition of financial products.

Financing Activities

Net cash generated from the Group's financing activities for the six months ended 30 June 2014 amounted to RMB299.5 million, compared with net cash used in financing activities of RMB231.5 million for the corresponding period in 2013.

Net cash generated from financing activities for the six months ended 30 June 2014 primarily comprised RMB1,000.0 million received from issuance of corporate bonds and new bank borrowings of RMB988.9 million, partially offset by RMB1,666.0 million for repayment of borrowings and dividend payment of RMB35.2 million to non-controlling interests. Net cash used in financing activities for the six months ended 30 June 2013 primarily comprised dividend payment of RMB94.8 million to non-controlling interests of subsidiaries, repayments of bank borrowings of RMB937.0 million, cash paid for repayment of short-term bonds of RMB2,000.0 million, interest paid for short-term bonds and long-term bonds of RMB156.4 million, and an increase in restricted cash of RMB38.8 million, partially offset by new borrowings of RMB1,063.6 million and cash of RMB2,000.0 million received from short-term bonds issued.

Capital Expenditure

For the six months ended 30 June 2014, the Group's capital expenditure amounted to RMB422.8 million, primarily comprising RMB415.9 million for acquisition of property, plant and equipment, RMB0.4 million for purchase of land use rights and RMB6.5 million for acquisition of intangible assets, among which, RMB275.8 million was used for renovation and construction of terminals, warehouses, logistics centers and container yards, RMB118.2 million for purchase of vehicles, vessels, plant and equipment, and RMB20.0 million for IT investment and refurbishment and purchase of office equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2014, the Group's contingent liabilities mainly comprised outstanding lawsuits of RMB202.2 million (31 December 2013: RMB156.3 million).

As at 30 June 2014, the amount of guarantees provided by the Group in favor of its joint ventures was RMB222.6 million (31 December 2013: RMB233.7 million).

In addition, in the common business practice, certain subsidiaries of the Company issued related letters of guarantee to the Civil Aviation Administration of China to ensure some joint ventures and the third party customers to obtain the operating licenses of air freight forwarding. Such letters of guarantee contain no specific amount, among which, the longest will terminate in 2015. For the above guarantees provided to the third party customers by the Company, a counter-guarantee of the total guarantee liability was provided by the shareholders of these customers.

BORROWINGS

As at 30 June 2014, the Group's total borrowings in continuing operations amounted to RMB805.6 million (31 December 2013: RMB1,200.6 million), all being bank borrowings which comprised 98.7 million denominated in Renminbi, 667.2 million in US dollars, and 39.7 million in Hong Kong dollars. The weighted average interest rate for the above bank borrowings was 3.76% per annum.

SECURED AND GUARANTEED BORROWINGS

As at 30 June 2014, the Group pledged restricted cash amounting to approximately RMB111.8 million for borrowings. In addition, as at the same date, the Group also pledged property, plant and equipment (with net book value of approximately RMB23.7 million) and land use rights (with net book value of approximately RMB6.5 million) for borrowings.

DEBT-TO-ASSET RATIO

As at 30 June 2014, the debt-to-asset ratio of the Group was 55.9% (31 December 2013: 55.1%), which was arrived at dividing the total liabilities by the total assets of the Group as at 30 June 2014.

FOREIGN EXCHANGE RISK

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

CREDIT RISK

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

EMPLOYEES

As at 30 June 2014, the Group had 26,571 (31 December 2013: 28,302) employees. Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2013 Annual Report with no significant changes.

ACQUISITION AND DISPOSAL

On 25 March 2014, the Company entered into agreements with Sinotrans & CSC and its subsidiaries respectively, to dispose its entire shareholdings in Sinotrans Sunny Express Company Limited. ("Sunny Express"), Sinotrans Container Lines Company Limited. ("Container Lines"), and four wholly-owned subsidiaries (namely, Yunrong Shipping Company Limited, Yunhua Shipping Company Limited, Yunfu Shipping Company Limited and Yungui Shipping Company Limited, collectively "four wholly-owned subsidiaries") directly or indirectly held by the Group. These Target Companies carried out most of the Group's marine transportation businesses. On 6 June 2014, the disposal of Sunny Express was completed. On 31 July 2014, the disposal of Sinotrans Container Lines and four wholly-owned subsidiaries was completed. More details are set out in Note 6, 7 and 16.

III. PROSPECTS AND OUTLOOK

Business Development

Looking to the second half of 2014, the global economy should continue a modestly positive momentum as driven by the developed economies. A global liquidity crunch seems unlikely in the second half of the year, as the U.S. Federal Reserve is to normalize its monetary policy in a clear and cautious manner while the European Central Bank and the Bank of Japan should maintain an accommodative monetary policy environment in the second half of the year. However, in view of the potential risk along with the global economic upsides, we should stay vigilant about: 1) policy risks in the developed economies; 2) risks in structural reforms and transformation of major economies; 3) risks arising from low volatility in financial markets; and 4) geopolitical risks. In China, the logistics industry is expected to continue an overall stable growth, as fuelled by the vast industrial needs calling for a stronger logistics industry during the critical period while the economy is to shift down slightly from the high gear. Based on comparable prices, the annual total logistics output value is estimated to grow at approximately 9% for 2014. Meanwhile, as China's economy becomes more dependent on high-quality and efficient logistics services in the course of structural adjustment and growth model upgrading, profound changes will be introduced in logistics demand pattern and operating model as the catalysts to new growth opportunities.

We expect to achieve business growth through in-depth reforms by strengthening business and management innovations. The priorities for the second half of 2014 include: accomplishing the budget targets; further strengthening market development to expand market share and enhance profitability; continuing to exercise stringent control over administrative expenses, reducing operating costs and strengthening management on trade receivables; ensuring the deepening of resource integration, coordination of entrusted companies and in-depth optimal allocation of logistics resources across the board; accelerating to build up the synergy of logistics services and further enhancing its scale and profitability to fuel the company-wide business growth more effectively, with a continuous focus on its specialty and intensive management performance; enhancing the innovation-based capability, and focusing on management model and business model transformations to carry forward all-around innovation activities; further heightening the collaboration awareness to strengthen synergized marketing and full-course marketing; and reinforcing the operation safety practices. The Group will strive to achieve the healthy and stable development and create greater value for our shareholders by enhancing profitability and core competitive edge, as well as maintaining stable growth of business results.

Resources Consolidation

On 10 February 2014, the Company entered into the Entrusted Management Agreement, pursuant to which the Company agreed to provide the entrusted management services to certain subsidiaries of SINOTRANS & CSC Group in two phases ending 31 December 2016, in return for fixed management fees. On 25 March 2014, the Company announced the disposal of certain marine transportation businesses, which was approved by independent shareholders in the extra-ordinary general meeting held on 16 May 2014 and completed on 31 July 2014. On 8 July 2014, the Company announced that it entered into the Framework Acquisition Agreement with SINOTRANS & CSC in relation to the acquisition from SINOTRANS & CSC or its subsidiaries, certain interests in companies having freight-forwarding, shipping agency, container lease, warehouse storage and customs declaration operations. The Acquisitions are subject to the approval by shareholders at a general meeting.

The Group will continue to negotiate with SINOTRANS & CSC Group regarding appropriate opportunities in asset and/or business reorganisation, with a view to facilitating appropriate consolidation of the principal business operations and related assets into the Group, to reduce potential competition between the Group and the rest of the SINOTRANS & CSC Group in terms of logistics and to expand the business coverage of the Group. These negotiations may or may not lead to the entering of transactions. Such reorganisation, if implemented, will constitute connected transactions of the Company under the Listing Rules and the Company will comply with the disclosure and shareholders' approval requirements to the extent applicable under the Listing Rules.

IV. INTERIM DIVIDENDS AND BOOK CLOSURE PERIODS

The Board has declared an interim dividend of RMB0.020 per share for the six month ended 30 June 2014. Shareholders at the annual general meeting of the Company for the year 2013 authorised the directors of the Company to decide on matters relating to the recommendation, declaration and payment of the interim dividends for the year 2014.

It is expected that the interim dividend will be paid on or before Tuesday, 25 November 2014 to shareholders whose names appear on the register of members on Wednesday, 17 September 2014. The register of members of the Company will be closed from Thursday, 11 September 2014 to Wednesday, 17 September 2014 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2014 interim dividend.

In order to qualify for the interim dividend, holders of H Shares whose transfers have not been registered are requested to lodge their instruments of transfer together with the relevant share certificates with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 10 September 2014, for registration.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of Domestic Shares will be paid in Renminbi (“RMB”), and dividends payable to the holders of H Shares will be paid in Hong Kong dollars (“HK\$”). The exchange rate for dividends payable in HK\$ is the mean average exchange rate of RMB to HK\$ published by the People’s Bank of China during the week (13 August 2014 to 20 August 2014) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK\$ for the said week was HK\$1 = RMB0.7941. Accordingly, the amount of interim dividend for each H Share of the Company is HK\$0.0252.

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

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

V. REVIEW OF THE INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company’s auditors, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

VI. CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as the code on corporate governance of the Company. The Company has complied with all the code provisions in effect as set out in the CG Code throughout the six months period ended 30 June 2014.

VII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) contained in Appendix 10 to the Listing Rules as the code for conducting securities transactions by the Company’s directors.

The directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the period from 1 January to 30 June 2014.

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

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2014.

IX. PUBLICATION OF INTERIM RESULTS AND 2014 INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinotrans.com). The 2014 Interim Report will be dispatched to the Company’s shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board of
Sinotrans Limited
Gao Wei
Company Secretary

Beijing, 20 August 2014

As at the date of this announcement, Zhao Huxiang, Zhang Jianwei, Tao Suyun and Li Guanpeng are executive directors of the Company; Wang Lin, Yu Jianmin and Jerry Hsu are non-executive directors of the Company; Guo Minjie, Lu Zhengfei and Liu Junhai are independent non-executive directors of the Company.