



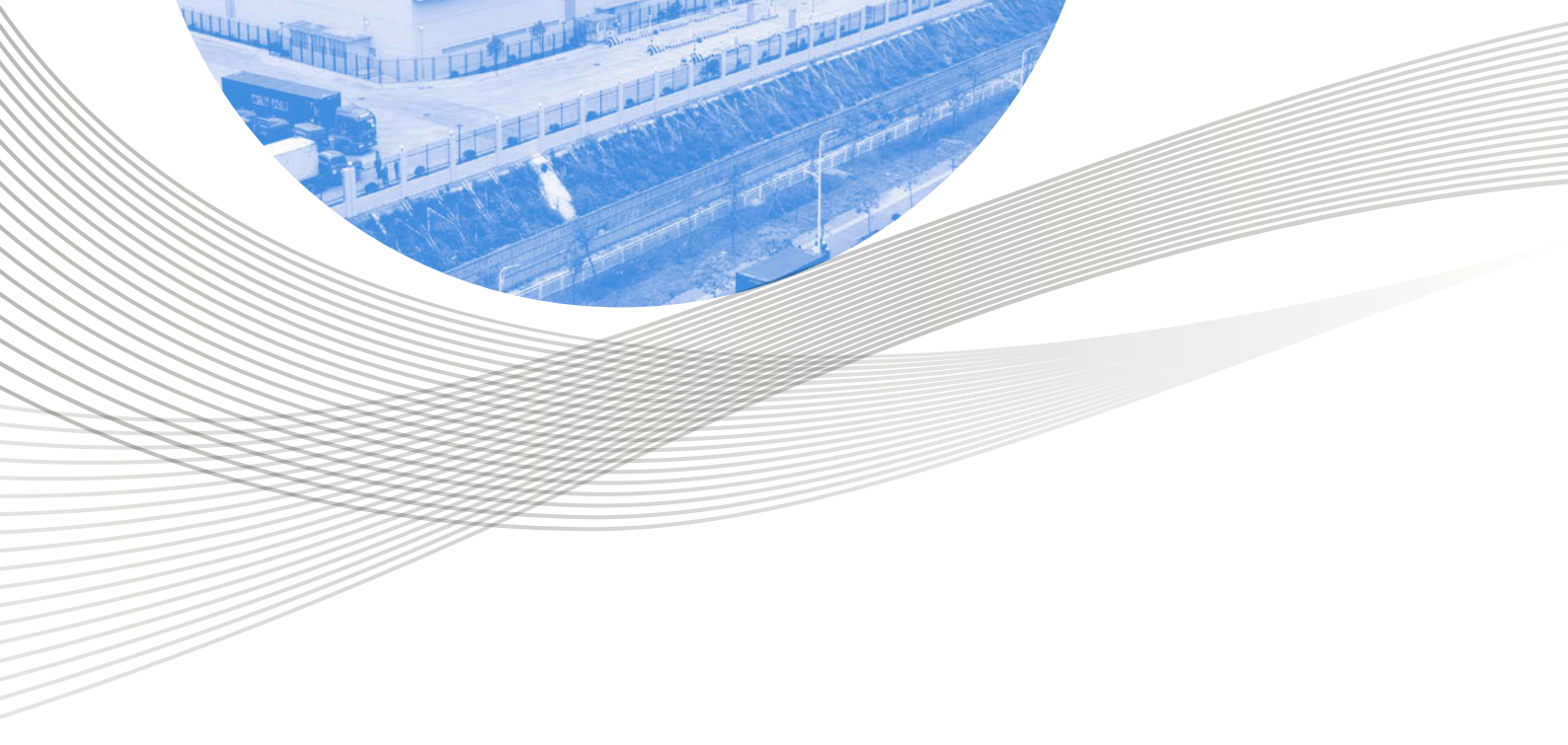
中國外運股份有限公司
SINOTRANS LIMITED

Stock Code : 598



CUSTOMERS' **SUCCESS**
OUR ACHIEVEMENT

INTERIM REPORT 2017



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None of the forward-looking statements or opinions contained in this interim report constitutes a commitment by the Company to the investors. Investors are advised to be aware of the investment risks.

Corporate Information

LEGAL NAME OF THE COMPANY:

SINOTRANS LIMITED

DATE OF COMMENCEMENT OF THE COMPANY'S REGISTRATION:

20 November 2002

REGISTERED ADDRESS OF THE COMPANY:

Sinotrans Plaza A
A43, Xizhimen Beidajie
Haidian District
Beijing 100082
People's Republic of China

HEADQUARTERS ADDRESS OF THE COMPANY:

Sinotrans Tower B,
No. 5 Anding Road
Chaoyang District
Beijing 100029
People's Republic of China

PLACE OF BUSINESS IN HONG KONG:

Room F&G, 20/F., MG Tower
133 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

LEGAL REPRESENTATIVE OF THE COMPANY:

Mr. Zhao Huxiang

COMPANY SECRETARY:

Mr. Li Shichu and Ms. Hui Wai Man, Shirley

INVESTOR AND MEDIA RELATIONS:

Securities and Legal Affairs Department
Tel: (86) 10 5229-6667
Fax: (86) 10 5229-6600
Email: ir@sinotrans.com
Website: www.sinotrans.com

HONG KONG SHARE REGISTRAR:

Computershare Hong Kong Investor Services Limited
17th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARE LISTING:

The Stock Exchange of Hong Kong Limited

ABBREVIATION OF THE COMPANY'S SHARES:

中國外運(SINOTRANS)

STOCK CODE:

598

PRINCIPAL BANKER:

Bank of China
1 Fuxingmennei Street
Xicheng District
Beijing 100818
People's Republic of China

AUDITORS:

International Auditor:

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

PRC Auditor:

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
30/F, Bund Center
222 Yan An Road East
Shanghai 200002
People's Republic of China

LEGAL ADVISERS:

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Highlights of 1H2017

Revenue

(RMB)

27,615.1
million

+27.4%

Earnings per share

(RMB yuan)

0.21

Sea Freight Forwarding

Container Volume

+6.5%

Logistics

Volume

+16.5%

Profit Attributable to Owners of the Company

(RMB)

987.6

million

Operating Profit

(RMB)

1,168.7

million

+34.3%

Warehouse & Yard

Container Volume

+19.3%

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	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	5	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	6	(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)	8	0.214	0.210

The notes on pages 11 to 32 form an integral part of these condensed consolidated financial statements.

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 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit for the period	1,278,305	1,192,391
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
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 attributable to:		
– Owners of the Company	979,892	889,029
– Non-controlling interests	299,787	140,098
	1,279,679	1,029,127

The notes on pages 11 to 32 form an integral part of these condensed consolidated financial statements.

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	9	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	10	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	11	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

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	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	14	2,302,000	1,124,000
Long-term bonds	12	3,495,196	3,494,630
Other non-current liabilities		360,581	350,410
		6,232,063	5,039,354
Current liabilities			
Trade payables	13	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	14	404,867	325,131
Long-term bonds due within one year	12	–	998,726
Provisions	15	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

The notes on pages 11 to 32 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	4,606,483	2,522,049	619,647	191,228	(38,190)	8,171,040	16,072,257	3,557,621	19,629,878
Profit for the period	-	-	-	-	-	987,608	987,608	290,697	1,278,305
Other comprehensive income/(expense) for the period	-	-	-	15,049	(22,765)	-	(7,716)	9,090	1,374
Total comprehensive income/(expense) for the period	-	-	-	15,049	(22,765)	987,608	979,892	299,787	1,279,679
Dividends recognised as distribution (Note 7(b))	-	-	-	-	-	(345,486)	(345,486)	-	(345,486)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(226,602)	(226,602)
Capital reduction due to liquidation of a subsidiary	-	-	-	-	-	-	-	(257)	(257)
Total transactions with owners	-	-	-	-	-	(345,486)	(345,486)	(226,859)	(572,345)
As at 30 June 2017	4,606,483	2,522,049	619,647	206,277	(60,955)	8,813,162	16,706,663	3,630,549	20,337,212

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	4,606,483	2,554,014	557,101	438,277	(121,323)	7,087,795	15,122,347	3,337,456	18,459,803
Profit for the period	-	-	-	-	-	967,097	967,097	225,294	1,192,391
Other comprehensive income/(expense) for the period	-	5,745	-	(136,858)	53,045	-	(78,068)	(85,196)	(163,264)
Total comprehensive income/(expense) for the period	-	5,745	-	(136,858)	53,045	967,097	889,029	140,098	1,029,127
Dividends recognised as distribution (Note 7(b))	-	-	-	-	-	(322,454)	(322,454)	-	(322,454)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(233,315)	(233,315)
Acquisition of additional equity interests in a subsidiary from non-controlling interests	-	(867)	-	-	-	-	(867)	(5,318)	(6,185)
Total transactions with owners	-	(867)	-	-	-	(322,454)	(323,321)	(238,633)	(561,954)
As at 30 June 2016	4,606,483	2,558,892	557,101	301,419	(68,278)	7,732,438	15,688,055	3,238,921	18,926,976

The notes on pages 11 to 32 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities		(147,769)	276,286
Net cash used in investing activities	16(a)	(1,187,982)	(1,356,612)
Net cash generated from financing activities	16(b)	572,949	1,255,111
Exchange (losses)/gains on cash and cash equivalents		(8,749)	14,161
Net (decrease)/increase in cash and cash equivalents		(771,551)	188,946
Cash and cash equivalents at 1 January		7,118,590	6,133,308
Cash and cash equivalents at 30 June		6,347,039	6,322,254

The notes on pages 11 to 32 form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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, SASAC has reported the reorganisation between Sinotrans & CSC and China Merchants to the State Council and got its approval. Sinotrans & CSC was thereby administratively allocated (for no consideration) to, and became a wholly-owned subsidiary of China Merchants, and the Company became a listed subsidiary of China Merchants. And as a result, since 2016 China Merchants obtained control over Sinotrans & CSC. China Merchants became the company's ultimate holding company.

The Directors consider 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 in the PRC. The Group has operations mainly in the PRC.

These condensed consolidated financial statements are presented in RMB unless otherwise stated, 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. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRSs – Annual Improvements to IFRS Standards 2014-2016 Cycle

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

4. 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 operating and reportable 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (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
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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (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 taxable 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

7. 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 PRC accounting standards 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 share totaling RMB345,486,000 in respect of the year ended 31 December 2016 (six months ended 30 June 2016: RMB0.07 per 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 share totaling RMB184,259,000 (six months ended 30 June 2016: RMB0.035 per share totaling RMB161,227,000), was declared to the owners of the Company.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

9. 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 assets under construction, 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.

10. 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The aging of these 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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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 normal credit period for trade receivables generally ranges from 1 to 6 months. There is no concentration of credit risk with respect to trade receivables and bills receivables as the Group has a large number of customers, both locally and internationally dispersed.

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

12. BONDS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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 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 with fixed annual coupon and effective interest rate of 4.50% and 4.76%, respectively. It is fully settled in June 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

13. 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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

14. BORROWINGS

Borrowings represent bank borrowings and borrowings from Finance Company, which are analysed as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Current		
Bank borrowings	354,804	273,867
Borrowings from Finance Company	50,063	51,264
	404,867	325,131
Non-current		
Bank borrowings	124,000	124,000
Borrowings from Finance Company	2,178,000	1,000,000
	2,302,000	1,124,000
Total borrowings	2,706,867	1,449,131

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

14. BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
As at 1 January	1,449,131	564,568
New borrowings	3,608,504	770,218
Repayments of borrowings	(2,350,768)	(857,818)
As at 30 June	2,706,867	476,968

The weighted average effective interest rate of the borrowings as at 30 June 2017 is 3.18% (31 December 2016: 2.97%) per annum.

15. PROVISIONS

	One-off cash housing subsidies RMB'000	Guarantees RMB'000	Litigation claims RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2017	25,146	27,701	248,038	36,198	337,083
Addition	-	-	5,223	9,863	15,086
Paid during the period	(319)	-	(90,785)	(10,936)	(102,040)
As at 30 June 2017 (Unaudited)	24,827	27,701	162,476	35,125	250,129
As at 1 January 2016	27,207	12,241	265,523	35,368	340,339
Addition	-	15,460	44,021	35,380	94,861
Paid during the period	(2,061)	-	(61,506)	(34,550)	(98,117)
As at 31 December 2016 (Audited)	25,146	27,701	248,038	36,198	337,083

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major investing activities:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cash paid for capital injection/purchase of joint ventures	(29,000)	(6,567)
Cash paid for capital injection/purchase of associates	(193,894)	(1,960)
Net cash outflow from liquidation/disposal of a subsidiary	(257)	–
Government grants received from related non-current assets	3,730	19,605
Repayments of loans due from subsidiaries disposed in prior year	–	63,600
Cash received on liquidation/disposal of investment in joint ventures	2,838	–
Cash received on liquidation/disposal of investment in an associate	–	135,022
Proceeds from disposal of available-for-sale financial assets	402,214	225,854
Proceeds from disposal of property, plant and equipment, intangible assets and land use right	23,724	46,221
Tax paid for disposal of land use right	–	(164,768)
Purchase of property, plant and equipment	(514,071)	(447,688)
Purchase of intangible assets	(10,836)	(5,625)
Purchase of land use rights	(1,788)	(25,844)
Purchase of available-for-sale financial assets	(850,000)	(1,074,500)
Purchase of other non-current assets	(4,610)	(9,318)
Increase in term deposits with initial terms of over three months	(114,158)	(251,572)
Interest income received	59,197	32,489
Dividends received from associates	20,054	13,663
Dividends received from joint ventures	52,772	82,456
Dividend income on available-for-sale financial assets	263	12,320
Repayments of loans due from a joint venture	18,000	–
Loan to a joint venture	(7,000)	–
Loan to an associate	(45,160)	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Major financing activities:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
New bank borrowings	347,724	470,218
Repayments of bank borrowings	(266,787)	(363,010)
Cash received from short-term bonds issued	–	1,497,750
Repayments of short-term bonds	–	(2,000,000)
Repayments of long-term bonds	(1,000,000)	–
Cash received from long-term bonds issued	–	1,996,000
Advance from ultimate holding company and fellow subsidiaries	3,710,780	297,457
Repayments to ultimate holding company and fellow subsidiaries	(2,083,981)	(510,073)
Interest paid for borrowings	(36,463)	(11,178)
Interest paid for short-term bonds	–	(53,260)
Interest paid for long-term bonds	(86,068)	(22,580)
Dividends paid to non-controlling interests in subsidiaries	(40,377)	(40,028)
Cash received in advance for future capital injection in subsidiaries	28,121	–
Acquisition of additional equity interests in subsidiaries from non-controlling interests	–	(6,185)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<i>Loans and receivables</i>		
Trade and other receivables	10,240,375	8,940,665
Restricted cash	302,627	228,139
Cash and short term deposits	7,791,375	8,448,768
<i>Available-for-sale financial assets</i>		
Available-for-sale financial assets	999,119	1,071,422
Other current assets	1,950,000	1,200,000
<i>Financial liabilities at amortised cost</i>		
Trade payables	7,190,144	6,527,636
Other payables, accruals and other current liabilities	1,551,807	622,559
Borrowings	2,706,867	1,449,131
Bonds	3,495,196	4,493,356
Salary and welfare payables	747,340	914,637

Some of the Group's financial assets are measured at fair value on a recurring basis at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs
As at 30 June 2017 (Unaudited)					
Assets					
Available-for-sale financial assets					
– Equity securities	719,321	-	-	719,321	Quoted bid price in an active market.
– Other current assets*	-	1,950,000	-	1,950,000	Discounted cash flow. Future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.
	719,321	1,950,000	-	2,669,321	
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000	Valuation techniques and key inputs
As at 31 December 2016 (Audited)					
Assets					
Available-for-sale financial assets					
– Equity securities	791,624	-	-	791,624	Quoted bid price in an active market.
– Other current assets*	-	1,200,000	-	1,200,000	Discounted cash flow. Future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of the counterparties.
	791,624	1,200,000	-	1,991,624	

* Other current assets are wealth management products issued by banks.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. CATEGORIES AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

There is no transfer between level 1 and level 2 during both periods.

At the end of each reporting period, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at cost or amortised cost in the condensed consolidated financial statements approximate to their fair values.

18. CONTINGENT LIABILITIES

The Group has been named in a number of lawsuits and arbitration arising in its ordinary course of business. Where management can reasonably estimate the outcome of the lawsuits and arbitration taking into account of the legal advice, provisions have been made for the probable losses which are included in Note 15.

Where management cannot reasonably estimate the outcome of the lawsuits and arbitration or believes that it is not probable to incur any loss, no provision has been made. As at 30 June 2017, the maximum exposure of such lawsuits and arbitration of the Group amounted to approximately RMB41,804,000 (31 December 2016: RMB83,371,000).

19. GUARANTEES

The following is a summary of the Group's significant guarantees:

	30 June 2017	31 December 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantee provided by the Group in respect of finance lease obligation of a joint venture	61,378	75,617
Loan guarantees provided by the Group for the benefit of a joint venture	36,751	75,801
	98,129	151,418

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

20. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following contractual capital commitments not provided for in the condensed consolidated financial statements:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted for but not provided	824,823	955,316
An analysis of the above capital commitments by nature is as follows:		
Construction commitments	777,465	876,231
Acquisition of property, plant and equipment	38,529	70,256
Investments in joint ventures/associates	5,970	5,970
Acquisition of land use rights	2,859	2,859
	824,823	955,316

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under China Merchants, which is controlled by the PRC government.

Related parties include China Merchants (including its subsidiaries, joint ventures and associates), other government-related entities, other entities and corporations in which the Group is able to control, jointly control, or exercise significant influence and key management personnel of the Group, China Merchants and Sinotrans & CSC as well as their close family members.

During the current interim period, the Group had entered into various transactions with government-related entities, including deposit placements, borrowings and other bank facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors consider the following transactions are collectively significant for disclosure purpose.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Transactions with ultimate holding company including fellow subsidiaries, joint ventures and associates		
Revenue from provision of transportation and logistics services	664,413	469,143
Expenses – Service fees	(917,178)	(652,973)
Expenses – Rental expenses for office buildings, warehouses and depots	(40,302)	(17,917)
Transactions with associates of the Group		
Revenue from provision of transportation and logistics services	38,036	28,527
Expenses – Service fees	(43,830)	(35,836)
Transactions with joint ventures of the Group		
Revenue from provision of transportation and logistics services	237,424	243,695
Expenses – Service fees	(214,181)	(190,006)
Transactions with other government-related entities		
Interest income from bank deposits	71,544	69,909

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	30 June 2017	31 December 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Balances with ultimate holding company including fellow subsidiaries, joint ventures and associates</i>		
Restricted cash	23,898	–
Cash and cash equivalents	245,789	236,000
Term deposits with initial terms of over three months	55,088	50,000
Trade and other receivables	150,778	114,168
Prepayments and other current assets	97,569	89,654
Trade payables	144,743	183,929
Other payables, accruals and other current liabilities	836,885	175,227
Receipts in advance from customers	4,069	3,624
Other non-current liabilities	92,097	91,938
<i>Balances with joint ventures of the Group</i>		
Trade and other receivables	87,651	130,186
Prepayments and other current assets	856	681
Other non-current assets	149,519	105,040
Trade payables	14,319	24,436
Other payables, accruals and other current liabilities	31,156	30,486
Receipts in advance from customers	1,597	2,620
<i>Balances with associates of the Group</i>		
Trade and other receivables	34,372	44,539
Prepayments and other current assets	270	3,842
Trade payables	8,440	14,304
Other payables, accruals and other current liabilities	553	564
Receipts in advance from customers	615	79
<i>Balances with other government-related entities</i>		
Restricted cash	265,609	228,039
Term deposits with initial terms of over three months	931,736	940,402
Cash and cash equivalents	5,548,153	6,290,376

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)
<i>Borrowings from Finance Company.</i>		
At beginning of period	1,051,264	194,808
Proceeds from borrowings	3,260,780	300,000
Repayment of borrowings	(2,083,981)	(494,808)
At end of period	2,228,063	–
Interest charged	27,504	955
Interest paid	(27,504)	(955)

As at 30 June 2017, the weighted average effective interest rate of the borrowings above was 3.38% (31 December 2016: 2.96%) per annum.

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)
<i>Borrowings from other government-related entities</i>		
At beginning of period	397,867	332,340
Proceeds from borrowings	178,559	436,479
Repayment of borrowings	(266,787)	(325,578)
At end of period	309,639	443,241
Interest charged	4,654	5,535
Interest paid	(4,651)	(4,665)

As at 30 June 2017, the weighted average effective interest rate of the above bank borrowings was 2.45% (31 December 2016: 2.92%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings (continued)

During the six months ended 30 June 2017, the Group obtained another loan of RMB450,000,000 (six months ended 30 June 2016: RMB297,457,000) and repaid loan of RMB nil (six months ended 30 June 2016: RMB315,265,000) to the ultimate holding company and fellow subsidiaries.

(d) Guarantees

The guarantees provided and paid by the Group to related parties are disclosed in Notes 15 and 19.

(e) Key management personnel compensation

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Basic salaries, housing allowances and other allowances and benefits in kind	1,585	1,298
Discretionary bonuses	1,969	1,561
Contributions to pension plans	216	171

22. EVENTS AFTER THE REPORTING PERIOD

The following event took place subsequent to 30 June 2017:

On 22 August 2017, the Company entered into an acquisition agreement with China Merchants under which the Company conditionally agreed to acquire the entire issued share capital of the China Merchants Logistics Holdings Company Limited held by the China Merchants from China Merchants at an aggregate consideration of RMB5,450,000,000, which is to be satisfied by the issuance of Domestic Share of the Company. This acquisition above is subject to the approval of general meeting.

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF OPERATING RESULTS

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).

Management Discussion and Analysis of Results of Operations and Financial Position

OPERATING STATISTICS

The table below sets forth certain operating statistics of the Group by business segments for the periods indicated:

	For the six months ended 30 June	
	2017	2016
Freight Forwarding		
sea freight forwarding (in ten thousand TEUs)	535.0	502.4
air freight forwarding (in million kilograms)	255.2	227.2
shipping agency (in ten thousand TEUs)	856.8	811.5
shipping agency (in million tonnes)	136.6	120.1
Logistics (in million tonnes)	9.9	8.5
Storage and Terminal Services		
warehouse and yard operation (in ten thousand TEUs)	424.1	355.5
warehouse and yard operation (in million tonnes)	7.1	5.9
terminal throughput (in ten thousand TEUs)	194.0	180.0
Other Services		
trucking (in ten thousand TEUs)	44.9	40.7
shipping (in ten thousand TEUs)	118.4	119.9
express services (in ten thousand units)	1978.0	308.9

Note: The base of business volume of air freight forwarding for the six months ended 30 June 2016 was adjusted mainly because the Group further standardized the business statistics and screened out the business volume related to domestic logistics projects.

Management Discussion and Analysis of Results of Operations and Financial Position

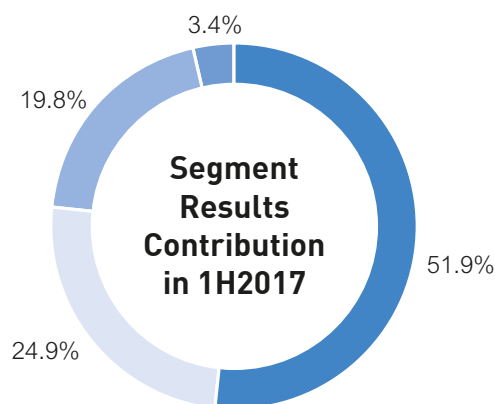
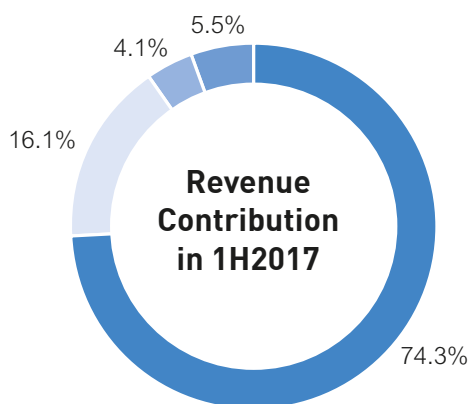
FINANCIAL STATISTICS

The table below sets forth the unaudited external revenue (in RMB million) of each of the Group's major business segments and the contribution to total revenue for the periods indicated:

	For the six months ended 30 June (Unaudited)			
	2017		2016	
Freight Forwarding	20,529.9	74.3%	15,906.5	73.4%
Logistics	4,458.3	16.1%	3,825.7	17.6%
Storage and Terminal Services	1,121.0	4.1%	929.5	4.3%
Other Services	1,505.8	5.5%	1,016.0	4.7%

The table below sets forth the unaudited results (in RMB million) of each of the Group's major business segments and the contribution to total segment results for the periods indicated:

	For the six months ended 30 June (Unaudited)			
	2017		2016	
Freight Forwarding	499.7	51.9%	381.4	50.4%
Logistics	239.3	24.9%	198.8	26.3%
Storage and Terminal Services	190.5	19.8%	145.2	19.2%
Other Services	32.9	3.4%	31.6	4.1%



● Freight Forwarding
● Logistics

● Storage and Terminal Services
● Other Services

Management Discussion and Analysis of Results of Operations and Financial Position

COMPARISON AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

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.

Management Discussion and Analysis of Results of Operations and Financial Position

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.

Management Discussion and Analysis of Results of Operations and Financial Position

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.

Management Discussion and Analysis of Results of Operations and Financial Position

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 land appreciation tax 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.

Management Discussion and Analysis of Results of Operations and Financial Position

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 In RMB million (Unaudited)	2016 In RMB million (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.

Management Discussion and Analysis of Results of Operations and Financial Position

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.

Management Discussion and Analysis of Results of Operations and Financial Position

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 Finance Company was RMB2,228.1 million, all being 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.

Management Discussion and Analysis of Results of Operations and Financial Position

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 customised 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.

Management Discussion and Analysis of Results of Operations and Financial Position

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.

Interim Dividends

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.

Interim Dividends

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 depository and clearing system. The cash dividends for investors of H shares of Southbound Trading will be paid in RMB.

Interim Dividends

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.

Other Information

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2017, so far as the Directors of the Company were aware, none of the Directors, Supervisors, chief executive or their associates had any interests in any shares or debentures and short positions of the Company or any associated corporation of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be recorded in the register kept by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE CAPITAL

Share capital of the Company as at 30 June 2017 was as follows:

Nature of Shares	Number of Shares	As a % of Total Issued Share Capital
Domestic Shares	2,461,596,200	53.44%
H Shares	2,144,887,000	46.56%
Total Shares	4,606,483,200	100.00%

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as the Directors of the Company were aware, the interests and short positions which the following persons (other than Directors, Supervisors and chief executive) had, in the interests and short positions of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or the interests and short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Corporate Interests	Class of Shares	Percentage of the Company's Total Issued Share Capital	Percentage of the Company's Issued H Share Capital
SINOTRANS & CSC (Note 1)	2,461,596,200(L)	Domestic Shares	53.44%	–
	107,183,000(L)	H Shares	2.33%	4.997%
FIL Limited (Note 2)	193,481,000(L)	H Shares	4.20%	9.02%
Citigroup Inc. (Note 3)	149,564,693(L)	H Shares	3.25%	6.97%
	1,059,000(S)	H Shares	0.02%	0.05%
	147,490,146(P)	H Shares	3.20%	6.88%
Norges Bank (Note 4)	146,088,112(L)	H Shares	3.17%	6.81%

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

Notes:

1. The Company's Chairman Mr. Zhao Huxiang and Executive Director Mr. Song Dexing are the directors or employees of SINOTRANS & CSC which is the controlling shareholder of the Company. The 2,461,596,200 Domestic Shares were directly owned by SINOTRANS & CSC and the 107,183,000 H Shares were indirectly held by SINOTRANS & CSC through its wholly owned subsidiaries, of which Sinotrans (Hong Kong) Holdings Ltd. held of 106,683,000 H Shares and Sinotrans Shipping Inc. held 500,000 H Shares as at 30 June 2017.
2. These shares were held by FIL Limited through its wholly-owned subsidiaries.
3. These shares/underlying shares are held by various wholly-owned subsidiaries of Citigroup Inc., in respect of which 2,074,547 shares (L) and 1,059,000 shares (S) were interest of controlled corporations and 147,490,146 shares (L/P) were held in the capacity of custodian corporation/approved lending agent. 1,059,000 shares (S) have also been reported as cash settled unlisted derivatives.
4. These shares were held by Norges Bank directly.

Save as disclosed above, as at 30 June 2017, so far as was known to the Directors of the Company, there was no other person (other than Director, Supervisor or chief executive) who had any interests and short positions of the Company which would fall to be recorded in the register kept by the Company pursuant to Section 336 of the SFO and disclosed to the Company and the Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO.

Other Information

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the listed securities of the Company by any members of the Group during the six months ended 30 June 2017.

SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions undertaken by the Group during the six months ended 30 June 2017 are set out in Note 21 to the unaudited condensed consolidated interim financial statements.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

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.

Board of Directors

As at 30 June 2017, the Board of Directors of the Company comprised of 11 Directors. The members were as follows:

Chairman: Mr. Zhao Huxiang

Executive Directors: Mr. Song Dexing, Mr. Li Guanpeng, Mr. Wang Lin, Mr. Yu Jianmin, Mr. Wu Xueming

Non-executive Director: Mr. Jerry Hsu

Independent Non-executive Directors: Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing, Mr. Liu Junhai

The Company has published the latest list of the Board members with their roles and positions on the websites of the Stock Exchange and the Company, in which it was specified the Independent Non-executive Directors. Every Director of the Company acknowledges his responsibilities as a Director and is aware of the Company's operation procedure, business activities and development. Every Director could ensure that he can give sufficient time and attention to the Company's affairs.

Other Information

Changes in Biography of Directors, Supervisors and Senior Management

Pursuant to the applicable disclosure requirement of the Listing Rules 13.51B, there is no change in biography of Directors, Supervisors and Senior Management of the Company as at 30 June 2017.

Executive Committee

The executive committee is a standing organization under the Board which, based on the authorization by plenary meeting of the Board, is able to exercise part of the power and authority of the Board during the adjournment of Board meetings. The principal terms of reference of the Executive Committee include: a) subject to the Company Law, the Listing Rules, the Articles of Association and other related laws and regulations, to decide on transactions relating to the core businesses of the Company, including but not limited to acquisition, merger, assets disposal and other external investments, with the amount involved in each transaction being no more than 5% of the Company's latest audited total assets, and authorize any executive Director to execute the documents relating to such transaction on behalf of the Board; b) to decide on the establishment, merger and dissolution of the subsidiaries and other branch organizations of the Company; c) to issue general documents relating to the businesses of the Company which shall be signed by the Board or Directors of the Company, including but not limited to letters of appointment or dismissal of relevant intermediaries, documents or letters to be submitted to the relevant government departments and regulatory authorities, and authorize any executive Director to execute such documents; d) within the limit of no more than 30% asset to interest-bearing liability ratio, to carry out external debt financing; e) to decide on the provision of guarantees by the Company to its subsidiaries etc.

The current executive committee comprises of Mr. Zhao Huxiang, being Chairman of the Board, and Mr. Song Dexing, Mr. Li Guanpeng and Mr. Wang Lin, being executive Directors, with Mr. Zhao Huxiang as the Chairman of the executive committee.

Audit Committee

The principal functions of the audit committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditor, monitoring integrity of the Company's financial statements, annual report and accounts and half-year report, reviewing the Company's financial controls, the internal control and risk management systems etc.

The current committee comprises of all independent non-executive Directors, being Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing and Mr. Liu Junhai, with Mr. Guo Minjie acting as the Chairman of the audit committee.

Deloitte Touche Tohmatsu, the Company's auditor and the audit committee of the Company have reviewed the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2017.

Other Information

Remuneration Committee

The principal functions of the remuneration committee include researching and developing the Company's policy and structure for all directors' and senior management remuneration as well as determining the remuneration packages of individual executive directors and senior management etc.

The current committee comprises of all independent non-executive Directors and an Executive Director, being Mr. Lu Zhengfei, Mr. Guo Minjie, Mr. Han Xiaojing, Mr. Liu Junhai and Mr. Wang Lin, with Mr. Lu Zhengfei acting as the Chairman of the remuneration committee.

Nomination Committee

The principal functions of the nomination committee include reviewing the structure, size and composition of the Board, selecting and recommending individuals to become members of the Board, making recommendations to the Board on the appointment or reappointment of Directors and succession of Directors and assessing the independence of independent non-executive Directors etc.

The current nomination committee comprises of the Chairman of the Board, all independent non-executive Directors and the President of the Company, being Mr. Zhao Huxiang, Mr. Guo Minjie, Mr. Lu Zhengfei, Mr. Han Xiaojing, Mr. Liu Junhai and Mr. Li Guanpeng, with Mr. Zhao Huxiang acting as the Chairman of the nomination committee, among which, independent non-executive Directors are in the majority.

Supervisory Committee

The principal functions of the supervisory committee include checking the financial affairs of the Company, supervising the Board and its members as well as the senior management while they performing their corporate functions, so as to safeguard the interests of the shareholders of the Company. Every Supervisor perform his duty actively by convening meetings of the supervisory committee, being invited to attend Board meetings, meetings of the audit committee, meetings of the remuneration committee, and taking the on-site investigation and research in subsidiaries etc.

The current supervisory committee is formed by three members, comprising one shareholder-representative Supervisor, one independent Supervisor and one staff-representative Supervisor, including Mr. Wu Dongming, Mr. Zhou Fangsheng and Ms. Ren Dongxiao, with Mr. Wu Dongming acting as the Chairman of the supervisory committee.

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 made by the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by directors and supervisors throughout the reporting period from 1 January 2017 to 30 June 2017.

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	招商局集團有限公司 (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 actual controller of the Company
Company	中國外運股份有限公司 (Sinotrans Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Stock Exchange of Hong Kong Limited
Company Law	the Company Law of the People's Republic of China
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
Ethics Code	the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants
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
IFRSs	financial reporting standards and interpretations approved by the International Accounting Standards Board ("IASB")
ISAs	standards and interpretations issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants

Definitions

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
SFO	the Securities and Futures Ordinance(Chapter 571 of the Laws of Hong Kong)
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	中國外運長航集團有限公司 (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