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SINOTRANS&CSC

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

I. GROUP RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017 together with the comparative figures in the corresponding period of 2016, which have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and International Accounting Standards 34 "Interim Financial Reporting" as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	Notes	**2017**	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**27,615,056**	21,677,686
Other income		**156,828**	144,832
Tax and other surcharges		**(64,464)**	(57,003)
Transportation and related charges		**(24,289,305)**	(18,675,456)
Staff costs		**(1,741,208)**	(1,668,249)
Depreciation and amortisation		**(320,989)**	(320,018)
Office and related expenses		**(223,806)**	(216,834)
Other gains and losses, net		**237,931**	185,952
Other operating expenses		**(201,375)**	(200,794)
Operating profit	*4*	**1,168,668**	870,116
Finance income		**84,471**	86,248
Finance costs		**(184,045)**	(95,975)
		1,069,094	860,389
Share of profit of joint ventures		**477,165**	467,847
Share of profit of associates		**17,855**	12,681
Profit before income tax		**1,564,114**	1,340,917
Income tax expense	*5*	**(285,809)**	(148,526)
Profit for the period		**1,278,305**	1,192,391
Profit attributable to			
– Owners of the Company		**987,608**	967,097
– Non-controlling interests		**290,697**	225,294
		1,278,305	1,192,391
Earnings per share, basic (RMB)	*7*	**0.214**	0.210

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**1,278,305**	1,192,391
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Fair value gains/(losses) on available-for-sale financial assets		
– Gains/(losses) arising during the period	**281,446**	(260,052)
– Reclassification adjustments to profit or loss during the period upon disposal	**(248,525)**	(33,441)
Currency translation differences	**(18,213)**	27,084
Income tax relating to items that may be reclassified subsequently	**(8,230)**	68,951
Share of other comprehensive (expense)/income of joint ventures and an associate	**(5,104)**	8,565
Reclassification adjustments to profit or loss upon disposal of an associate	**–**	25,629
Other comprehensive income/(expense) for the period, net of income tax	**1,374**	(163,264)
Total comprehensive income for the period	**1,279,679**	1,029,127
Total comprehensive income for the period attributable to:		
– Owners of the Company	**979,892**	889,029
– Non-controlling interests	**299,787**	140,098
	1,279,679	1,029,127

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Land use rights		**2,679,075**	2,703,664
Prepayments for acquisition of land use rights		**38,513**	79,914
Property, plant and equipment	*8*	**8,302,322**	8,235,742
Investment properties		**285,522**	160,716
Intangible assets		**113,104**	122,692
Investments in joint ventures		**3,625,363**	3,180,654
Investments in associates		**1,053,716**	873,035
Deferred income tax assets		**144,994**	159,343
Available-for-sale financial assets	*9*	**999,119**	1,071,422
Other non-current assets		**214,504**	174,841
		17,456,232	16,762,023
Current assets			
Prepayments and other current assets		**3,550,708**	2,833,722
Inventories		**210,225**	153,628
Trade and other receivables	*10*	**10,240,375**	8,940,665
Restricted cash		**302,627**	228,139
Term deposits with initial terms of over three months		**1,444,336**	1,330,178
Cash and cash equivalents		**6,347,039**	7,118,590
		22,095,310	20,604,922
Total assets		**39,551,542**	37,366,945
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,606,483**	4,606,483
Reserves		**12,100,180**	11,465,774
		16,706,663	16,072,257
Non-controlling interests		**3,630,549**	3,557,621
Total equity		**20,337,212**	19,629,878

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**74,286**	70,314
Borrowings		**2,302,000**	1,124,000
Long-term bonds	*11*	**3,495,196**	3,494,630
Other non-current liabilities		**360,581**	350,410
		6,232,063	5,039,354
Current liabilities			
Trade payables	*12*	**7,190,144**	6,527,636
Other payables, accruals and other current liabilities		**2,069,886**	1,186,246
Receipts in advance from customers		**2,104,693**	2,219,818
Current income tax liabilities		**215,208**	188,436
Borrowings		**404,867**	325,131
Long-term bonds due within one year		**–**	998,726
Provisions		**250,129**	337,083
Salary and welfare payables		**747,340**	914,637
		12,982,267	12,697,713
Total liabilities		**19,214,330**	17,737,067
Total equity and liabilities		**39,551,542**	37,366,945
Net current assets		**9,113,043**	7,907,209
Total assets less current liabilities		**26,569,275**	24,669,232

1. GENERAL INFORMATION

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

On 29 December 2015, the SASAC has approved the reorganisation between Sinotrans & CSC and China Merchants. Sinotrans & CSC was thereby administratively allocated (for no consideration) to, and became a wholly-owned subsidiary of, China Merchants in year 2016 and as a result, China Merchants obtained control over Sinotrans & CSC. China Merchants became the company's ultimate holding company.

The Directors considers that China Merchants, an unlisted state-owned company established in the PRC, is the ultimate holding company of the Company.

The principal activities of the Group include freight forwarding, logistics, storage and terminal services and other services. The Group has operations mainly in the PRC.

These condensed consolidated financial statements are presented in RMB, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

3. SEGMENT INFORMATION

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

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

– Freight forwarding: primarily involves, 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 involves providing customised and professional integrated logistics services to its customers.

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

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

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

Sales between segments are charged at mutually agreed prices.

	Freight forwarding *RMB'000*	Logistics *RMB'000*	Storage and terminal services *RMB'000*	Other services *RMB'000*	Segment total *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Six months ended 30 June 2017 (Unaudited)							
Revenue – external	20,529,933	4,458,296	1,121,029	1,505,798	27,615,056	–	27,615,056
Revenue – inter-segment	309,805	43,535	119,645	192,609	665,594	(665,594)	–
Total revenue	20,839,738	4,501,831	1,240,674	1,698,407	28,280,650	(665,594)	27,615,056
Segment results	499,651	239,284	190,478	32,874	962,287	–	962,287
Other gains and losses, net							237,931
Corporate expenses							(31,550)
Operating profit							1,168,668
Finance income							84,471
Finance costs							(184,045)
Share of profit/(loss) of joint ventures	14,629	(965)	29,963	433,538	477,165	–	477,165
Share of profit of associates							17,855
Profit before income tax							1,564,114
Income tax expense							(285,809)
Profit for the period							1,278,305

	Freight forwarding *RMB'000*	Logistics *RMB'000*	Storage and terminal services *RMB'000*	Other services *RMB'000*	Segment total *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Six months ended 30 June 2016 (Unaudited)							
Revenue – external	15,906,491	3,825,732	929,498	1,015,965	21,677,686	–	21,677,686
Revenue – inter-segment	215,361	72,181	138,523	178,595	604,660	(604,660)	–
Total revenue	16,121,852	3,897,913	1,068,021	1,194,560	22,282,346	(604,660)	21,677,686
Segment results	381,367	198,837	145,205	31,595	757,004		757,004
Other gains and losses, net							185,952
Corporate expenses							(72,840)
Operating profit							870,116
Finance income							86,248
Finance costs							(95,975)
Share of profit of joint ventures	25,686	1,034	11,523	429,604	467,847		467,847
Share of profit of associates							12,681
Profit before income tax							1,340,917
Income tax expense							(148,526)
Profit for the period							1,192,391

4. OPERATING PROFIT

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Charging		
Depreciation		
– Owned property, plant and equipment	**294,210**	297,912
– Owned property, plant and equipment leased out under operating leases	**8,617**	6,445
Amortisation of intangible assets	**14,656**	13,382
Operating lease charges on		
– Land use rights	**33,383**	34,755
– Buildings	**122,910**	117,240
– Plant and equipment	**73,639**	70,073
Allowance for trade receivables	**18,280**	39,580
Impairment losses of property, plant and equipment	**–**	2,334
Charges on property management and facilities	**73,695**	64,123
Charges on information technology support	**30,240**	25,018

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Crediting		
Rental income from		
– Buildings	**32,500**	20,813
– Plant and machinery	**3,354**	5,698
Gross rental income from investment properties	**12,626**	9,809
Less: Depreciation of investment properties	**(3,506)**	(2,279)
Net rental income from investment properties	**9,120**	7,530
Dividend income on available-for-sale financial assets	**263**	12,320
Government grants	**81,437**	84,116
(Losses)/gains on disposal of property, plant and equipment and land use rights	**(365)**	21,643
Gains on disposal of available-for-sale financial assets	**233,744**	84,684
(Losses)/gains on disposal of investment in a joint venture and an associate	**(22)**	82,518

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	**264,407**	217,620
– Overseas	**6,044**	4,005
– Hong Kong	**5,267**	8,201
Deferred PRC income tax	**10,091**	625
	285,809	230,451
Land appreciation tax	**–**	(81,925)
	285,809	148,526

The provision for PRC current income tax is based on the statutory rate of 25% (six months ended 30 June 2016: 25%) of the assessable income of each of the companies comprising the Group in the PRC as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential rates ranging from 10% to 20% (six months ended 30 June 2016: 10% to 20%) based on the relevant PRC tax laws and regulations.

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

6. 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 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.

The amount represents the statutory surplus reserve appropriated by the Company. The statutory surplus reserve appropriated by the Company's domestic subsidiaries amounting to RMB2,409,151,000 as of 30 June 2017 (31 December 2016: RMB2,409,151,000) is included in retained earnings.

(b) Dividends

In May 2017, a final dividend of RMB0.075 per ordinary share totaling RMB345,486,000 in respect of the year ended 31 December 2016 (six months ended 30 June 2016: RMB0.07 per ordinary share totaling RMB322,454,000 in respect of the year ended 31 December 2015) was declared to the owners of the Company. As at 30 June 2017, such dividend was not yet paid and was included in "other payables, accruals and other current liabilities".

At 22 August 2017, an interim dividend of RMB0.04 per ordinary share totaling RMB184,259,000 (six months ended 30 June 2016: RMB0.035 per ordinary share totaling RMB161,227,000), was declared to the owners of the Company.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**987,608**	967,097
Number of ordinary shares in issue *(thousands)*	**4,606,483**	4,606,483
Earnings per share, basic *(RMB)*	**0.214**	0.210

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

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group paid approximately RMB278,186,000 (six months ended 30 June 2016: RMB273,813,000) for construction costs, RMB56,256,000 (six months ended 30 June 2016: RMB59,557,000) for acquisition of plant and machinery, and RMB14,031,000 (six months ended 30 June 2016: RMB31,570,000) for buildings.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Listed equity investments, at fair value (a)	**719,321**	791,624
Unlisted equity investments, at cost less impairment	**279,798**	279,798
	999,119	1,071,422

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

	2017 ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
As at 1 January	**791,624**	1,436,245
Change in fair value	**281,446**	(260,052)
Disposal	**(353,749)**	(50,188)
As at 30 June	**719,321**	1,126,005

10. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**8,445,885**	7,294,268
Other receivables	**1,060,558**	905,598
Bills receivables	**461,131**	451,906
Due from related parties	**272,801**	288,893
	10,240,375	8,940,665

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**8,653,630**	7,483,278
Less: Allowance for impairment of receivables	**(207,745)**	(189,010)
Trade receivables, net	**8,445,885**	7,294,268

Aging analysis of the above trade receivables based on the invoice dates at the end of each reporting period, which approximated the respective revenue recognition dates is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**8,211,736**	7,165,092
Between 6 and 12 months	**167,114**	70,708
Between 1 and 2 years	**63,682**	54,062
Between 2 and 3 years	**2,636**	4,119
Over 3 years	**717**	287
	8,445,885	7,294,268

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**145,047**	160,508
Between 6 and 12 months	**3,359**	112
Between 1 and 2 years	**4,473**	–
	152,879	160,620

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.

11. BONDS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
Corporate bonds (a)	**3,495,196**	3,494,630
Current		
Corporate bonds (b)	**–**	998,726

(a) On 2 March 2016, the Company received the approval from the CSRC to issue unsecured corporate bonds with par value of RMB100 each totalling RMB2 billion. The corporate bonds are of 5-year term with fixed annual coupon and effective interest rate of 3.20% and 3.24%, respectively.

On 24 August 2016, the Company received the approval from the CSRC to issue unsecured corporate bonds with par value of RMB100 each totalling RMB1.5 billion. The corporate bonds are of 5-year-term and with fixed annual coupon and effective interest rate of 2.94% and 2.97%, respectively.

(b) 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 rate of 4.50% and 4.76%, respectively. It is fully settled in June 2017.

12. 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 reporting periods end is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**6,311,848**	5,770,144
Between 6 and 12 months	**316,414**	333,748
Between 1 and 2 years	**280,634**	204,486
Between 2 and 3 years	**184,038**	121,734
Over 3 years	**97,210**	97,524
	7,190,144	6,527,636

II. MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the consolidated results and notes thereto of the Group detailed in Section I of this announcement.

REVIEW OF OPERATION

In the first half of 2017, the world economy continued to improve. The developed economies sustained stable recoveries overall while China and India continued to lead the growth of emerging economies. But the global recovery was not evenly performed, strong structural growth has not yet appeared while risks and uncertainties still existed.

In the first half of the year, the total value of China's foreign trade increased by 13.0% (denominated in USD) year-on-year, of which exports increased by 8.5% and imports increased by 18.9%. China's logistics industry stabilized and started to improve. The logistics industry prosperity index increased by 2.1% year-on-year, the total amount of national social logistics increased by 7.1% year-on-year; China's port operating environment stabilized and continued to improve. The throughput of containers in ports above designated size gained a year-on-year growth of 8.8% in China. The China Containerized Freight Index increased by 19.8% year-on-year. In general, China's economy was steady and on the up.

In the first half of 2017, the Group stuck to the "13th Five-Year" Plan, focusing on "exploration, integration, transition, innovation, transformation, and management", following the requirements of "clear thoughts, concrete measures, realistic focus, and impressive results", has achieved remarkable results in terms of business scale, operating performance and continuous improvement on organizational efficiency.

For the six months ended 30 June 2017, as compared to the corresponding period of last year, the Group recorded an increase of 6.5% in the number of containers handled by sea freight forwarding service; an increase of 12.3% in the business volume handled by air freight forwarding service; an increase of 5.6% in the number of containers handled by shipping agency, an increase of 13.7% in the bulk cargo volume handled by shipping agency; an increase of 16.5% in the business volume handled by logistics service; an increase of 19.3% in the number of containers handled in warehouses and yards; an increase of 20.3% in the bulk cargo volume operated in warehouses and yards, an increase of 7.8% in the number of containers handled in terminal service; an increase of 10.3% in the number of containers handled by trucking service, a decrease of 1.3% in the number of containers transported by shipping business, and an increase of 540.3% in the business volume handled by express service.

The Group achieved revenue of RMB27,615.1 million for the six months ended 30 June 2017, representing an increase of 27.4% as compared to the corresponding period in 2016. Operating profit reached RMB1,168.7 million, representing an increase of 34.3% compared to the corresponding period of last year. Profit attributable to owners of the Company for the six months ended 30 June 2017 was RMB987.6 million, representing an increase of 2.1% as compared to the corresponding period in 2016 and earnings per share was RMB0.214 (corresponding period in 2016: RMB0.210).

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2017

Revenue

For the six months ended 30 June 2017, the Group's revenue amounted to RMB27,615.1 million, representing an increase of 27.4% from RMB21,677.7 million for the corresponding period in 2016. The increase was mainly attributable to the fast increase of business volume across major business sectors and the growth of freight rates of container shipping.

Freight Forwarding

For the six months ended 30 June 2017, external revenue from the Group's freight forwarding services increased by 29.1% to RMB20,529.9 million from RMB15,906.5 million for the corresponding period in 2016, mainly because of the increase of business volume and the growth of freight rates of container shipping. Segment profit from the Group's freight forwarding services amounted to RMB499.7 million, which increased by 31.0% compared with the corresponding period in 2016. The increase rate of segment profit was higher than that of the segment revenue was because the change of fixed cost including staff cost was moderate and slower than the increase of revenue of freight forwarding.

The volume of containers handled by the sea freight forwarding business increased by 6.5% to 5.350 million TEUs for the first half of 2017 from 5.024 million TEUs for corresponding period in 2016, mainly attributable to the recovery of related markets. Cargo tonnage handled by the air freight forwarding service increased by 12.3% to 255.2 million kilograms in the first half of 2017 from 227.2 million kilograms for the first half of 2016, mainly because the Group enhanced the business cooperation with airline companies and made more efforts in developing import related business. The number of containers handled by shipping agency service rose by 5.6% to 8.568 million TEUs for the first half of 2017 from 8.115 million TEUs for the first half of 2016, and the volume of bulk cargo handled by shipping agency service increased by 13.7% to 136.6 million tonnes in the first half of 2017 from 120.1 million tonnes for the first half of 2016, mainly due to the tightened business cooperation with shipping companies as well as the enhanced exploration of commodity products including crude oil and ore sand.

Logistics

For the six months ended 30 June 2017, external revenue from the Group's logistics service amounted to RMB4,458.3 million, representing an increase of 16.5% from RMB3,825.7 million for the corresponding period in 2016; segment profit from logistics service amounted to RMB239.3 million, representing an increase of 20.3% from RMB198.8 million for the corresponding period in 2016, mainly attributable to the increase of business volume in the first half of 2017 and the reduction of bad debt provision from accounts receivable.

The business volume handled by the Group's logistics service increased by 16.5% to 9.9 million tonnes for the first half of 2017 from 8.5 million tonnes for the first half of 2016. That was because the Group actively developed new customers, put more efforts in exploring the international market and the "one-road-one-belt" related business volume increased rapidly.

Storage and Terminal Services

For the six months ended 30 June 2017, external revenue from the Group's storage and terminal services amounted to RMB1,121.0 million, representing an increase of 20.6% from RMB929.5 million for the corresponding period in 2016, mainly attributable to the increase of business volume. Segment profit from the Group's storage and terminal services amounted to RMB190.5 million, representing an increase of 31.2% from RMB145.2 million for the corresponding period in 2016, mainly because that the business volume of the subsidiaries involving in storage and terminal services realized fast growth while the fixed cost, being the major part of the cost structure performed steady growth, and resulted in fast increase in the segment profit.

During the first half of 2017, the number of containers handled in the Group's warehouses and yards increased by 19.3% to 4.241 million TEUs from 3.555 million TEUs for the first half of 2016, mainly because the Group enhanced the centralized marketing and sales towards shipping companies. The Group's warehouses and yards handled 7.1 million tonnes of bulk cargo, representing an increase of 20.3% from 5.9 million tonnes for the first half of 2016, mainly because the Group put more efforts in exploring the commodity market. The number of containers handled through terminals increased by 7.8% to 1.940 million TEUs from 1.800 million TEUs for the first half of 2016, mainly because the Company deepened the business cooperation with key customers including shipping companies and hub ports.

Other Services

For the six months ended 30 June 2017, the Group's external revenue from other services (mainly involves trucking, shipping and express services) amounted to RMB1,505.8 million, representing an increase of 48.2% from RMB1,016.0 million for the corresponding period in 2016, mainly attributable to the fast increase of business volume related to trucking service as well as the express services cooperated with Cainiao Logistics. Segment profit from the Group's other services amounted to RMB32.9 million for the first half of 2017, representing an increase of 4.0% from RMB31.6 million for the corresponding period in 2016, which was mainly contributed by the increase of segment profit of trucking service.

During the first half of 2017, the volume of containers handled by the Group's trucking service increased by 10.3% to 449,000 TEUs from 407,000 TEUs for the first half of 2016, which was mainly driven by the related freight forwarding business. The number of containers handled by shipping business decreased by 1.3% to 1.184 million TEUs from 1.199 million TEUs for the first half of 2016. The number of documents and parcels handled in the express services increased by 540.3% to 19.780 million units from 3.089 million units for the first half of 2016, mainly attributable to the fast increase of business brought by the cooperation with Cainiao Logistics.

The Group's joint ventures recorded an investment gain of RMB431.9 million from the operation of express services, representing a slight increase of 0.1% compared to the corresponding period of last year; and the business volume was up by 3.6% from 11.32 million units for the first half in 2016 to 11.73 million units for the first half of 2017.

Transportation and Related Charges

Transportation and related charges was up by 30.1% to RMB24,289.3 million for the six months ended 30 June 2017, compared with RMB18,675.5 million for the corresponding period in 2016. Such increase was mainly because of the fast increase of business volume across major business sectors and the growth of freight rates of container shipping.

Depreciation and Amortization

Depreciation and amortization amounted to RMB321.0 million for the six months ended 30 June 2017, representing an increase of 0.3% from RMB320.0 million for the corresponding period in 2016.

Office and Related Expenses

Office and related expenses amounted to RMB223.8 million for the six months ended 30 June 2017, representing an increase of 3.2% from RMB216.8 million for the corresponding period in 2016.

Other Gains and Losses, Net

Other gains and losses, net increased from RMB186.0 million for the six months ended 30 June 2016 to RMB237.9 million for the reporting period, primarily due to the increased gain from disposing available-for-sale financial assets.

Operating Profit

The Group's operating profit was RMB1,168.7 million for the six months ended 30 June 2017, representing an increase of 34.3% from RMB870.1 million for the corresponding period in 2016. Operating profit as a percentage of total revenue increased to 4.2% for the six months ended 30 June 2017 from 4.0% for the six months ended 30 June 2016, or increased to 33.6% for the six months ended 30 June 2017 from 27.6% for the six months ended 30 June 2016 as a percentage of net revenue (total revenue less transportation and related charges).

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures was RMB477.2 million for the six months ended 30 June 2017, representing an increase of 2.0% from RMB467.8 million for the corresponding period in 2016.

Income Tax Expense

For the six months ended 30 June 2017, income tax expense of the Group amounted to RMB285.8 million, representing an increase of 92.4% from RMB148.5 million for the corresponding period in 2016. Income tax expense as a percentage of profit before income tax for the six months ended 30 June 2017 rose to 18.3% from 11.1% for the six months ended 30 June 2016. This was mainly because of the write-back of the difference between the value added tax provision caused by the disposal of Sungang land property booked in 2015 and the actual amount of land appreciation tax paid in 2016, as well as the increase of profit before tax in the first half of 2017.

Profit for the Period

The Group's profit for the six months ended 30 June 2017 was RMB1,278.3 million, representing an increase of 7.2% from RMB1,192.4 million for the corresponding period in 2016.

Profit Attributable to Non-controlling Interests

For the six months ended 30 June 2017, profit attributable to non-controlling interests amounted to RMB290.7 million, representing an increase of 29.0% as compared with RMB225.3 million for the corresponding period in 2016, which was mainly due to the increase in the profit of the non-wholly owned subsidiaries of the Company for the reporting period.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to RMB987.6 million, representing an increase of 2.1% from RMB967.1 million for the corresponding period in 2016.

Liquidity and Capital Resources

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

	For the six months ended 30 June	
	2017	2016
	In RMB million	*In RMB million*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(147.8)**	276.3
Net cash used in investing activities	**(1,188.0)**	(1,356.6)
Net cash generated from financing activities	**572.9**	1,255.1
Exchange (losses)/gains on cash and cash equivalents	**(8.7)**	14.2
Net (decrease)/increase in cash and cash equivalents	**(771.6)**	188.9
Cash and cash equivalents at 30 June	**6,347.0**	6,322.3

Operating Activities

Net cash outflows used in the Group's operating activities for the six months ended 30 June 2017 amounted to RMB147.8 million, representing a decrease of 153.5% from net cash inflows of RMB276.3 million for the corresponding period in 2016. Such decrease was primarily attributable to an increase in trade and other receivables of RMB1,317.7 million (corresponding period in 2016: an increase of RMB882.8 million), a drop in receipts in advance from customers of RMB115.1 million (corresponding period in 2016: an increase of RMB157.7 million), a drop in salary and welfare payable of RMB167.5 million (corresponding period in 2016: a drop of RMB19.5 million), a drop in other payables, accruals and other current liabilities of RMB90.0 million (corresponding period in 2016: an increase of RMB32.9 million) and a drop in provisions of RMB87.0 million (corresponding period in 2016: a drop of RMB5.1 million), partially offset by an increase in trade payables of RMB664.4 million (corresponding period in 2016: an increase of RMB349.0 million), as well as a drop in prepayments and other current assets of RMB9.9 million (corresponding period in 2016: an increase of RMB295.5 million).

For the six months ended 30 June 2017, the average age of trade receivables was 54 days, as compared to 64 days for the corresponding period in 2016.

Investing Activities

For the six months ended 30 June 2017, net cash used in investing activities amounted to RMB1,188.0 million, primarily comprising RMB850.0 million used for the purchase of available-for-sale financial assets and RMB514.1 million used for the purchase of property, plant and equipment, as well as RMB193.9 million used for the capital injection and purchase of associates, partially offset by RMB402.2 million received from the disposal of available-for-sale financial assets. For the six months ended 30 June 2016, net cash used for investing activities amounted to RMB1,356.6 million, primarily comprising RMB1,074.5 million used for the purchase of available-for-sale financial assets and RMB447.7 million used for the purchase of property, plant and equipment, as well as an increase in over-three-month time deposit of RMB251.6 million, partially offset by RMB225.9 million received from the disposal of available-for-sale financial assets, RMB135.0 million received from the disposal of associates, and RMB82.5 million received from the dividend of joint ventures.

Financing Activities

Net cash generated from the Group's financing activities for the six months ended 30 June 2017 amounted to RMB572.9 million, compared with net cash generated from financing activities of RMB1,255.1 million for the corresponding period in 2016.

Net cash generated from financing activities for the six months ended 30 June 2017 primarily comprised RMB4,058.5 million received from borrowings, partially offset by RMB2,350.8 million paid in cash for the repayment of borrowings, RMB1,000.0 million of repayment of short-term bonds in cash, and RMB122.5 million for the payment of interest. Net cash generated from financing activities for the six months ended 30 June 2016 primarily comprised RMB1,497.8 million received from the issuance of short-term bonds, RMB1,996.0 million received from the issuance of corporate bonds and RMB767.7 million received from loans, partially offset by RMB2,000 million of repayment of short-term bonds in cash, RMB873.1 million paid in cash for the repayment of borrowings, and RMB87.0 million for the payment of interest.

Capital Expenditure

For the six months ended 30 June 2017, the Group's capital expenditure amounted to RMB531.3 million, primarily comprising RMB514.1 million for acquisition of property, plant and equipment, RMB4.6 million for acquisition of other non-current assets, and RMB10.8 million for acquisition of intangible assets, among which, RMB292.1 million was used for renovation and construction of terminals, warehouses, logistics centers and container yards, RMB84.1 million for purchase of vehicles, vessels, plant and equipment, RMB126.6 million for purchase of property and others, and RMB28.4 million for IT investment and refurbishment and purchase of office equipment.

Contingent Liabilities and Guarantees

As at 30 June 2017, the Group's contingent liabilities mainly comprised outstanding lawsuits and arbitration of RMB41.8 million (31 December 2016: RMB83.4 million).

As at 30 June 2017, the amount of guarantees provided by the Group in favor of its joint ventures was RMB98.1 million (31 December 2016: RMB151.4 million).

Borrowings

As at 30 June 2017, the Group's total borrowings amounted to RMB2,706.9 million (31 December 2016: RMB1,449.1 million). Of the above borrowings, bank borrowings was RMB478.8 million and borrowings from the Finance Company was RMB2,228.1 million, all being bank borrowings which comprised 2,387.0 million denominated in RMB, 102.0 million in US dollars, and 218.0 million in Hong Kong dollars. The weighted average interest rate for the above borrowings was 3.18% per annum.

Secured and Guaranteed Borrowings

As at 30 June 2017, the Group pledged property, plant and equipment (with net book value of approximately RMB60.7 million) and land use rights (with net book value of approximately RMB18.1 million) for borrowings.

Debt-to-Asset Ratio

As at 30 June 2017, the debt-to-asset ratio of the Group was 48.6% (31 December 2016: 47.5%), which was arrived at by dividing the total liabilities by the total assets of the Group as at 30 June 2017.

Foreign Exchange Risk

Since a portion of the Group's revenue 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 RMB 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 book values of these financial instruments.

Employees

As at 30 June 2017, the number of employees of the Group was 25,954 (31 December 2016: 26,693). Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2016 Annual Report with no significant changes.

III. BUSINESS DEVELOPMENT AND OUTLOOK

Business Development

Looking into the second half of 2017, the world economy is expected to show a state of weak recovery. Aggravation of trade protectionism, intensification of geopolitical conflicts, the Fed's earlier than anticipated rate hike as well as Fed's plan of reducing the size of balance sheet bring along a considerable amount of risks and uncertainties. In the second half of the year, China's economy will continue to deepen the supply-side structural reform, and further promote the five tasks of "cutting overcapacity, reducing inventory, deleveraging, lowering costs and improving weak links"; foreign trade import and export is expected to continue to stabilize and maintain positive growth with foreign trade structure continuing to optimize. In the logistics industry, cross-border competition grows more intense, intelligent logistics development accelerates, and industry restructuring and consolidation are becoming a common trend. Meanwhile, customers also put forward higher requirements for logistics enterprises in terms of customaries services.

The Group will continue to take "exploration, integration, transition, innovation, transformation, management" as focal points, focus on the construction of a supply chain logistics eco-system, follow the "13th Five-Year" Plan closely, and proceed to promote the work in the second half of the year. In respect of strategy, we will work on the overall arrangement and efficient implementation, insist on strategy stability, make dynamic adjustments to the special sub-planning and ensure the strategy will be effectively and efficiently executed. With regard to business performance, we will work on optimizing the sources of revenue and reducing operational costs. We will also make efforts in the implementation of strategy, rigorously control business risk, and speed up the transformation of business model. In terms of business transformation, we will work toward transitioning into an integrator of comprehensive logistics services with an aim to create value for our customers through innovative and cross-boundary integration to form the core competencies in value differentiation. In respect of innovation direction, we will work hard in intelligent logistics and digital drive, take intelligent logistics as the key link in realizing the "13th Five-Year" Plan, and take digital drive as the fundamental driving force of intelligent logistics and the core of intelligent logistics development. With respect to resource integration, we will make efforts in integration, consolidation, harmonization and value creation. We will persist in the aim of creating value through integration, give full play to synergies, and continue to enhance the integration capability. In respect of management alteration, we will work on organizational skills and cultural drive, streamlining its organizational structure and increasing interactions of internal and external resources and enhance corporate culture driving force. In respect of fundamental management, we will make efforts in the establishment of systems and quality of implementation and strengthen risk control and safety management.

The Group will uphold the philosophy of "Customers' Success, Our Achievement; Professional Focus, Win-Win Cooperation", continue to carry forward each task, and make unremitting efforts in creating a leading integrated logistics platform enterprise in the world.

Strategic Reorganisation and Resources Integration

At the end of 2015, SASAC approved the strategic reorganisation of Sinotrans & CSC, the parent company of the Company, with China Merchants by which Sinotrans & CSC was to be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of China Merchants. The Company would, as a result, become a listed subsidiary of China Merchants. The business registration in relation to such reorganisation was completed in April 2017.

On 22 August 2017, the Company announced an acquisition agreement between it and China Merchants by which the Company has agreed, subject to the fulfilment of certain conditions precedent, to purchase from China Merchants a company that holds certain logistic operations and assets. For more information, please refer to the announcement published by the Company on the websites of the Stock Exchange and the Company dated 22 August 2017.

IV. INTERIM DIVIDEND AND BOOK CLOSURE PERIOD

The Board has declared an interim dividend of RMB0.04 per share for the six months ended 30 June 2017. Shareholders at the annual general meeting of the Company for the year 2016 authorized the Board of the Company to decide on matters relating to the recommendation, declaration and payment of the interim dividends for the year 2017.

It is expected that the interim dividend will be paid on or before Wednesday, 22 November 2017 to shareholders whose names appear on the register of members on Monday, 11 September 2017. The register of members of the Company will be closed from Wednesday, 6 September 2017 to Monday, 11 September 2017 (both days inclusive), during which no transfers will be registered for the purposes of ascertaining entitlements to the Company's 2017 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 Tuesday, 5 September 2017, for registration.

Pursuant to the Articles of Association of the Company, dividends payable to the holders of Domestic Shares will be paid in RMB, and dividends payable to the holders of H Shares will be paid in HK$. The exchange rate for dividends payable in HK$ is the average of middle rates of RMB to HK$ published by the People's Bank of China during the week (15 August 2017 to 21 August 2017) preceding the date of declaration of the dividend. The average exchange rate of RMB to HK$ for the said week was HK$1 = RMB0.85301. Accordingly, the amount of interim dividend for each H Share of the Company is HK$0.04689.

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 PRC. Pursuant to the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by The Stock Exchange 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.

Interim Dividend for the Investors of Southbound Trading

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

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

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

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

V. REVIEW OF THE INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

VI. CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and has adopted the CG Code as set out in Appendix 14 to the Listing Rules. The Company has confirmed that it has complied with all the code provisions in effect as set out in the CG Code throughout the six months ended 30 June 2017 except the deviation from Code Provision A.6.7 which provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders, and Code Provision E.1.2 which provides that the chairman of the board should invite the chairmen of the audit committee, remuneration committee and nomination committee to attend the annual general meeting. As the 2016 annual general meeting of the Company was held in Beijing and no holders of H Shares of the Company and/or their representatives attended the meeting in person, the chairmen of these related committees were not invited to attend the annual general meeting, and independent non-executive directors of the Company did not attend the annual general meeting.

VII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Company's Directors and Supervisors.

The Directors and Supervisors have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the reporting period from 1 January 2017 to 30 June 2017.

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 either by the Company or by any members of the Group during the six months ended 30 June 2017.

IX. PUBLICATION OF INTERIM RESULTS AND 2017 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 2017 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.

X. DEFINITIONS

Articles of Association	the articles of association of the Sinotrans Limited
Board	the board of Directors of the Company
CG Code	code provisions of Corporate Governance Code as set out in Appendix 14
China Merchants	招商局集团有限公司 (China Merchants Group Limited), a state wholly-owned enterprise established under the laws of the PRC under direct control of the State-owned Assets Supervision and Administration Commission of the State Council, the ultimate holding company of the Company
Company	中国外运股份有限公司 (Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Stock Exchange of Hong Kong Limited
CSRC	China Securities Regulatory Commission
Director(s)	Director(s) of the Company
Domestic Share(s)	domestic invested share(s) of RMB1.00 each in the share capital of the Company
Finance Company	Sinotrans & CSC Finance Co., Ltd.
Group	Sinotrans Limited and its subsidiaries
HK$	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC

H Share(s)	overseas listed foreign invested share(s) of RMB1.00 each in the share capital of the Company
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors contained in Appendix 10 to the Listing Rules
PRC	the People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Share(s)	H Share(s) and Domestic Share(s)
Shareholder(s)	holder(s) of the Shares
Shenzhen-Hong Kong Stock Connect	the Program of the Shenzhen-Hong Kong Stock Connect
Sinotrans & CSC	Sinotrans & CSC Holdings Co., Ltd., a wholly-owned subsidiary of China Merchants Group Limited established under the laws of the PRC, the controlling shareholder of the Company which holds approximately 55.76% of the issued Share capital of the Company
Sinotrans Group Company	China National Foreign Trade Transportation (Group) Corporation
Stock Exchange	The Stock Exchange of Hong Kong Limited subsidiary have the meaning given by Listing Rules
subsidiary	have the meaning given by Listing Rules

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

Beijing, 22 August 2017

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