中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 368)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Sinotrans Shipping Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Results		
Revenues	**500,622**	385,804
Profit/(loss) attributable to owners of the Company	**8,006**	(40,230)
Basic and diluted earnings/(loss) per share	**US0.20 cents**	US(1.01) cents
Dividend	**–**	–

	As at 30 June 2017	As at 31 December 2016
	US$'000	*US$'000*
Financial Position		
Total assets	**2,119,197**	2,074,342
Total liabilities	**328,812**	278,099
Equity attributable to owners of the Company	**1,782,507**	1,788,437
Available fund [(1)]	**722,040**	693,068
Interest bearing liabilities	**97,458**	70,888
Interest bearing debt ratio [(2)]	**4.6%**	3.4%

(1) Include cash and bank balances and debt securities.

(2) Interest bearing liabilities divided by total assets.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***US$'000***	*US$'000*
Revenues	*2*	**500,622**	385,804
Cost of operations		**(478,064)**	(413,705)
Selling, administrative and general expenses		**(16,554)**	(16,164)
Other losses, net	*3*	**(904)**	(2,314)
Operating profit/(loss)		**5,100**	(46,379)
Finance income		**7,273**	5,090
Finance expenses		**(3,063)**	(3,156)
Share of (losses)/profits of joint ventures		**(52)**	98
Profit/(loss) before income tax		**9,258**	(44,347)
Income tax (expense)/credit	*4*	**(1,583)**	93
Profit/(loss) for the period		**7,675**	(44,254)
Profit/(loss) attributable to:			
– Owners of the Company		**8,006**	(40,230)
– Non-controlling interests		**(331)**	(4,024)
		7,675	(44,254)
Other comprehensive income/(loss) for the period			
Items that may be reclassified to profit or loss:			
Currency translation differences		**7,050**	(5,043)
Fair value changes of available-for-sale financial assets		**(96)**	–
Total comprehensive income/(loss) for the period		**14,629**	(49,297)
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**14,557**	(44,816)
– Non-controlling interests		**72**	(4,481)
		14,629	(49,297)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	*5*	**US0.20 cents**	US(1.01) cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

	Note	**Unaudited As at 30 June 2017 US$'000**	Audited As at 31 December 2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,089,369**	1,105,373
Intangible asset		**2,416**	2,502
Investments in joint ventures		**87,545**	74,057
Loans to joint ventures		**3,333**	4,000
Loans to related companies	*7*	**14,496**	15,027
Available-for-sale financial assets		**24,081**	18,360
Deferred income tax assets		**15**	15
		1,221,255	1,219,334
Current assets			
Inventories		**16,040**	17,996
Loans to joint ventures		**1,333**	1,333
Trade and other receivables	*7*	**178,830**	157,194
Available-for-sale financial assets		**1,418**	34,507
Cash and bank balances			
– Cash and cash equivalents		**285,436**	283,243
– Short-term bank deposits		**414,774**	360,627
– Restricted cash		**111**	108
		897,942	855,008
Total assets		**2,119,197**	2,074,342

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2017

	Note	Unaudited As at 30 June 2017 US$'000	Audited As at 31 December 2016 US$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,878,209**	1,878,209
Reserves		**(95,702)**	(89,772)
		1,782,507	1,788,437
Non-controlling interests		**7,878**	7,806
Total equity		**1,790,385**	1,796,243
LIABILITIES			
Non-current liabilities			
Provision for other liabilities		**3,747**	6,393
Borrowings		**59,023**	62,879
		62,770	69,272
Current liabilities			
Trade and other payables	*8*	**237,208**	178,460
Provision for other liabilities		**18,264**	20,554
Taxation payable		**2,472**	1,804
Borrowings		**8,098**	8,009
		266,042	208,827
Total liabilities		**328,812**	278,099
Total equity and liabilities		**2,119,197**	2,074,342

NOTES

1 GENERAL INFORMATION AND BASIS OF PREPARATION

(a) General information

Sinotrans Shipping Limited (the "Company") was incorporated in Hong Kong on 13 January 2003 with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is 21/F, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 November 2007. The Company and its subsidiaries (collectively the "Group") principally engages in dry bulk shipping business, container shipping business, shipping agency and ship management.

The ultimate holding company is China Merchants Group Limited, a stated-owned enterprise established in the People's Republic of China (the "PRC").

In December 2015, the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") approved the strategic reorganisation between SINOTRANS & CSC Holdings Co., Ltd. and China Merchants Group Limited. According to the approval, SINOTRANS & CSC Holdings Co., Ltd. will be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of, China Merchants Group Limited. In April 2017, the relevant legal procedures of the above strategic reorganisation have been completed. Thereafter, China Merchant Group Limited becomes the ultimate holding company of the Company.

The interim financial information is presented in US dollars, unless otherwise stated.

The financial information relating to the year ended 31 December 2016 that is included in interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The interim financial information has been approved for issue by the Board of Directors on 10 August 2017.

(b) Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total current earnings.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

The adoption of the above amendments to existing standards did not have significant effect on the interim financial information or result in any significant changes in the Group's principal accounting policies.

The HKICPA has issued the following new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2017 and have not been early adopted:

HKFRS 15 (1)	Revenue of Contracts from Customers
HKFRS 9 (1)	Financial Instruments
HK (IFRIC) 22 (1)	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project (1)	Annual Improvements 2014-2016 Cycle
HKFRS 16 (2)	Leases
HK (IFRIC) 23 (2)	Uncertainty over Income Tax Treatments
Amendments to HKFRS 10 and HKAS 28 (3)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2018
(2) Effective for annual periods beginning 1 January 2019
(3) Effective date to be determined

The Group has already commenced an assessment of the related impact of these new and amended standards on the Group. However, the Group is not yet in a position to state whether any substantial changes to the Group's principal accounting policies and presentation of the interim financial information will be resulted.

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual financial statements for the year ended 31 December 2016.

2 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Revenues recognised during the periods from operations of dry bulk shipping, container shipping, and others including shipping agency and ship management are as follows:

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Dry bulk shipping *(note)*	**240,310**	161,957
Container shipping	**259,867**	223,274
Others	**445**	573
	500,622	385,804

Note: Revenue from dry bulk shipping under time charter hire agreements was US$90,119,000 for the period ended 30 June 2017 (2016: US$35,439,000).

(b) Segment information

Operating segments

The chief operating decision makers have been identified as the directors of the Company (the "Directors"). The Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group's business which is organised on a worldwide basis. The Group's business comprises:

– Dry bulk shipping – dry bulk vessel time chartering and dry bulk cargo voyage chartering.

– Container shipping – container vessel time chartering, container liner service, freight forwarding and other related business.

– Others – shipping agency, ship management and liquefied natural gas ("LNG") shipping business.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment liabilities are those operating liabilities that result from the operating activities of a segment.

	Six months ended 30 June 2017			
	Dry bulk *shipping*	**Container *shipping***	***Others***	***Total***
	US$'000	***US$'000***	***US$'000***	***US$'000***
Total revenues	**241,605**	**259,867**	**2,580**	**504,052**
Inter-segment revenues	**(508)**	**–**	**(2,135)**	**(2,643)**
Revenues from external customers	**241,097**	**259,867**	**445**	**501,409**
Segment results	**6,265**	**15,364**	**(554)**	**21,075**
Depreciation	**21,620**	**3,628**	**161**	**25,409**
Reversal of impairment of trade and other receivables	**(118)**	**–**	**–**	**(118)**
Additions to property, plant and equipment	**5,958**	**2,859**	**30**	**8,847**
Reversal of provision for onerous contracts, net	**(5,256)**	**–**	**–**	**(5,256)**

	Six months ended 30 June 2016			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Total revenues	163,263	223,274	2,637	389,174
Inter-segment revenues	(489)	–	(2,064)	(2,553)
Revenues from external customers	162,774	223,274	573	386,621
Segment results	(40,031)	10,413	(294)	(29,912)
Depreciation	26,379	3,382	315	30,076
Provision for impairment of trade receivables	580	–	–	580
Additions to property, plant and equipment	51,695	5,513	2,659	59,867
Reversal of provision for onerous contracts, net	(214)	–	–	(214)

Revenues between segments are carried out on terms with reference to the market practice. Revenues from external customers reported to the Directors are measured in a manner consistent with that in the condensed consolidated statement of profit or loss and other comprehensive income, except that revenues from the Group's joint ventures are measured at proportionate consolidated basis in the segment information.

Reportable revenues from external customers are reconciled to total revenues as follows:

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Revenues from external customers for reportable segments	**501,409**	386,621
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(787)**	(817)
Total revenues per the condensed consolidated statement of profit or loss and other comprehensive income	**500,622**	385,804

The Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. This measurement includes the results from the Group's joint ventures on a proportionate consolidated basis. Corporate expenses, depreciation and amortisation of corporate assets, finance income and finance expenses are not included in the segment results.

A reconciliation of segment results to profit/(loss) before income tax is provided as follows:

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Segment results for reportable segments	**21,075**	(29,912)
Corporate expenses	**(15,444)**	(15,921)
Depreciation and amortisation	**(583)**	(448)
Finance income	**7,273**	5,090
Finance expenses	**(3,063)**	(3,156)
Profit/(loss) before income tax	**9,258**	(44,347)

For the period ended 30 June 2017, the Group has nil (2016: one) customer with revenue exceeding 10% of the Group's total revenue. In prior period, revenue from this customer amounting to US$50,461,000 is attributable to the container shipping segment.

Segment assets and liabilities exclude corporate assets and liabilities (including corporate cash, and available-for-sale financial assets), which are managed on a central basis. These are part of the reconciliation to total consolidated assets and liabilities. Segment assets and liabilities reported to the Directors are measured in a manner consistent with that in the condensed consolidated balance sheet.

	As at 30 June 2017			
	Dry bulk shipping	**Container shipping**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment assets	**1,054,717**	**304,327**	**100,141**	**1,459,185**
Segment assets include:				
Interests in joint ventures	**20,950**	**–**	**66,595**	**87,545**
Loans to joint ventures	**4,666**	**–**	**–**	**4,666**
Segment liabilities	**132,499**	**158,259**	**5,162**	**295,920**

	As at 31 December 2016			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment assets	1,068,323	281,709	98,122	1,448,154
Segment assets include:				
Interests in joint ventures	20,809	–	53,248	74,057
Loans to joint ventures	5,333	–	–	5,333
Segment liabilities	124,800	144,077	4,918	273,795

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2017	As at 31 December 2016
	US$'000	*US$'000*
Segment assets	**1,459,185**	1,448,154
Corporate assets	**660,012**	626,188
Total assets per the condensed consolidated balance sheet	**2,119,197**	2,074,342

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2017	As at 31 December 2016
	US$'000	*US$'000*
Segment liabilities	**295,920**	273,795
Corporate liabilities	**32,892**	4,304
Total liabilities per the condensed consolidated balance sheet	**328,812**	278,099

Geographical information

Revenues

The Group's businesses are managed on a worldwide basis.

The revenues generated from the world's major trade lanes for container shipping business mainly include Asia and Australia.

The revenues generated from provision of dry bulk shipping business, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful presentation of geographical information.

Shipping agency and ship management income were unallocated revenue and included in others.

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Container shipping		
– Asia	**236,212**	204,698
– Australia	**23,655**	18,576
	259,867	223,274
Dry bulk shipping	**241,097**	162,774
Others	**445**	573
	501,409	386,621

3 OTHER LOSSES, NET

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Gain/(loss) on disposals of property, plant and equipment, net *(note)*	**26**	(49,563)
Reversal of/(provision for) impairment of trade and other receivables	**118**	(580)
Exchange losses	**(1,006)**	(500)
Government subsidy *(note)*	**–**	48,645
Provision for claims under pending litigations	**(92)**	(368)
Others	**50**	52
	(904)	(2,314)

Note:

In prior period, the Group, through China Merchants Group Limited, submitted an application for government subsidy of RMB318,612,000, (equivalent to approximately US$48,645,000) in respect of demolition of five vessels in accordance with "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》jointly promulgated by the Ministry of Finance, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China ("Vessel Demolition Subsidy"). After taking into account of the subsidy compensation, the net loss of demolition of the five vessels was approximately US$919,000 in prior period.

4 INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 26% during the period (2016: 17% to 26%).

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
Current income tax		
Hong Kong profits tax	**(9)**	(8)
Overseas taxation	**(1,574)**	(51)
	(1,583)	(59)
Deferred income tax	**–**	152
Income tax (expense)/credit	**(1,583)**	93

5 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
Profit/(loss) attributable to owners of the Company (US$'000)	**8,006**	(40,230)
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings/(loss) per share (US cents per share)	**0.20**	(1.01)

As there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2017 and 2016, the diluted earnings/(loss) per share for the period is equal to basic earnings/(loss) per share.

6 DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2017 and 2016.

7 TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 *US$'000*	As at 31 December 2016 *US$'000*
Trade receivables, net of provision *(note)*	**108,553**	87,067
Prepayments, deposits and other receivables, net of provision	**60,810**	59,911
Loans to related companies	**15,554**	16,071
Amounts due from related parties	**8,409**	9,172
	193,326	172,221
Less: non-current portion-loans to related companies	**(14,496)**	(15,027)
Current portion	**178,830**	157,194

Note: The Group does not grant any credit term to its customers. Ageing analysis of Group's trade receivables, net of provision at the respective balance sheet dates are as follows:

	As at 30 June 2017 *US$'000*	As at 31 December 2016 *US$'000*
Within 6 months	**106,617**	84,631
7-12 months	**1,222**	1,693
1-2 years	**823**	933
2-3 years	**280**	1,962
Over 3 years	**3,945**	2,227
Trade receivables	**112,887**	91,446
Less: impairment provision		
Within 6 months	**–**	–
7-12 months	**(109)**	(134)
1-2 years	**(267)**	(335)
2-3 years	**(98)**	(1,769)
Over 3 years	**(3,860)**	(2,141)
Provision for impairment of trade receivables	**(4,334)**	(4,379)
Trade receivables, net of provision	**108,553**	87,067

8 TRADE AND OTHER PAYABLES

	As at 30 June 2017 US$'000	As at 31 December 2016 US$'000
Trade payables *(note)*	**184,217**	152,651
Other payables and accruals	**20,601**	24,564
Amounts due to related parties	**32,390**	1,245
	237,208	178,460

Note: Ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date are as follows:

	As at 30 June 2017 US$'000	As at 31 December 2016 US$'000
Within 6 months	**166,719**	126,917
7-12 months	**2,074**	5,826
1-2 years	**2,894**	8,704
2-3 years	**2,497**	1,300
Over 3 years	**10,033**	9,904
Trade payables	**184,217**	152,651

REVIEW OF HISTORICAL OPERATING RESULTS

In the first half of 2017, the world economy was moderately recovering and both international and domestic economic situations improved. With the thriving world trade and increasing prices of major commodities, growth rate of shipping demand picked up while the supply of shipping capacity continued to grow slowly, which narrowed the imbalance of supply-and-demand. Dry bulk and container shipping markets were steadily emerging from their historical lows in last year, showing signs of revival.

In face of complicated and changing world economic and market conditions, the Group adhered to its market-oriented strategies that strive for stable development in continuously optimizing the fleet structure and responding flexibly to market changes. By strengthening information technology applied in ship management, the Group increased efficiency of its internal management, actively promoted cost reduction and efficiency enhancement, further reduced its fleet costs, enhanced quality of customer services and consolidated its overall competitiveness. By putting effort in the above aspects, the Group recorded significant improvement in its operating results in the first half year and turned losses into profits, laying a solid foundation for further development.

The Group recorded profit attributable to owners of the Company of US$8.01 million for the six months ended 30 June 2017 (2016: loss of US$40.23 million).

Revenues

For the six months ended 30 June 2017, revenues of our Group were US$500.62 million (2016: US$385.80 million).

We set forth below the revenues contribution from each business segment:

	Six months ended 30 June		
	2017	2016	
	US$'000	*US$'000*	% Change
Revenues from:			
– Dry bulk shipping [1]	**241,097**	162,774	48.1%
– Container shipping	**259,867**	223,274	16.4%
– Others	**445**	573	(22.3%)
	501,409	386,621	29.7%
Revenues derived from joint ventures measured at proportionate consolidated basis [1]	**(787)**	(817)	(3.7%)
Revenues per the condensed consolidated statement of profit or loss and other comprehensive income	**500,622**	385,804	29.8%

[1] Segment revenue includes revenue derived from joint ventures measured at proportionate consolidated basis. Segment revenue subtracted the revenues derived from joint ventures measured at proportionate consolidated basis to arrive at total revenues per the condensed consolidated statement of profit or loss and other comprehensive income.

Dry bulk shipping

Revenue from dry bulk shipping of our Group primarily consists of ocean freight income and charter hire income.

Along with the global economic recovery in the first half of 2017, the increasing shipping demand and, in particular, the increasing imports of major commodities of China, confidence in the dry bulk shipping market has been boosted sharply, despite a higher net growth in capacity as compared with last year. The average Baltic Dry Index (BDI), which reflects the situation of dry bulk shipping market, was 975 points in the first half of 2017, representing a year-on-year increase of 100.6% as compared with its historical low in last year. During the period, the market experienced an upturn followed by a downturn. The BDI fluctuated between 685 points and 1,338 points which bounced once in the peak season between March and April but dropped immediately as the demand fell in May and June.

To capture every golden chance in the market, through comprehensive market research, the Group adopted active strategies in response to the market and flexibly adjusted its fleet structure, resulting in good performance. In addition to seizing market opportunities, the Group also developed synergy advantages by expanding its global business network, optimized its existing business mode, explored the potentials of its existing clients and endeavored to develop new routes and new customers, achieving a turnaround eventually.

In the first half of 2017, revenue of our Group from dry bulk shipping was US$241.10 million (2016: US$162.77 million), among which ocean freight income recorded US$150.19 million (2016: US$126.52 million), and charter hire income recorded US$90.91 million (2016: US$36.25 million). The shipping volume was 20.87 million tons during the first half year (2016: 20.47 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$9,514 (2016: US$5,562). The average charter rate level was around 10% higher than the average charter rate level of BDI in the spot market.

Container shipping

The container shipping business of the Group generates revenue mainly from the container liner service, freight forwarding and other businesses in Intra-Asia area.

In the first half of 2017, the container shipping market in Intra-Asia area was stable and on an uptrend. The shipping demand picked up, and under the influence of shipping companies' control of fleet utilization, the freight rates were stable and increased.

The Group persistently oriented itself as the liner carrier in Intra-Asia area and sought for further development. The Group has prepared its development once the market showed signs of recovery. It developed three new routes and largely increased the import shipping volume in China, as well as ensured better fleet utilization by strengthening customer marketing. In the meantime, the Group insisted on cost reduction and efficiency enhancement, extended new services by innovative measures, improved service quality, striving for continuous growth in profitability. As at 30 June 2017, revenue of our Group from container shipping was US$259.87 million (2016: US$223.27 million), among which income from liner service recorded US$235.22 million (2016: US$205.55 million), income from freight forwarding as well as other related business recorded US$24.65 million (2016: US$17.72 million). The container shipping volume of the Group for the first half of 2017 was 470,610 TEU (2016: 406,476 TEU). The average income per TEU was US$388 (2016: US$396).

Cost of operations

The cost of operations increased to US$478.06 million (2016: US$413.71 million) for the six months ended 30 June 2017. The principal cost of operations included voyage costs, cargo transportation costs, operating lease rentals and vessel costs.

We set forth below the cost of operations by business segment:

	Six months ended 30 June		
	2017	2016	
	US$'000	*US$'000*	% Change
Dry Bulk Shipping			
Voyage costs	**74,379**	58,470	27.2%
Cargo transportation costs	**21,808**	29,627	(26.4%)
Operating lease rentals	**86,898**	54,763	58.7%
Vessel costs	**46,601**	54,499	(14.5%)
Others	**4,368**	2,605	67.7%
	234,054	199,964	17.0%
Container Shipping			
Voyage costs	**41,353**	27,512	50.3%
Cargo transportation costs	**122,444**	109,925	11.4%
Operating lease rentals	**69,047**	65,101	6.1%
Vessel costs	**10,934**	10,923	0.1%
Others	**155**	6	2,483.3%
	243,933	213,467	14.3%
Segment – Others	**77**	274	(71.9%)
Total cost of operations	**478,064**	413,705	15.6%

The operating costs of dry bulk shipping amounted to US$234.05 million (2016: US$199.96 million). The increase in the operating costs in 2017 was caused by the rise in operating lease rentals by 58.7% due to the upturn in charter hire rate and the increase in voyage costs by 27.2% due to the boost in bunker price. Simultaneously, the increase in the operating costs was partially offset by the decrease in cargo transportation costs and vessel costs due to the cost reduction and efficiency enhancement.

The operating costs of container shipping amounted to US$243.93 million (2016: US$213.47 million). The increase in the operating costs in 2017 was as results of the rise in voyage costs by 50.3% due to the upturn in shipping volume and bunker price, and the increase in cargo transportation costs by 11.4% due to the boost in shipping volume.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs and office cost, amounted to US$16.55 million (2016: US$16.16 million).

Other losses, net

The net amount of the other losses amounted to US$0.90 million (2016: US$2.31 million). The decrease in the other losses was attributable to no loss on disposal of vessel and provision for impairment of trade receivables incurred for the period ended 30 June 2017 compared to 2016.

Finance income and expenses

The finance income and expenses were US$7.27 million (2016: US$5.09 million) and US$3.06 million (2016: US$3.16 million) respectively. The increase in finance income was attributable to the increase in bank balances and interest rate.

Share of (losses)/profits of joint ventures

The share of losses of joint ventures was US$0.05 million (2016: profits US$0.10 million) mainly due to the startup expenses incurred for the LNG shipping business.

Income tax (expense)/credit

Income tax expense for the period ended 30 June 2017 was US$1.58 million (2016: income tax credit of US$0.09 million). The unutilized tax losses of a subsidiary fully utilized by the end of 2016 caused the increase in income tax expense

Liquidity and financial resources

Our cash had been principally used for payment for final dividend of 2016, investment in LNG shipping business, construction of vessels, operating costs and working capital in the first half of 2017. We had financed our liquidity requirements primarily through internal generated cash.

The following table sets out the liquidity ratio as at the balance sheet date indicated.

	As at 30 June 2017	As at 31 December 2016
	US$'000	*US$'000*
Current assets	**897,942**	855,008
Current liabilities	**266,042**	208,827
Liquidity ratio *(note)*	**3.38**	4.09

Note: The liquidity ratio is equal to the total current assets over the total current liabilities of our Group as at the balance sheet date indicated.

Our liquidity ratios as at 30 June 2017 and 31 December 2016 were 3.38 and 4.09 respectively.

Borrowings

The present value of finance lease obligation and the bank borrowings were repayable as follows:

	Bank borrowings		**Finance lease obligation**		**Total**	
	As at 30 June 2017	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Within 1 year	**6,346**	6,346	**1,752**	1,663	**8,098**	8,009
Between 1 and 2 years	**6,346**	6,346	**1,935**	1,819	**8,281**	8,165
Between 2 and 5 years	**13,948**	16,931	**7,496**	7,047	**21,444**	23,978
Over 5 years	**–**	–	**29,298**	30,736	**29,298**	30,736
	26,640	29,623	**40,481**	41,265	**67,121**	70,888
Less: current portion	**(6,346)**	(6,346)	**(1,752)**	(1,663)	**(8,098)**	(8,009)
Non-current portion	**20,294**	23,277	**38,729**	39,602	**59,023**	62,879

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 30 June 2017 and 31 December 2016.

Commitments

(a) Capital commitments in respect of property, plant and equipment and intangible asset

	As at 30 June 2017 *US$'000*	As at 31 December 2016 *US$'000*
Contracted but not provided for	**184,094**	191,605

(b) Capital commitments in respect of investment in joint ventures

	As at 30 June 2017 *US$'000*	As at 31 December 2016 *US$'000*
Capital commitment in respect of the vessels under construction	–	12,146

Capital expenditures

For the six months ended 30 June 2017, total capital expenditures were US$22.73 million (2016: US$77.18 million) which was mainly attributable to the capital expenditures for investment in LNG shipping business, construction of dry bulk vessels, dry docking and intangible asset in the first half of the year.

Foreign exchange risk

Our Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The foreign exchange risk is faced by our Group therefore primarily with respect to nonfunctional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items"). Our Group currently does not have regular and established hedging policy in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policy to control the risks, when need arises.

LNG SHIPPING

In cooperation with its partners, the Group successfully won the bidding of Russian Yamal ice-class LNG carriers project in 2015 to jointly invest in five new-built LNG carriers, and engaged in the LNG shipping business of Arctic route. The project was at implementation stage and all five vessels were under construction.

Two ice-class LNG carriers of the project are expected to be delivered during the year and the remaining three will be delivered by 2019. Such project will contribute stable investment income to the Group starting from the next year. The Group will closely monitor the shipbuilding progress to ensure the ship quality and smooth project development.

FLEET DEVELOPMENT

Under the sluggish market over the past three years, through extensive vessel replacement, the Group has scrapped 23 aged vessels and delivered 10 eco-vessels. The fleet structure was optimized substantially, and the average age of self-owned vessels was only 6.1 years old.

In addition, the Group has an orderbook of 6 Handysize bulk vessels and 4 container vessels which are expected to be delivered from the second half of this year and is expected to be completed by 2018. By continuous adjustment, the Group achieved a significant reduction in fleet cost and a notable enhancement in competitiveness.

As at 30 June 2017, details of the fleet are as follows:

	Owned vessels *(unit)*	Chartered-in Vessels *(unit)*	Controlled Vessels *(unit)*	Orderbook *(unit)*
Capesize	9	2	11	–
Panamax	11	41	52	–
Handymax	13	19	32	–
Handysize (1)	4	2	6	6
Total for bulk vessels	37	64	101	6
Total for bulk vessels (kt)	3,418kt	4,844 kt	8,262 kt	233 kt
Total for container vessels	11	17	28	4
Total for container vessels (TEU)	9,537 TEU	26,918 TEU	36,455 TEU	7,600 TEU
Ice-class LNG carriers (2)	–	–	–	5
Ice-class LNG carriers (thousand cubic meters)	–	–	–	860
Total vessels	48	81	129	15

(1) 2 of the Handysize vessels are collectively owned by the Group and Mitsui O.S.K. Lines, Ltd. The Group owns 50% interests in each of the 2 vessels.

(2) 5 ice-class LNG carriers are collectively owned by the Group and its partners. The Group owns 25.5% interests in each of the 5 vessels.

EMPLOYEES

As at 30 June 2017, our Group had a total of 672 shore-based employees working in our offices in Hong Kong, Mainland China, Canada, Singapore and other regions. The remuneration policies and development of our employees were substantially the same as those disclosed in the 2016 annual report with no material change.

OUTLOOK

Looking ahead to the second half of 2017, although developed economies such as the United States and the Eurozone are on an upward trend and the China's economy is stable and even improving, the United States will be still under policy adjustment progress and the prospect of the Eurozone remains uncertain. With factors comprising complicated geopolitics and trade friction, the new emerging economies will also face uncertainties. Overall, opportunities and challenges coexist in the world economy.

The hardest time of the dry bulk shipping has gone. Driven by the world economic recovery, shipping demand is expected to rise continuously. The gradual implementation of the "Belt and Road" initiative of China may bring new impetus to the growth of shipping demands from the countries alongside the Belt and Road. The moderate growth in shipping capacity may also improve the supply-and-demand balance. The market may have better performance in traditional peak season in the second half of year. The dry bulk shipping market is expected to further recover in 2018. As for the container market, the active economy in Intra-Asia area will stimulate the container shipping demand growth while supply-and-demand is relatively balanced and freight rates will also be stable and even improve.

Facing the ever-changing market, the Group will adhere to its principle of moving forward with steady growth in pursuit of both short-term and long-term benefits. In order to improve our competitiveness and fight for success, we will put effort in the integration of resources, improve operation efficiency and enhance cost-control management as well as consolidate its profits recorded in the first half year. In the meantime, the Group will proactively strive for opportunities from the "Belt and Road", identify potential demands and continue its innovation, in order to achieve sustainable and healthy development. Leveraging the above measures, and with sound financial condition, the low-cost fleet, a professional team and its global business network, the Group will capture opportunities and avoid risks, which will further contribute to its business growth. The Group will constantly endeavor to create value and maximize shareholders' benefits.

DIVIDEND

Our Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

AUDIT COMMITTEE

The audit committee of our Company has reviewed the interim financial information of our Group for the six months ended 30 June 2017. In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed a review of the interim financial information of our Group in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Group has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017 except that due to other business commitment, the Chairman of the Company did not attend and chair the annual general meeting of the Company held on 25 May 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

We have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by our Directors.

Our Board confirms that, having made specific enquiry of all Directors, all our Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither our Company nor any of our subsidiaries had purchased, sold or redeemed any of our Company's shares.

DIRECTORS

As at the date of this announcement, the Executive Directors are Mr. Li Hua and Ms. Feng Guoying; the Non-Executive Directors are Mr. Li Zhen *(Chairman)* and Mr. Tian Zhongshan; and the Independent Non-Executive Directors are Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung.

By Order of the Board
Sinotrans Shipping Limited
Li Hua
Executive Director

Hong Kong, 10 August 2017