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 2018

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 2018 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Results		
Revenues	**497,002**	500,622
Profit attributable to owners of the Company	**40,018**	8,006
Earnings per share attributable to owners of the Company	**US1.00 cent**	US0.20 cents
Dividend	**–**	–

	As at 30 June 2018	As at 31 December 2017
	US$'000	*US$'000*
Financial Position		
Total assets	**2,185,645**	2,188,946
Total liabilities	**331,838**	355,052
Equity attributable to owners of the Company	**1,836,947**	1,817,028
Cash and bank balances	**701,116**	726,491
Interest bearing liabilities	**134,038**	138,023
Interest bearing debt ratio[1]	**6.1%**	6.3%

(1) 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 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***US$'000***	*US$'000*
Revenues	*2*	**497,002**	500,622
Cost of operations		**(449,054)**	(478,064)
Selling, administrative and general expenses		**(17,805)**	(16,554)
Other gains/(losses), net	*3*	**1,913**	(904)
Operating profit		**32,056**	5,100
Finance income		**10,528**	7,273
Finance expenses		**(3,615)**	(3,063)
Share of profits/(losses) of joint ventures		**4,175**	(52)
Profit before income tax		**43,144**	9,258
Income tax expense	*4*	**(2,778)**	(1,583)
Profit for the period		**40,366**	7,675
Profit/(loss) attributable to:			
– Owners of the Company		**40,018**	8,006
– Non-controlling interests		**348**	(331)
		40,366	7,675
Other comprehensive income/(loss) for the period			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(4,662)**	7,050
Fair value changes			
– debt instruments at fair value through other comprehensive income		**(497)**	–
– available-for-sale financial assets		**–**	(96)
Total comprehensive income for the period		**35,207**	14,629
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**35,213**	14,557
– Non-controlling interests		**(6)**	72
		35,207	14,629
Earnings per share attributable to owners of the Company			
– Basic and diluted	*5*	**US1.00 cent**	US0.20 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

	Note	**Unaudited As at 30 June 2018 US$'000**	Audited As at 31 December 2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,158,731**	1,130,702
Intangible asset		**2,949**	3,145
Investments in joint ventures		**95,796**	89,581
Loans to joint ventures		**2,000**	2,667
Loans to related companies	7	**13,416**	13,959
Financial assets at fair value through other comprehensive income		**17,994**	–
Available-for-sale financial assets		**–**	20,085
		1,290,886	1,260,139
Current assets			
Inventories		**13,927**	19,303
Loans to joint ventures		**1,333**	1,333
Trade and other receivables	7	**109,377**	169,259
Contract assets		**67,323**	–
Financial assets at fair value through other comprehensive income		**1,683**	–
Available-for-sale financial assets		**–**	1,619
Cash and bank balances			
– Cash and cash equivalents		**224,859**	199,074
– Short-term bank deposits		**476,140**	527,302
– Restricted cash		**117**	115
		894,759	918,005
Asset classified as held-for-sale		**–**	10,802
		894,759	928,807
Total assets		**2,185,645**	2,188,946

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2018

	Note	**Unaudited As at 30 June 2018 US$'000**	Audited As at 31 December 2017 US$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,878,209**	1,878,209
Reserves		**(41,262)**	(61,181)
		1,836,947	1,817,028
Non-controlling interests		**16,860**	16,866
Total equity		**1,853,807**	1,833,894
LIABILITIES			
Non-current liabilities			
Provision for other liabilities		**1,467**	2,439
Borrowings		**50,888**	54,936
		52,355	57,375
Current liabilities			
Trade and other payables	*8*	**257,367**	278,613
Contract liabilities		**9,637**	–
Provision for other liabilities		**2,147**	6,155
Taxation payable		**2,051**	4,691
Borrowings		**8,281**	8,218
		279,483	297,677
Total liabilities		**331,838**	355,052
Total equity and liabilities		**2,185,645**	2,188,946

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 Merchants 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 2017 that is included in interim financial information for the six months ended 30 June 2018 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 2017 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 predecessor 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 9 August 2018.

(b) Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)").

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 2017, as described in those annual financial statements, except for the adoption of new and revised HKFRSs effective for the financial year ending 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2018.

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue of Contracts from Customers
HK (IFRIC) lnt-22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

Except as described below, the adoption of the above new and revised HKFRSs did not have significant effect on the interim financial information or result in any significant changes in the Group's significant accounting policies.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- The assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

(i) Trade receivable and other receivables, amount due from related parties previously classified as loan and receivables carried at amortised cost

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

(ii) Listed debt securities previously classified as available-for-sale financial assets

The listed debt securities are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. As a result, the financial assets were reclassified from available-for-sale financial assets with fair value of US$21,615,000 to financial assets at FVTOCI. Accumulated fair value loss of US$550,000 was reclassified from the available-for-sale reserve to financial assets at FVTOCI reserve upon remeasurement on 1 January 2018.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments (that are not held-for-trading) in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss. Dividend from such investment continues to be recognised in profit or loss when the Group's right to receive payments is established.

Listed equity securities previously classified as available-for-sale financial assets

The Group elected to present in other comprehensive income for changes in fair value of all its listed equity securities (that are not held-for-trading). As a result, the financial assets were reclassified from available-for-sale financial assets with fair value of US$89,000 to financial assets at FVTOCI.

All other financial assets and financial liabilities will continue to be measured on the same bases as are previously measured under HKAS 39.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with it assets measured at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial instruments, the expected credit loss is based on the 12-month expected credit loss. The 12-months expected credit loss is the portion of lifetime expected credit loss that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime expected credit loss. The assessment of whether lifetime expected credit loss should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The adoption of the expected credit loss model and simplified approach has no material effect on the Group.

HKFRS 15 Revenue of Contracts from Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of good and service) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances and asset that the customer controls as the Group performs; or

- The Group's performance does not create and asset with an alternative use to the Group and the Group had an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group applies input method in measuring the progress towards complete satisfaction of the relevant performance obligation and recognises revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Income from voyage will continue to be recognised on the time proportion method.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. In summary, the following adjustments were made to the amounts recognised in the condensed consolidated balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	US$'000	*US$'000*	*US$'000*
Trade and other receivables	169,259	(71,011)	98,248
Trade and other payables	278,613	(6,821)	271,792
Contract assets	–	71,011	71,011
Contract liabilities	–	6,821	6,821

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

The adoption of HKFRS 15 did not have any significant effect on the statement of profit or loss and other comprehensive income of the Group.

The HKICPA has issued a number of new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2018. The Group has not early adopted these new standards and amendments to existing standards.

2 REVENUES AND SEGMENT INFORMATION

(a) Revenues

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Dry bulk shipping *(note)*	**211,091**	240,310
Container shipping	**283,922**	259,867
Others	**1,989**	445
	497,002	500,622

Note: Revenue from dry bulk shipping under time charter hire agreements was approximately US$111,227,000 for the period ended 30 June 2018 (2017: US$90,119,000).

(b) Segment information

(a) 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 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 2018			
	Dry bulk shipping *US$'000*	**Container shipping** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Total revenues	**212,244**	**283,922**	**4,379**	**500,545**
Inter-segment revenues	**(399)**	**–**	**(2,390)**	**(2,789)**
Revenues from external customers	**211,845**	**283,922**	**1,989**	**497,756**
Segment results	**23,861**	**25,120**	**4,632**	**53,613**
Depreciation	**20,761**	**5,691**	**170**	**26,622**
Provision for impairment of trade and other receivables	**75**	**–**	**–**	**75**
Additions to property, plant and equipment	**54,125**	**950**	**13**	**55,088**
Utilisation of provision for onerous contracts, net	**(4,977)**	**–**	**–**	**(4,977)**

	Six months ended 30 June 2017			
	Dry bulk shipping *US$'000*	Container shipping *US$'000*	Others *US$'000*	Total *US$'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
Utilisation of provision for onerous contracts, net	(5,256)	–	–	(5,256)

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	
	2018	2017
	US$'000	*US$'000*
Revenues from external customers for reportable segments	**497,756**	501,409
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(754)**	(787)
Total revenues per the condensed consolidated statement of profit or loss and other comprehensive income	**497,002**	500,622

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 before income tax is provided as follows:

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Segment results for reportable segments	**53,613**	21,075
Corporate expenses	**(16,681)**	(15,444)
Depreciation and amortisation	**(701)**	(583)
Finance income	**10,528**	7,273
Finance expenses	**(3,615)**	(3,063)
Profit before income tax	**43,144**	9,258

For the period ended 30 June 2018, the Group has one (2017: nil) customer with revenue exceeding 10% of the Group's total revenue. For the period ended 30 June 2018, revenue from this customer amounting to US$59,098,000 (2017: nil) is attributable to the container shipping segment.

Segment assets and liabilities exclude corporate assets and liabilities (including corporate cash, financial assets at fair value through other comprehensive income, intangible asset 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 2018			
	Dry bulk shipping	**Container shipping**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment assets	**1,062,999**	**380,209**	**89,445**	**1,532,653**
Segment assets include:				
Interests in joint ventures	**21,235**	**–**	**74,561**	**95,796**
Loans to joint ventures	**3,333**	**–**	**–**	**3,333**
Segment liabilities	**101,576**	**144,793**	**5,055**	**251,424**

	As at 31 December 2017			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment assets	1,043,872	378,659	83,090	1,505,621
Segment assets include:				
Interests in joint ventures	21,199	–	68,382	89,581
Loans to joint ventures	4,000	–	–	4,000
Segment liabilities	115,247	152,380	5,558	273,185

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2018	As at 31 December 2017
	US$'000	*US$'000*
Segment assets	**1,532,653**	1,505,621
Corporate assets	**652,992**	683,325
Total assets per the condensed consolidated balance sheet	**2,185,645**	2,188,946

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2018	As at 31 December 2017
	US$'000	*US$'000*
Segment liabilities	**251,424**	273,185
Corporate liabilities	**80,414**	81,867
Total liabilities per the condensed consolidated balance sheet	**331,838**	355,052

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	
	2018	2017
	US$'000	*US$'000*
Container shipping		
– Asia	**252,124**	236,212
– Australia	**31,798**	23,655
	283,922	259,867
Dry bulk shipping	**211,845**	241,097
Others	**1,989**	445
	497,756	501,409

3 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
(Loss)/gain on disposal of property, plant and equipment, net	**(9)**	26
(Provision for)/reversal of impairment of trade and other receivables	**(75)**	118
Exchange gains/(losses)	**211**	(1,006)
Government subsidy	**1,635**	–
Provision for claims under pending litigations	**–**	(92)
Others	**151**	50
	1,913	(904)

4 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profits 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 (six months ended 30 June 2017: 17% to 26%).

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Current income tax		
Hong Kong profits tax	**(8)**	(9)
Overseas taxation	**(2,770)**	(1,574)
Income tax expense	**(2,778)**	(1,583)

5 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 period.

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (US$'000)	**40,018**	8,006
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cents per share)	**1.00**	0.20

As there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2018 and 2017, the diluted earnings per share for the period is equal to basic earnings per share.

6 DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2018 and 2017.

7 TRADE AND OTHER RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	US$'000	*US$'000*
Trade receivables, net of provision *(note)*	**25,096**	91,699
Prepayments, deposits and other receivables, net of provision	**56,994**	49,955
Loans to related companies	**14,501**	15,030
Amounts due from related parties	**26,202**	26,534
	122,793	183,218
Less: non-current portion – loans to related companies	**(13,416)**	(13,959)
Current portion	**109,377**	169,259

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 2018	As at 31 December 2017
	US$'000	*US$'000*
Within 6 months	**23,135**	89,382
7-12 months	**1,221**	1,863
1-2 years	**991**	616
2-3 years	**141**	175
Over 3 years	**3,792**	3,792
Trade receivables	**29,280**	95,828
Less: impairment provision		
Within 6 months	**–**	–
7-12 months	**(124)**	(104)
1-2 years	**(176)**	(222)
2-3 years	**(92)**	(11)
Over 3 years	**(3,792)**	(3,792)
Provision for impairment of trade receivables	**(4,184)**	(4,129)
Trade receivables, net of provision	**25,096**	91,699

8 TRADE AND OTHER PAYABLES

	As at 30 June 2018 *US$'000*	As at 31 December 2017 *US$'000*
Trade payables *(note)*	**145,722**	170,652
Other payables and accruals	**35,385**	31,862
Amounts due to related parties	**76,260**	76,099
	257,367	278,613

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 2018 *US$'000*	As at 31 December 2017 *US$'000*
Within 6 months	**118,243**	114,264
7-12 months	**8,852**	41,592
1-2 years	**5,893**	1,729
2-3 years	**1,883**	3,033
Over 3 years	**10,851**	10,034
Trade payables	**145,722**	170,652

REVIEW OF HISTORICAL OPERATING RESULTS

In the first half of 2018, the world economy continued to recover. The major economies maintained their growth, and international trade continued to rebound. However, against the backdrop of increasing crude oil prices, strong US dollars and increasing international trade conflict, international trade has also been affected and economic growth of emerging economies has become more unbalanced. The demand in dry bulk shipping and container shipping maintained steady growth in general. Dry bulk shipping market experienced a market uptrend with fluctuations; the major trading route in container shipping market saw a year-on-year decline and routes within Asia Pacific area increased steadily.

In face of the changing world economic and market environment, the Group has adhered to philosophy of "acting for long term, seeking in the moment" and struck a dynamic balance between quality, efficiency and scale. We endeavoured to capturing market opportunities, adjusted operation strategy, strengthened sales and market development and increased ship management capability, built a smart fleet and strived for innovation. Benefitted from the continuous optimization of our fleet structure in the previous two years, the modern and low-cost fleet advantages has been consolidated, which enhanced our overall competitiveness and ensured the sustainable development of the Group.

The Group recorded profit attributable to owners of US$40.02 million for the six months ended 30 June 2018 (2017: US$8.01 million), representing an increase of 399.9% year-on-year.

Revenues

For the six months ended 30 June 2018, revenues of our Group were US$497.00 million (2017: US$500.62 million).

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

	Six months ended 30 June		
	2018	2017	
	US$'000	*US$'000*	% Change
Revenues from:			
– Dry bulk shipping[1][2]	**211,845**	241,097	(12.1)%
– Container shipping	**283,922**	259,867	9.3%
– Others	**1,989**	445	347.0%
	497,756	501,409	(0.7)%
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(754)**	(787)	(4.2)%
Revenues per the condensed consolidated statement of profit or loss and other comprehensive income	**497,002**	500,622	(0.7)%

(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.

(2) Revenue from dry bulk shipping decreased by 12.1%, mainly due to the adjustment for the proportion of voyage chartering business and time chartering business in 2018; and the reduction in the number of chartered-in vessels.

Dry bulk shipping

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

The seaborne demand grew steadily driven by recovery of the world economy and a stable growth in international trade in the first half of year. Meanwhile, the growth of ship capacity constantly slowed down leading to further improvement in supply and demand balance, confidence in the dry bulk shipping market has been boosted sharply. The demand for major dry bulk commodities has driven the market to rise in fluctuation despite the adverse factors such as the Sino-US trade war and the rise in bunker prices. The average Baltic Dry Index (BDI), which reflects the situation of dry bulk shipping market, was 1,217 points in the first half of the year, representing an increase of 25% as compared with that in 2017. The BDI fluctuated between 948 points and 1,476 points during the reporting period.

Facing the volatile market environment, the Group enhanced market research, captured market opportunities and timely increased the contracted day of our fleet. The Group also leveraged on the advantages of its global business network, optimized operational planning capability, strengthened business synergy and strived to develop customer relationship. Above measures resulted in a good start for 2018 with our operating result increase significantly and average daily TCE rate of our dry bulk vessels (TCE, Time Charter Equivalent) outperformance the market. For the six months ended 30 June 2018, revenue of the Group from dry bulk shipping was US$211.85 million (2017: US$241.10 million), among which ocean freight income recorded US$99.87 million (2017: US$150.19 million), and charter hire income recorded US$111.98 million (2017: US$90.91 million). The shipping volume was 17.13 million tons during the first half of the year (2017: 20.87 million tons). The average daily TCE rate of our dry bulk vessels was US$12,430 (2017: US$9,514), 10% higher than the average charter rates of BDI in the spot market.

Container shipping

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

The container shipping demand in intra Asia Pacific region steadily increased in the first half this year. The overall supply and demand balance was generally improved as a result of the control of fleet capacity by liner companies. The average freight rate of the China Containerized Freight Index ("CCFI") China-Japan route was 719 points during the first half of 2018, increase by 8.1% year-on-year, mainly attributable to the steady growth of trade volume under the improving relations between China and Japan. The average freight rate of CCFI China to Australia route was 864 points, representing a year-on-year increase of 31.1%, benefitted from the rapid rebound of the economy of Australia.

The Group persistently oriented itself as the liner service provider in Intra Asia Pacific region and committed to developing boutique shipping routes. The Group attained a good operating result by optimizing the shipping route arrangement, strengthening our customer marketing, further lowering the costs and improving the operating efficiency. Meanwhile, the Group continued to promote integrated logistics services and improved service quality to enable the continuous increase in profitability and overall competitiveness. For the six months ended 30 June 2018, revenue of the Group's container shipping was US$283.92 million (2017: US$259.87 million), among which income from liner service recorded US$259.96 million (2017: US$235.22 million), income from freight forwarding recorded US$23.96 million (2017: US$24.65 million). The container shipping volume of the Group for the first half of 2018 was 484,000 TEU (2017: 471,000 TEU). The average income per TEU was US$427 (2017: US$388).

Cost of operations

The cost of operations amounted to US$449.05 million (2017: US$478.06 million) for the six months ended 30 June 2018. 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		
	2018	2017	
	US$'000	*US$'000*	% Change
Dry Bulk Shipping			
Voyage costs	**34,985**	74,379	(53.0)%
Cargo transportation costs	**27,735**	21,808	27.2%
Operating lease rentals	**70,271**	86,898	(19.1)%
Vessel costs	**49,311**	46,601	5.8%
Others	**5,324**	4,368	21.9%
	187,626	234,054	(19.8)%
Container Shipping			
Voyage costs	**48,948**	41,353	18.4%
Cargo transportation costs	**126,066**	122,444	3.0%
Operating lease rentals	**69,889**	69,047	1.2%
Vessel costs	**15,357**	10,934	40.5%
Others	**134**	155	(13.6)%
	260,394	243,933	6.8%
Segment – Others	**1,034**	77	1,242.9%
Total cost of operations	**449,054**	478,064	(6.1)%

The operating costs of dry bulk shipping amounted to US$187.63 million (2017: US$234.05 million). The decrease in the operating costs in 2018 was mainly caused by the decrease in voyage costs by 53% due to less voyage chartering business being carried out in 2018.

The operating costs of container shipping amounted to US$260.39 million (2017: US$243.93 million). The increase in the operating costs in 2018 was as results of the rise in voyage costs by 18.4% mainly due to the upturn in shipping volume and bunker price, and the increase in vessel costs by 40.5% due to the delivery of new container vessels in the second half of year 2017.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs and office cost, amounted to US$17.81 million (2017: US$16.55 million).

Other gains/(losses), net

The net amount of the other gains amounted to US$1.91 million (2017: other losses, net of US$0.90 million), which mainly represents the government incentive for container shipping business.

Finance income and expenses

The finance income and expenses were US$10.53 million (2017: US$7.27 million) and US$3.62 million (2017: US$3.06 million) respectively. The increase in finance income was mainly attributable to the increase in interest rate and bank deposits.

Share of profits/(losses) of joint ventures

The share of profits of joint ventures was US$4.18 million (2017: losses of US$0.05 million) mainly due to the joint ventures of LNG shipping business starting from December 2017.

Income tax expense

Income tax expense for the period ended 30 June 2018 was US$2.78 million (2017: US$1.58 million). The increase was due to the increase in taxable profits caused by the improving business environment.

Liquidity and financial resources

Our cash had been principally used for payment for construction of vessels, final dividend of 2017, investments in LNG shipping business and operating costs in the first half of 2018. 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 2018	As at 31 December 2017
	US$'000	*US$'000*
Current assets	**894,759**	928,807
Current liabilities	**279,483**	297,677
Liquidity ratio *(note)*	**3.20**	3.12

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 2018 and 31 December 2017 were 3.20 and 3.12 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 2018	As at 31 December 2017	**As at 30 June 2018**	As at 31 December 2017	**As at 30 June 2018**	As at 31 December 2017
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Within 1 year	**6,346**	6,346	**1,935**	1,872	**8,281**	8,218
Between 1 and 2 years	**6,346**	6,346	**2,208**	2,058	**8,554**	8,404
Between 2 and 5 years	**7,707**	10,807	**8,465**	7,975	**16,172**	18,782
Over 5 years	**–**	–	**26,162**	27,750	**26,162**	27,750
	20,399	23,499	**38,770**	39,655	**59,169**	63,154
Less: current portion	**(6,346)**	(6,346)	**(1,935)**	(1,872)	**(8,281)**	(8,218)
Non-current portion	**14,053**	17,153	**36,835**	37,783	**50,888**	54,936

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 30 June 2018 and 31 December 2017.

Commitments

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

	As at 30 June 2018 *US$'000*	As at 31 December 2017 *US$'000*
Contracted but not provided for	**42,501**	99,476

Capital expenditures

For the six months ended 30 June 2018, total capital expenditures were US$57.42 million (2017: US$22.73 million) which was mainly attributable to the capital expenditures for construction of vessels, investments in LNG shipping business, 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 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. Two of the LNG carriers were delivered in the end of 2017 and the beginning of 2018 respectively. Currently, the vessels are operating normally and contributing steady investment returns to the Group. The two LNG carriers recorded investment returns of US$4.14 million in the first half of the year. The remaining three vessels of the project will be delivered by 2019. The Group will closely supervise the shipbuilding progress to ensure the ship quality and smooth operation of the project.

FLEET DEVELOPMENT

In the first half of the year, the Group took delivery of 3 eco-friendly bulk carriers with a capacity of 38,800 deadweight tons each; in the second half of the year, another 3 vessels of the same type will be delivered. After taking delivery of these 3 new vessels, the average age of our self-owned fleet was 6.1 years, the Group's fleet structure has been further improved and the fleet's competitiveness has been further enhanced accordingly. As at 30 June 2018, details of the fleet are as follows:

	Owned Vessels *(unit)*	Chartered-in Vessels *(unit)*	Controlled Vessels *(unit)*	Orderbook *(unit)*
Capesize	9	1	10	0
Panamax	11	12	23	0
Handymax	11	9	20	0
Handysize(1)	7	3	10	3
Total for bulk vessels	38	25	63	3
Total for bulk vessels ('000 dwt)	3,429	1,760	5,189	116
Total for container vessels	14	17	31	0
Total for container vessels (TEU)	16,733	26,019	42,752	0
Ice-class LNG carriers(2)	2	–	2	3
Ice-class LNG carriers (thousand cubic meters)	344	–	344	516
Total vessels	54	42	96	6

(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 2018, the Group had a total of 653 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 2017 annual report with no material change.

OUTLOOK

Looking ahead into the second half of 2018, the recovery momentum of the world economy will last and international trade and seaborne demand are expected to maintain growth. However, uncertainties and risks such as trade frictions and geopolitical risks may affect the pace of economic recovery of the world and restrain the growth prospects in the medium term.

For the dry bulk market, with the effect of sustained recovery of the world economy and a slower growth in fleet capacity, improvement in the supply and demand balance is expected to continue. It is expected that the market will be better than last year in general and there may be seasonal and short-term market opportunities in the second half of 2018. As the economic growth of the Asia Pacific region is still faster than the global average, the container shipping demand within the region will grow moderately and the freight rate is expected to see stable growth. However, escalations in trade friction may dampen the world's shipping demand, and oil price fluctuations may affect the Group's operating results. Overall, opportunities and challenges still remain in the market, and the Group is cautiously optimistic towards the market of the second half of the year.

In face of complicated market conditions, the Group uphold a mindset of seeking progress while maintaining stability, and acting for long term. The Group will seize opportunities arising from recovery of the market, improve strategic planning capability to enhance profitability. Meanwhile, in order to improve our competitiveness, the Group will further optimize the allocation of internal resources, strengthen business coordination and synergy, wide adoption of information technology and raise management and cost control capability. Leveraging its low-cost self-owned fleet, professional and efficient management team, global business network, sound financial position and effective risk management system, the Group will capture market opportunities to promote business growth and its corporate value.

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018. In addition, the Company's independent auditor, SHINEWING (HK) CPA Limited, 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

The 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 2018.

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.

The 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 2018.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, 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 Director is Mr. Li Hua; the Non-Executive Directors are Mr. Su Xingang *(Chairman)* and Mr. Liu Weiwu; 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, 9 August 2018