中外運航運有限公司
Sinotrans Shipping Limited
(incorporated in Hong Kong with limited liability)

Stock code: 368

Productivity • Efficiency • Diversity

2008
Annual Report

Company Profile

Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. It owns and operates a modern fleet of vessels which mainly engages in dry bulk vessel time chartering, container vessel time chartering, crude oil shipping services, vessel technical management and other shipping related business. As at 31 December 2008, it operates a fleet of 36 vessels with an aggregate capacity of 1.73 million DWT and an average age of approximately 9.5 years. The Group's fleet comprises 26 dry bulk vessels with an aggregate capacity of approximately 1.33 million DWT, one oil tanker with capacity of approximately 310,000 DWT, and nine container vessels with an aggregate capacity of 5,618 TEU.

Dry bulk vessel time chartering is the core business of the Group. It operates a fleet of 26 dry bulk vessels, including two multi-purpose vessels, 7 Handysize dry bulk vessels, 6 Handymax dry bulk vessels and 11 Panamax dry bulk vessels, mainly for transportation of dry bulk cargoes such as iron ore, coal, grains, steel and other commodities along major trading routes in the world.

Financial Highlights

	2008 US$'000	2007 US$'000	% Change
Results			
Revenues	**455,972**	302,217	50.9%
Operating profit	**285,549**	134,510	112.3%
Profit for the year	**347,134**	140,889	146.4%
Net profit margin	**76.1%**	46.6%	63.3%
Basic and diluted earnings per share	**US8.7cents**	US5.1cents	70.6%
Dividends	**112,763** (1)	252,301 (2)	(55.3%)
Financial Position			
Total assets	**2,148,823**	1,988,965	8.0%
Total liabilities	**149,912**	282,422	(46.9%)
Shareholders' equity	**1,998,911**	1,706,543	17.1%
Cash and bank balances	**1,369,812**	1,372,033	(0.2%)

(1) Including the proposed final dividend of HK12 cents per share and interim dividend of HK10 cents per share.

(2) The dividends were pre-listing dividends only.

Contents

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual report of Sinotrans Shipping Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2008 to the shareholders for their review.

BUSINESS REVIEW

2008 was a year of rapid changes for the global shipping market. Driven by the global economic growth in the first three quarters, international seaborne trade grew sharply and the shipping industry was booming. In the fourth quarter, deepening of the worldwide financial crisis hit the major developed countries and emerging economies alike, and the downturn of the global economy has unprecedentedly affected the shipping industry.

The dry bulk shipping market started the year on a robust note but was then under pressure with the most intense volatility in the fourth quarter in particular. The global economic growth in the first three quarters accelerated the demand for resources such as iron ore and coal, bringing the Baltic Dry Index ("BDI") to reach a historical height of 11,793 in May. Average BDI for the first three quarters was 8,067, representing an increase of 33.9% compared with the same period in 2007. However, with escalation of the financial crisis hitting the real economy, confidence in consumer spending slipped away. Aggregated by the tightening of global credit and financing difficulty, the commodity market suffered severely, causing sharp decline in international trade volume. Within six months, BDI dived from the height of over 10,000 to a historical low of 663 in December, and average BDI for the fourth quarter was at a low of 1,169. The substantial decline in the dry bulk market in the fourth quarter has pulled the average annual BDI back to 6,390, down 9.6% compared with 7,071 in 2007. In comparison, the fluctuation in the tanker shipping market was less obvious. Benefited from the surge in crude oil price during the first half of the year, Baltic Dirty Tanker Index ("BDTI") rose to over 2,347 by the end of July. Although the BDTI once succumbed to 968 with the easing global oil demand and continued decline in oil price, average BDTI in 2008 still increased by 34.3% compared with 2007.

For the year ended 31 December 2008, revenues of our Group was US$456.0 million, representing an increase of 50.9% compared with 2007. Operating profit was US$285.5 million, representing an increase of 112.3% compared with 2007. Profit for the year was US$347.1 million and earnings per share were US8.7 cents.

To enhance our competitiveness, the Group adjusted the shipping capacity in time according to market demand and characteristics of its fleet. In 2008, the size of our fleet was expanded as the Group took delivery of a total of four 847 TEU container vessels and one double-hull very large crude oil carrier ("VLCC") with capacity of approximately 310,000 DWT ordered by a jointly controlled entity in which the Group had 50% equity interest. We also seized market opportunities and sold three single-hull VLCCs (including one jointly owned oil tanker) in time to optimise the fleet structure. As at 31 December 2008, our Group operated a self-owned fleet of 36 vessels* with an aggregate capacity of 1.73 million DWT and an average age of approximately 9.5 years. In addition, we carefully managed our investment rhythm and two dry bulk vessels were ordered during the year. Currently there are a total of ten newbuildings, including four 180,000 DWT Capesize dry bulk vessels, two 176,000 DWT Capesize dry bulk vessels and four 32,000 DWT Handysize dry bulk vessels, which are expected to be delivered to our Group between the end of 2009 and 2011.

Our fleet comprises 26 dry bulk vessels** with an aggregate capacity of approximately 1.33 million DWT and total earning days of 9,084 days. Revenue from dry bulk shipping was US$419.0 million. Our Group currently operates one jointly owned oil tanker with a capacity of approximately 310,000 DWT. The revenue from oil tanker shipping services was US$17.2 million. We also operate nine container vessels with an aggregate capacity of 5,618 TEU, total number of earning days of 2,775 days and total revenue reached US$18.0 million.

Our Group has set up a vessel management system in line with international standard for more effective control of the cost of vessel management while enhancing its quality. Our Group has achieved good results in vessel management, providing room for long-term development of the fleet.

To ensure the safe operation of our ships, we strictly follow the Safety, Quality and Environmental Protection (SQE) management system and have passed the related audit of American Bureau of Shipping (ABS). Compliance with the requirements of ISM Code, ISO 9000:2000 and ISO14001:2004 enhances safe operation of the fleet and lays a solid foundation for us to achieve good economic results.

DIVIDEND

To reward our shareholders for their continuous support of the Group, and taken into consideration of the healthy financial position of our Company, the Board of Directors proposes a final dividend of HK12 cents per share, together with the interim dividend of HK10 cents per share, making a dividend payout ratio of 32.5%.

* Including one jointly owned dry bulk vessel and one jointly owned oil tanker.

** Including one jointly owned dry bulk vessel.

OUTLOOK

The newbuilding dry bulk vessels ordered by our Group will be completed and delivered from the end of 2009. The size of our fleet will then expand further comprising various types of dry bulk vessels from Capesize to Handysize. With a more optimised fleet structure, our overall competitiveness in the international market will be strengthened.

For the year 2009, under the macro environment of global economic recession, the international shipping market will face pressure both from decreasing international seaborne trade and rapid growth in tonnage. According to the data of authoritative research institution of world marine transportation, the global seaborne dry bulk trade will experience a negative growth of 2.4% in 2009, and the global dry bulk fleet is expected to grow by about 9.8% as compared with 2008. Meanwhile, international authoritative energy institution has lowered the global daily oil demand in 2009 by 1.1%, and the global oil tanker fleet in 2009 is expected to grow by about 11.5% as compared with 2008. In light of diminishing market demand, the huge ship supply cannot be readily absorbed, and freight rates will remain at a low level. It is possible that freight rates will experience severe fluctuation within a certain period of time. The shipping industry will be under considerable pressure as a result.

Despite the unprecedented challenges faced by the shipping industry and its impact on our business results, with our advantages such as solid financial position, sufficient cash, low cost structure, young and modernised fleet, we remain confident for our future. With rescue measures being imposed by various governments, in particular plans for stimulating domestic demand by the Chinese government gradually taking effect, both the global and Chinese economy and trade will be benefited, thus providing stimulus to the shipping industry. The recent cancellation or postponement of delivery of certain newbuilding orders and the accelerated rate of scrapping of aged vessels will relieve partially the supply pressure in the market, and contribute positively to the business development of the Group. We will strive to seize the market trend, continue our moderate operation strategies, enhance our risk control measures so as to ensure stable and sustainable development. We will further optimise our fleet structure and enhance our competitiveness to create further value for our shareholders.

ACKNOWLEDGEMENT

Amidst a changing market environment, the business of our Group still recorded growth in 2008, thanks to the unfailing support and trust from all our shareholders, customers and the public, as well as the efforts and contributions of our employees. I would like to take this opportunity to extend my sincere gratitude to all of them. Looking forward, our Group will devise comprehensive strategies to address the challenges composedly so as to strive for steady development of our business.

Zhao Huxiang
Chairman

9 March 2009

Business Review and Outlook

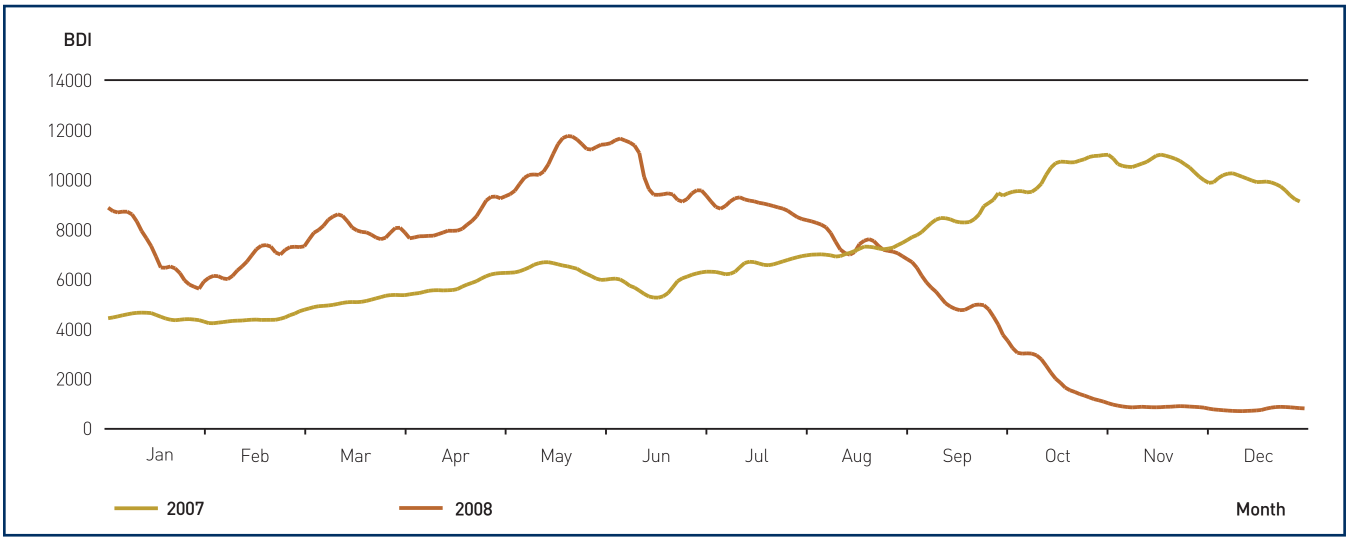
Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. It owns and operates a modern fleet of vessels which mainly engages in dry bulk vessel time chartering, container vessel time chartering, crude oil shipping services, vessel technical management and other shipping related business.

MARINE TRANSPORTATION BUSINESS

Dry bulk vessel

The international dry bulk shipping market underwent rapid changes in 2008. Driven by the global economic growth in

BALTIC DRY INDEX



the first three quarters, international seaborne trade grew rapidly, bringing the Baltic Dry Index ("BDI") to reach a historical height of 11,793. Average BDI for the first three quarters was 8,067, representing an increase of 33.9% compared with the same period in 2007. However, with the abrupt downturn of the global economy in the fourth quarter hitting the real economy, global trade volume decreased significantly due to sizable contraction of consumer demand and tightening of credit market. BDI dropped to a historical low of 663 within half a year and average BDI for the fourth quarter was at a low of 1,169. The substantial decline in the dry bulk shipping market in the fourth quarter has pulled the average annual BDI back to 6,390, down 9.6% compared with 7,071 in 2007.

The overall supply and demand of dry bulk vessels in 2008 was relatively in equilibrium. The global dry bulk fleet was 418 million DWT, representing an increase of 6.5% compared with 2007. Meanwhile, the world dry bulk seaborne trade volume maintained a steady growth of 3.8% in 2008, of which seaborne trade volume of iron ore recorded the fastest growth and the increase was principally concentrated in China. As new demand for dry bulk commodities in 2008 came mainly from emerging and developing countries, the change in global trade structure has extended the shipping distance, thus enlarging the actual shipping demand for dry bulk commodities. Supply and demand of dry bulk vessels were generally in balance as a result.

It is expected that supply and demand of the dry bulk shipping market will be obviously imbalanced in 2009 and the market will face greater pressure. The world dry bulk seaborne trade volume will experience a negative growth of 2.4% mainly due to decrease in global demand for major dry bulks such as iron ore and coal. However, with the series of policies for stimulating domestic demand by the Chinese government gradually taking effect, it will provide stimulus to the demand for raw materials such as iron ore. Therefore, the China factor will still be crucial in determining the medium and long term trend of international dry bulk shipping market. Growth of global dry bulk fleet will be accelerated to 9.8% in 2009, but the recent cancellation or postponement of delivery of certain newbuilding orders and the accelerated rate of scrapping of aged vessels may result in slower actual growth rate than expected.

As at 31 December 2008, we had a fleet of 26 dry bulk vessels*, which consisted of two multi-purpose vessels, 7 Handysize dry bulk vessels, 6 Handymax dry bulk vessels and 11 Panamax dry bulk vessels.

We adopt a solid and stable chartering strategy. Considering the market trend, market risks and our fleet structure as well as the timing and location of our vessels in actual operation, we follow a policy of fixing our fleet on long-term and short-term charterings to prevent market fluctuation risks. Some vessels are fixed on long-term time chartering to secure stable revenue while some vessels are fixed on flexible single voyage chartering and short-term time chartering to seek higher returns or reasonable positioning. Therefore, an accurate analysis of the market and optimised chartering deployment to adapt to the ever-changing market is the key to business growth of our Group.

* Including one jointly owned dry bulk vessel.

The recent volatility in the dry bulk market has significantly weakened the creditworthiness of the shipping industry and as a result our Group has strived to improve the credit risk management system and risk control measures so as to lower the risks caused by market volatility. Our Group will continue to strengthen cooperation with customers that are highly recognised in the international shipping market, financially strong and with good reputation and focus on developing and maintaining long-term and stable relationship with them to further consolidate and expand our market share.

For the year ended 31 December 2008, our revenue from dry bulk time chartering was US$338.8 million, representing an increase of 64.1%. It was mainly because our Group seized market opportunity in time and entered into contracts during first half of 2008 when the market demand for dry bulk commodities was larger and the freight rate was high.

In addition to chartering of self-owned vessels, we also provide dry bulk shipping service, primarily in Canada, through our wholly-owned subsidiaries Sinotrans Canada Inc. and Sinotrans (Bermuda) Ltd. In 2008, our revenue from ocean freight income of the main business of Sinotrans Canada Inc. and Sinotrans (Bermuda) Ltd. was US$79.0 million, representing an increase of 49.7% compared with US$52.7 million in 2007.

As at 31 December 2008, the number of operating days of dry bulk vessels was fixed at approximately 42.2% in 2009, approximately 22.5% for Handysize dry bulk vessels, approximately 68.7% for Handymax dry bulk vessels and approximately 44.0% for Panamax dry bulk vessels.

In 2008, the total number of operating days of our dry bulk vessels increased by 0.3% compared with 2007, including a total of 304 off-hire days due to repair and maintenance, accounting for 70.4% of the off-hire percentage.

Our Group adheres to the principle of gradual expansion and improvement of our fleet structure taking into account of factors such as shipping market environment, vessel status and efficiency, etc. In 2008, we ordered two 176,000 DWT Capesize dry bulk vessels. Together with the four 180,000 DWT Capesize dry bulk vessels and four 32,000 DWT Handysize dry bulk vessels ordered in 2007, we currently have a total of ten newbuilding vessels which are scheduled to be delivered and put into operation between the end of 2009 and 2011. The stable development of our fleet has laid down a solid foundation for sustainable development of our business.

The following table sets out the utilisation information for our dry bulk vessels for the periods indicated.

	2008	2007
Number of vessels	**26**	26
Utilisation (1)		
Total number of operating days	**9,084**	9,056
Total number of off-hire days (other than because of repair and maintenance)	**128**	9
Total number of days that vessels are not utilised because of repair and maintenance	**304**	425
Fleet utilisation (2)	**95.5%**	95.4%

Notes:

(1) Refers to the aggregate of the total number of days on which each vessel is chartered out (including the operating days of the dry bulk vessel of the jointly controlled entity in which we have 50% equity interest: 366 days in 2008; 365 days in 2007).

(2) Refers to the percentage of total number of operating days over the total number of days.

Oil tanker

Freight rate of the international oil tanker shipping market started on a robust note but was then under pressure in 2008. The average Baltic Dirty Tanker Index ("BDTI") was 1,510 for the year, representing an increase of 34.3% compared with 2007. The daily global demand for oil decreased by 0.4% in 2008, which happened to be the first-time decline since 1983. However, the growth of oil tanker fleet was 5.7%, pointing to the gradual surfacing of oversupply in the oil tanker shipping market. It is expected that the imbalance in demand and supply of the oil tanker shipping market will increase further in 2009 exerting greater pressure on the market.

We currently operate our VLCC fleet in the spot market under voyage charters for provision of crude oil transportation service and our flexibility in vessel deployment is maintained. We continue to strengthen our strategic cooperation with key charterers in China and strive to expand into the international market.

We strive to seize the market trend and adjust the fleet structure in time. During the year, we took delivery of one double-hull VLCC with capacity of approximately 310,000 DWT ordered by a jointly controlled entity in which we held 50% equity interest and caught the right timing in selling three single-hull VLCCs (including one jointly owned oil tanker) in the market. The total volume of crude oil shipped by our oil tanker fleet was 3.89 million tons in 2008, a decrease of 27.6% compared with 5.37 million tons in 2007. Our revenue from oil tanker shipping services was US$17.2 million, a decrease of 44.9% compared with US$31.2 million in 2007. The decrease in revenue was mainly due to reduced capacity of our oil tanker fleet.

The following table sets out information of operating rates for our oil tankers for the periods indicated.

	2008	2007
Number of vessels	**4**	3
Utilisation (1)		
Total number of operating days	**611**	1,017
Total number of off-hire days (other than because of repair and maintenance)	**83**	0
Total number of days that vessels are not utilised because of repair and maintenance	**47**	80
Fleet utilisation (2)	**82.5%**	92.7%

Notes:

(1) Refers to the aggregate of the total number of days on which each vessel is chartered out (including the operating days of the oil tanker of the jointly controlled entity in which we have 50% equity interest: 443 days in 2008; 346 days in 2007).

(2) Refers to the percentage of total number of operating days over the total number of days.

Container vessel

The global container trade volume in 2008 increased by 5.1% compared with 2007 while the global container fleet capacity was up 11.0%. Due to the widening gap between demand and supply of container vessels, the container shipping market in 2008 faced with downward pressure. It is expected that the oversupply situation in container shipping capacity will persist in 2009 and the container shipping market will still be suppressed.

Our chartered container vessels mainly operate along trade routes in the Asia Pacific Region. Four 847 TEU container vessels were delivered to our fleet during the year which further enlarged our fleet size and enhanced our earnings. As at the end of 2008, we had a total of nine container vessels with an aggregate capacity of 5,618 TEU. Total revenue reached US$18.0 million in 2008, representing an increase of 69.5%.

The following table sets out information of operating rates for our container vessels for the periods indicated.

	2008	2007
Number of vessels	**9**	5
Utilisation [1]		
Total number of operating days	**2,775**	1,772
Total number of off-hire days (other than because of repair and maintenance)	**0**	0
Total number of days that vessels are not utilised because of repair and maintenance	**28**	53
Fleet utilisation [2]	**99.0%**	97.1%

Notes:

(1) Refers to the aggregate of the total number of days on which each vessel is chartered out.

(2) Refers to the percentage of total number of operating days over the total number of days.

VESSEL TECHNICAL MANAGEMENT AND OTHER SHIPPING RELATED BUSINESS

The vessel technical management services provided by our Group include technical management undertaken for our own vessels, crew training and management, and arrangement of insurance. We strictly follow the Safety, Quality and Environmental Protection (SQE) management system and have passed the related audit of American Bureau of Shipping (ABS) to tally with the requirements of ISM Code, ISO 9000:2000 and ISO14001:2004.

We provide shipping agency and air freight agency services with a focus on Singapore through our wholly-owned subsidiary Sinotrans Agencies (S) Pte Ltd. Revenue of US$1.6 million was recorded in 2008, representing an increase of 42.1% compared with US$1.1 million in 2007.

FLEET DEVELOPMENT

The Group adjusted the shipping capacity in time according to market demand and characteristics of its fleet so as to build up its fleet competitiveness. In 2008, one double-hull VLCC with capacity of approximately 310,000 DWT ordered by a jointly controlled entity in which the Group had 50% equity interest and four container vessels each with 847 TEU capacity were delivered to our fleet* and commenced operation. We also seized market opportunities and sold three single-hull VLCCs (including one jointly owned oil tanker) in a good timing. In addition, we carefully managed our investment rhythm and two Capesize dry bulk vessels were ordered in 2008. We currently have a total of ten newbuilding vessels which are scheduled to be delivered and put into operation between the end of 2009 and 2011. Looking forward, we will further expand our fleet with a more optimised structure so as to strengthen our overall competitiveness in the international market.

* Including one jointly owned dry bulk vessel and one jointly owned oil tanker.

Name of Vessel	DWT/TEU[1]	Year Built/Expected Delivery Time	Age
Multi-purpose vessel			
Great Blossom	32,509	September 1999	9.2
Great Immensity	32,485	December 1999	9.0
Handysize dry bulk vessel			
Trans Friendship (2)	24,021	February 1999	9.8
Great Concord	24,159	March 1999	9.7
Great Harmony	24,159	May 1999	9.6
Great Creation	27,383	July 1998	10.4
Great Motion	27,338	September 1998	10.2
Great Success	27,172	October 1998	10.2
Great Gain	27,140	November 1998	10.1
Handysize vessel (3) (4)	32,000	March 2010 (6)	–
Handysize vessel (3)(4)(5)	32,000	June 2010 (6)	–
Handysize vessel (3)(4)(5)	32,000	October 2010 (6)	–
Handysize vessel (3)(4)	32,000	December 2010 (6)	–
Handymax dry bulk vessel			
Great Calm	45,215	August 1996	12.3
Great Peace	45,259	March 1996	12.7
Great Happy	45,248	March 1997	11.7
Great Prestige	46,193	April 1998	10.6
Great Majesty	46,194	February 1998	10.8
Great Scenery	47,760	August 2002	6.3
Panamax dry bulk vessel			
Great Luck	71,399	February 1998	10.8
Great Bless	73,251	August 1997	11.3
Great Jade	73,192	October 1997	11.2
Great Bright	73,242	December 1997	11.0
Great Glory	73,274	November 1997	11.1
Great Ambition	73,725	August 1999	9.3
Great Loyalty	73,659	September 1999	9.2
Great Prosperity	73,679	July 1999	9.4
Great Wisdom	74,293	March 2000	8.7
Great Century	73,747	January 2000	8.9
Great Intelligence	74,293	June 2000	8.5
Capesize dry bulk vessel			
BC1800-7 (3) (4)	180,000	July 2010 (6)	–
BC1800-8 (3) (4)	180,000	October 2010 (6)	–
BC1800-9 (3) (4)	180,000	December 2010 (6)	–
BC1800-10 (3) (4)	180,000	March 2011 (6)	–
J0013 (3) (4)	176,000	November 2009 (6)	–
J0014 (3) (4)	176,000	December 2009 (6)	–
Oil tanker – VLCC			
Grand King	285,690	August 1990	Sold (7)
Grand Explorer	285,768	July 1990	Sold (8)
Grand Mountain (2)	260,995	December 1993	Sold (9)
Grand Sea (2)	310,444	March 2008	0.7

Name of Vessel	DWT/TEU[(1)]	Year Built/Expected Delivery Time	Age
Container vessel			
Jin Da	338	September 1994	14.2
Jin Teng	338	June 1994	14.5
Trade Worlder	385	April 1993	15.6
Trade Hope	385	July 1993	15.4
MSC Algerie	784	May 1992	16.6
Sinotrans Beijing	847	February 2008	0.9
Sinotrans Shenzhen	847	April 2008	0.7
Sinotrans Ningbo	847	May 2008	0.6
Sinotrans Xiamen	847	July 2008	0.4

Notes:

(1) Applies only to container vessels.

(2) The vessel is jointly owned by us and Mitsui O.S.K. Lines, Ltd.

(3) Construction has been commissioned.

(4) Name of vessel not yet available.

(5) The vessel will be jointly owned by us and Mitsui O.S.K. Lines, Ltd.

(6) Latest expected delivery date.

(7) Grand King was sold on 28 July 2008.

(8) Grand Explorer was sold on 28 March 2008.

(9) Grand Mountain was sold on 16 June 2008.

EMPLOYEES

As at 31 December 2008, our Group had a total of 98 shore-based employees working in our offices in Hong Kong, Canada and Singapore. 30 have bachelor degrees or master degrees, 36 possess professional qualification in the areas of shipping, accounting and legal practices.

Remunerations of our employees include fixed basic salary, bonus and allowances. We provide our employees with welfare benefits such as medical care and retirement benefits in accordance with applicable regulations and our internal policies.

We properly manage the performance of our employees through systematic and comprehensive performance managing tools. Meanwhile, we also invest in continuing education and training programmes for our employees with a view to upgrade their skills and knowledge. We believe our corporate culture characterised with our commitment to creativity, standardisation and teamwork has provided our employees with a platform to explore their potentials.

OUTLOOK

Looking forward, the global economy will enter into recession under the impact of the financial crisis, and the numerous uncertainties in the shipping market will also impose pressure on us. However, with our advantages such as solid financial position, sufficient cash, low cost structure, young and modernised fleet, we remain confident for our future. With economic stimulation measures imposed by various governments and the Chinese government gradually taking effect, both the global and Chinese economy and trade will be benefited, thus providing stimulus to the shipping industry. The recent cancellation or postponement of delivery of certain newbuilding orders and the accelerated rate of scrapping of aged vessels will relieve partially the supply pressure in the market, and contribute positively to the business development of the Group. We will strive to seize the market trend, continue our moderate operation strategies, enhance our risk control measures so as to ensure stable and sustainable development. We will further optimise our fleet structure and enhance our competitiveness.

Taking advantage of the sound conditions of the international shipping market in the first three quarters of 2008 and managing to surmount the market downturn in the fourth quarter, our Group enjoyed significant growth in the results in the year 2008. The profit for the year was US$347.1 million (2007: US$140.9 million), which represents an increase of 146.4%. The increase in the profit for the year was mainly contributed by the increase in the profit from dry bulk shipping by US$118.3 million and the gain on disposal of three single-hull very large crude oil carriers ("VLCC"s) (including one jointly owned VLCC) by US$40.3 million.

Revenues

Our Group recorded a growth rate of 50.9% in the total revenues which amounted to US$456.0 million (2007: US$302.2 million) for the year ended 31 December 2008. The increase was primarily attributable to the increase in the revenues from dry bulk shipping.

We set forth below the revenue contribution from each business segment for the year ended 31 December 2008:

	2008 US$'000	2007 US$'000	% Change
Revenues			
– Dry bulk shipping	**419,049**	259,181	61.7%
– Oil tanker shipping	**17,214**	31,218	(44.9%)
– Container shipping	**18,030**	10,637	69.5%
Others	**1,679**	1,181	42.2%
	455,972	302,217	50.9%

We set forth below the average daily charter hire rate for dry bulk shipping and container shipping for the year ended 31 December 2008:

	2008 (US$)	2007 (US$)	% Change
Dry bulk shipping	**38,387**	23,151	65.8%
Container shipping	**6,498**	6,227	4.4%

Dry bulk shipping

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

The strong demand for shipping of raw materials such as iron ore and coal, in particular demand in the mainland China, contributed to a record high of the dry bulk shipping market in the first three quarters of 2008, followed by a downturn in the market in the fourth quarter. By optimising our effective operating strategy of combining long-term and short-term time chartering based on the market trend, our average charter hire rate increased from US$23,151 in 2007 to US$38,387 in 2008, which represents an increase of 65.8%. A 13.6% year-on-year growth in charter hire income was even recorded in the fourth quarter against the backdrop of the market downturn. Our revenue from charter hire income for the year increased by 64.1% to US$338.8 million (2007: US$206.5 million).

Revenue from ocean freight income increased by 52.2% to US$80.3 million (2007: US$52.7 million) due to the increase in freight rate and volume of cargo shipped. The volume of cargo shipped has increased from 980,473 tons in 2007 to 1,220,947 tons in 2008, which represents an increase of 24.5%.

Oil tanker shipping

Revenue from oil tanker shipping services for the year ended 31 December 2008 was US$17.2 million (2007: US$31.2 million), which represents a decrease of 44.9%. The decrease was primarily due to the decrease in tonnage as a result of disposal of two single-hull VLCCs in 2008.

Container shipping

With the delivery and commencement of operations of four new container vessels, revenue from container shipping was US$18.0 million (2007: US$10.6 million), representing an increase of 69.5%. The growth of tonnage contributed to an additional capacity of 3,388 TEUs and further enhanced our operational scale of the Group's container shipping business. Our expanded and upgraded fleet contributed to an increase of the average daily charter hire rate for our container shipping from US$6,227 in 2007 to US$6,498 in 2008.

Cost of operations

Cost of operations for the year ended 31 December 2008 increased by 18.3% to US$182.6 million (2007: US$154.4 million) due to the increase in operating lease expenses for charter-in vessels, port charges, brokerage and commission, and hiring of crews and seafarers.

Operating lease expenses

The increase was represented by charter hire expenses for vessels under operating leases was US$50.4 million (2007: US$40.0 million), representing an increase of 25.9% reflecting the increase in hire rates and volume of cargo shipped of our Group's voyage business.

Port charges

Port charges for the year ended 31 December 2008 was US$11.9 million (2007: US$5.8 million), which represents an increase of 105.8%. The increase was primarily due to the growth of our voyage charter business.

Brokerage and commission

Brokerage and commission were US$18.4 million (2007: US$12.8 million), which represents an increase of 44.4%. It substantially comprises address commission and broker commission, which are in line with revenue. The increase was due to a rise in revenue from dry bulk shipping.

Expenses for hiring of crews and seafarers

Expenses for hiring of crews and seafarers for the year ended 31 December 2008 were US$19.8 million (2007: US$16.6 million), which represents an increase of 19.3%. The increase was primarily due to the commencement of operations of four new container vessels and upward adjustment of the salary and wages of our crews and seafarers.

Selling, administrative and general expenses

Selling, administrative and general expenses for the year ended 31 December 2008 were US$19.0 million (2007: US$13.9 million), which represents an increase of 36.0%. Due to the growth of business activities, the number of staff directly involved in the management of the expanded fleet was increased, which reflected the increase of staff costs and other administrative expenses.

Other operating income

Other operating income for the year ended 31 December 2008 was US$31.2 million (2007: US$0.7 million) which was principally derived from the gain on disposal of two single-hull VLCCs of US$29.8 million.

Finance income

Finance income for the year ended 31 December 2008 amounted to US$44.6 million (2007: US$11.1 million) was mainly the interest income on bank deposits arising from net cash inflow from operating activities and the proceeds from issuance of shares in 2007.

Finance costs

Finance costs for the year ended 31 December 2008 were US$6.3 million (2007: US$8.0 million). The decrease was due to the early repayment of bank loans and the decrease in interest rates.

Share of profits of jointly controlled entities

Share of profits of jointly controlled entities was US$23.6 million for the year ended 31 December 2008 (2007: US$3.5 million), which represents an increase of 582.9%.

The significant increase was mainly due to the share of gain on sale of a single-hull VLCC amounted to US$10.6 million and the growth of dry bulk shipping and oil tanker shipping of jointly controlled entities.

Income tax expense

Income tax for the year ended 31 December 2008 was US$0.3 million (2007: US$0.2 million). Our effective income tax rate for both 2007 and 2008 were 0.1%.

LIQUIDITY AND FINANCIAL RESOURCES

Our principal uses of cash have been, for repayment of bank borrowings, payment for construction of new vessels, operation costs and working capital for the year ended 31 December 2008. We have financed our liquidity requirements primarily through internal generated cash and bank loan.

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

	2008 (US$'000)	2007 (US$'000)
Current assets	**1,406,685**	1,405,647
Current liabilities	**42,684**	115,369
Liquidity ratio[1]	**33.0**	12.2

Note:

(1) 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 31 December 2007 and 2008 are 12.2 and 33.0 respectively. The increase in liquidity ratio was primarily due to the repayment of bank borrowings during the year.

Borrowings

Borrowings as at 31 December 2008 are as follows:

	2008 (US$'000)	2007 (US$'000)
Non-current		
Bank loans, secured	**107,200**	107,200
Bank loans, unsecured	**–**	59,826
	107,200	167,026
Current		
Bank loans, secured	**–**	52,800
Bank loans, unsecured	**–**	19,899
	–	72,699
Total borrowings	**107,200**	239,725

Borrowings reduced from US$239.7 million as at 31 December 2007 to US$107.2 million as at 31 December 2008 due to the repayment of bank borrowings.

Gearing ratio

Our Group monitors its capital on the basis of the gearing ratio, which represents ratio of comparing net debt to total equity. Net debts represent total borrowings, less cash and bank balances. Our Group's strategy was to maintain a gearing ratio below 50%.

	2008 (US$'000)	2007 (US$'000)
Total borrowings	**107,200**	239,725
Less: Cash and bank balances	**(1,369,812)**	(1,372,033)
Net surplus	**(1,262,612)**	(1,132,308)
Total equity	**1,998,911**	1,706,543

Gearing ratios as at 31 December 2007 and 2008 are not presented as the Group recorded net surplus as at 31 December 2007 and 2008 which resulted from inflow of cash proceeds from the listing of the Company's shares on the Stock Exchange in November 2007.

Commitments

The following table sets out our capital commitment in respect of vessels under construction and drydocking as at the date indicated.

	2008 (US$'000)	2007 (US$'000)
Authorised but not contracted for		
– Our Group	**623**	–
Contracted but not provided for		
– Our Group	**388,240**	364,497
– Jointly controlled entity	**–**	47,400
	388,863	411,897

The capital commitment of our Group represented authorised drydocking for a handysize dry bulk vessel and several new building contracts for the construction of six capesize dry bulk vessels and four handysize dry bulk vessels to be delivered in subsequent periods.

Capital expenditures

Capital expenditures principally comprise expenditures for additions to property, plant and equipment, including primarily vessels.

For the year ended 31 December 2008, the total capital expenditures were US$179.9 million, which was attributable to the capital expenditures for construction of container vessels and dry bulk vessels and for drydocking for the year.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk from various currency exposures primarily with respect to Hong Kong dollar, Renminbi and Japanese Yen. The Group's revenues, cost of operations and majority of financial assets and liabilities are principally denominated in US$. Accordingly, foreign exchange risk mainly arises from future commercial transactions, net investments in foreign operations and commitments arising from certain ship-building contracts. The Group currently does not have regular and established hedging policy in place. The Group is monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments, and adopting appropriate hedging policy to control the hedging risks, when need arises.

At 31 December 2008, the Group had Hong Kong dollar net monetary assets of US$39.6 million (2007: US$564.6 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the US dollar, management considers that there is no significant foreign exchange risk with respect to the Hong Kong dollar. Management considers that there is no significant foreign exchange risk with respect to Renminbi and Japanese Yen as the net monetary amounts of these foreign currencies are insignificant at 31 December 2008.

Contingencies

We have contingent liabilities in respect of legal claims arising in the ordinary course of business. Our Directors consider that these cases will not have a significant impact on the financial position or the operations of our Group.

CONTINUOUS IMPROVEMENT IN CORPORATE GOVERNANCE PRACTICES

Our Company believes that the incessant enhancement of the standard of corporate governance is the underlying cornerstone for safeguarding the interests of investors and enhancing corporate value. Since the listing of our shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 November 2007 (the "Listing Date"), our Company has been striving to enhance its standard of corporate governance and has put in place corporate practices with reference to the Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Articles of Association of our Company and other relevant laws and regulations as amended from time to time and taking into account the characteristics and requirements of our Company.

Our Company has adopted The Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange as set out in Appendix 14 of the Listing Rules as our code on corporate governance practices. Our Company has been in compliance with the provisions of the CG Code throughout the year of 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the directors of the Company (the "Directors").

After specific enquiry made by our Company, our Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2008.

BOARD OF DIRECTORS

Our board of Directors (the "Board") is accountable to the general meetings under its commitment to pursue the best interests of the Company. Members of the Board collectively and individually accept responsibility for the management and control of our Company in the interests of our shareholders and spared no efforts in the performance of their duties as a Director. Our Company's independent non-executive Directors have extensive expertise and experience in accounting, legal or financial management and other professional areas. All of them act diligently to uphold the interests of our Company and our shareholders by maintaining the independence of their opinions given with respect to their review of our Company's connected transactions and significant events, and by providing professional advice on the stable and disciplined operation and long-term development of our Company.

As at 31 December 2008, the Board comprised nine Directors, of which three were executive Directors, two were non-executive Directors and four were independent non-executive Directors, whose names were as follows:

Chairman: Mr. Zhao Huxiang;

Executive Directors: Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying;

Non-executive Directors: Mr. Zhao Huxiang and Mr. Pan Deyuan;

Independent non-executive Directors: Mr. Hu Hanxiang, Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

The Board is responsible for determining operating plans and investment proposals of our Company, convening general meetings and executing the resolutions passed at general meetings, formulating our Company's profit distribution proposals and formulating and proposing any amendments to the Memorandum and Articles of Association of our Company.

The Board has approved the establishment of an executive committee of the Board (the "Executive Committee") on 12 March 2008 and the rules of proceedings and scope of authority of the Executive Committee. The Executive Committee comprises three members including:

Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying.

The Board delegates its authority of the management of our Company's daily operation to the Executive Committee. The Executive Committee can make decision on matters specifically set out in its scope of authority.

Our Company provides sufficient information to our Directors in a timely manner to enable their understanding of our Company's state of affairs. Appropriate means have been adopted to maintain effective communications with our shareholders to ensure that their views are brought to the attention of the Board.

So far as our Company is aware, there is no financial, business, family or other material relationship among the members of the Board. Besides, there is also no similar relationship between chairman of the Board and the general manager of our Company.

Our Company has received, from each of our independent non-executive Directors, a written confirmation of his/her independence to our Company pursuant to the requirements of the Listing Rules. Our Company considers that all of our independent non-executive Directors are independent of our Company.

During the year of 2008, four Board meetings were held. Apart from convening Board meetings, business of the Board were also transacted by convening Executive Committee meeting or by obtaining consent of the Board through the circulation of written resolutions. Our Company has prepared and properly kept detailed minutes for the matters discussed in the Board meetings, and such minutes are also open for our Directors' reference.

The Board has also established the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") in accordance with the CG Code.

The table below sets out the attendance of each Director in meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee in 2008:

	Attendance/No. of meetings held			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Tian Zhongshan	4/4			
Mr. Li Hua	4/4			
Ms. Feng Guoying	4/4			
Non-executive Directors				
Mr. Zhao Huxiang	4/4		1/1	1/1
Mr. Pan Deyuan	4/4	2/2		
Independent non-executive Directors				
Mr. Hu Hanxiang	3/4		1/1	1/1
Mr. Tsang Hing Lun	4/4	2/2	1/1	
Mr. Lee Peter Yip Wah	3/4	2/2		1/1
Mr. Zhou Qifang	4/4	2/2		1/1

Our Directors are aware that they shall devote sufficient time and effort to the business of our Company and that they shall abstain from voting on any board resolution in which they or any their associates have any material interest.

APPOINTMENT OF DIRECTORS

Under the service contracts entered into between our Company and each of our executive Directors and non-executive Directors, each of our executive Directors and non-executive Directors is appointed for a term of three years with effect from the Listing Date. Under the letters of appointment entered into between our Company and each of our independent non-executive Directors, each independent non-executive Director is appointed for a term of one year with effect from the Listing Date. Each of our independent non-executive Directors was re-appointed for a term of one year with effect from November 2008 after their terms have expired. Each of our executive Directors, non-executive Directors and independent non-executive Directors shall be subject to retirement and re-election in accordance with the Articles of Association of our Company.

During the year of 2008, there was no change in the executive Directors, non-executive Directors and independent non-executive Directors of our Company.

CHAIRMAN AND GENERAL MANAGER

During the year of 2008, Mr. Zhao Huxiang was the Chairman of the Board and Mr. Tian Zhongshan was the general manager of our Company. The roles of chairman and general manager of the Company are segregated and not exercised by the same individual and each of them has different terms of reference. Our chairman is responsible for the management of the operation of the Board, while our general manager is responsible for the business management of our Company.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the CG Code. Majority of the members of these committees are independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing and supervising the financial reporting system and internal control mechanism of our Company, monitoring the Board, ensuring that the Board is accountable to our Company and our shareholders and proposing and engaging external auditors. The terms of reference of the Audit Committee are available on our Company's website.

The Audit Committee is chaired by Mr. Tsang Hing Lun and its members include Mr. Pan Deyuan, Mr. Zhou Qifang and Mr. Lee Peter Yip Wah. Most of the members possess professional qualifications and experience in finance. All members of the Audit Committee are independent non-executive Directors, except Mr. Pan Deyuan who is a non-executive Director.

The Audit Committee held two meetings in 2008. Details of the meetings are as follows:

1. The first meeting was convened on 11 March 2008. The auditors explained the audit issues to the Audit Committee. The Audit Committee discussed, among other things, the establishment of the internal audit department of our Company and resolved to approve, among other things, the engagement of the external auditors of the Company for 2008, as well as the submission of the auditors' report for 2007 to the Board for approval.

2. The second meeting was convened on 28 July 2008. The auditors explained the audit issues to the Audit Committee. The Audit Committee resolved to approve the submission of the unaudited condensed interim financial information for the first half of 2008 to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing the remuneration policies of our Company, assessing the performance of our Directors and senior management of our Company and determining policies in respect to their remuneration packages. The terms of reference of the Remuneration Committee are available on our Company's website.

With the assistance of the Remuneration Committee, our Company has established various systems to determine the remuneration policies of our staff taking into account the staff's performance, our Company's requirements and the external benchmarks with an aim of attracting, retaining and providing incentive to the staff needed to run our Company successfully as well as the enhancement of personal value of our staff, corporate value and shareholders' value.

The Remuneration Committee is chaired by Mr. Hu Hanxiang and its members include Mr. Zhao Huxiang and Mr. Tsang Hing Lun.

The Remuneration Committee held a meeting on 28 July 2008 and resolved to propose the directors' fees of our independent non-executive Directors for the term commencing from 23 November 2008 and ending on 22 November 2009 and submitted the same to the Board for approval.

NOMINATION COMMITTEE

The Nomination Committee is responsible for recommending candidates to fill vacancies in the Board based on their qualifications, abilities and potential contribution to our Company. The terms of reference of the Nomination Committee are available on our Company's website.

The Nomination Committee is chaired by Mr. Zhao Huxiang and its members include Mr. Lee Peter Yip Wah, Mr. Hu Hanxiang and Mr. Zhou Qifang.

The Nomination Committee held a meeting on 28 July 2008 and resolved to propose the re-appointment of our four independent non-executive Directors for a term of one year from 23 November 2008 to 22 November 2009 and the letters of re-appointment and submitted the same to the Board for approval.

INTERNAL AUDIT

Our internal audit department is established for the monitoring and assessment of the suitability, compliance and effectiveness of our Company's operating activities and internal control system by independent, objective and systematic professional approaches.

Our internal audit department reports directly to the top management of our Company and attends all meetings of the Audit Committee.

At the meetings of the Audit Committee in 2008, the internal audit department reported to the Audit Committee on the Company's internal audit work. In 2008, the internal audit department undertook various internal audit projects, supervised our Company's overall financial operation through the financial management information system, formulated and implemented a self evaluation system for our Company's overall internal control, assisted our Company to implement the resolutions of the Audit Committee and played an advisory role in our Company's day-to-day operations.

EXTERNAL AUDITORS

PricewaterhouseCoopers was engaged as our Company's auditors for the year ended 31 December 2008.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2008 are as follows:

	US$'000
– Audit services	581
– Audit-related and non-audit services	9
	590

There has been no change in the auditors of our Company for the past three financial years.

INTERNAL CONTROL

The Board is responsible for our Group's internal control system and for reviewing its effectiveness and reliability. The internal control system and the relevant policies were established by the Board with reference to the CG Code and the Internal Control and Risk Management Guidelines of Hong Kong Institute of Certified Public Accountants. The Board is also responsible for ensuring that the organisational structure of our Company and the duties and responsibilities for every department are clear so as to protect the investments of our shareholders and assets of our Company.

Our Company has formulated the duties and operation guidelines for the internal audit department. The internal audit department is responsible for maintaining the normal operation of the internal control system of the Company, analyze the issues of concern raised by the Audit Committee and report to the Board.

The Audit Committee reviews the finance, the operation, the risk management system, as well as compliance with the requirements of regulatory authorities for internal control.

For the internal control over accounting and financial reporting, our Company establishes reliable accounting system and employs staff with requisite knowledge and experiences and establishes budget system and formulates rolling budget for the approval of the management to ensure the preparation of reliable financial reports.

In relation to the credit risk management, regular credit risk monitoring on our customers is performed and strategies are formulated to enable maximum prevention of loss of income or risk of bad debts for our Company due to downturn of the economy.

To maintain our focus on safety, quality and environmental protection, systems and rules are established and through internal audit and external assessment to ensure that our fleet complies with the requirements of ISM Code, ISO9001 and ISO14001.

Current internal control policies are continuously amended and improved, current system is reviewed for better compliance with internal control requirements of regulatory authorities, risk management measures are formulated; Regarding causes of possible corruption and fraud, control measures are strengthened to reduce risks of errors and losses.

During the year, the internal audit department has reviewed the financial reporting procedures, capital management, borrowings and credit guarantee management of our Company. It has also assessed the degree of risk and proposed improvement measures to the management so as to maintain effective control. In addition, the internal audit department has referred to the framework formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the United States in 1992 for assessing and enhancing the Company's internal control system in the areas including environmental control, risk assessment, information and communication and the management structures of control.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

The Deed of Non-Competition entered into between the Company and Sinotrans Group Company in November 2007 ensures that Sinotrans Group Company will offer to our Company a right of first refusal in respect of the opportunity to participate or acquire in any interest in future projects or joint ventures which are offered to any company in Sinotrans Group which could or may compete with the Relevant Services of our Company and the right of first refusal in respect of the Chartering Opportunity (Please refer to the section headed "Relationship with Sinotrans Group Company – Deed of Non-Competition" of the Prospectus for further details about the Deed of Non-Competition).

Our independent non-executive Directors were informed by the executive Directors that Sinotrans Group Company is not aware that there exists any such Opportunity during the year of 2008. In respect of the Chartering Opportunity, our independent non-executive Directors have reviewed the monthly reports prepared by our Company's management team containing details of the latest position of the Relevant Companies Available Vessels (as defined in the Prospectus) and the Group Available Vessels (as defined in the Prospectus) and the analysis done by our Company's team highlighting the Relevant Companies Available Vessels and the Group Available Vessels which are of the same type (For details please see the section headed "Relationship with Sinotrans Group Company – Deed of Non-Competition" of the Prospectus) and considered that there is not or is not likely to be any competitions between the vessels available for chartering from companies relating to Sinotrans Group Company and the vessels available for chartering from our Group in 2008.

As such, our independent non-executive Directors consider that the deed of non-competition has been complied with throughout the year of 2008.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board acknowledge their responsibilities for preparing the financial statements of our Group in accordance with statutory requirements and applicable accounting standards. The Board also ensure that the financial statements of our Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out in the "Independent Auditor's Report" on page 43 of this annual report.

SHAREHOLDERS' MEETINGS

The annual general meeting held on 23 May 2008 was convened to review and approve the audited financial statements, the Report of Directors and the independent auditor's report for the year ended 31 December 2007; to consider the re-election of retiring Directors and determine their remuneration, to consider the re-election of auditors and determine their remuneration; and to approve the resolutions on the general mandate to repurchase shares and general mandate to issue shares. All resolutions proposed in 2007 for shareholders' approval have been duly passed.

Our Company places strong emphasis on general meetings and all shareholders are encouraged to attend. We will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any discloseable and significant event, our Company will make accurate and complete disclosure in a timely manner in the newspapers and websites as specified by the relevant regulatory authorities for information disclosure pursuant to the disclosure requirements under the Listing Rules. This is to safeguard the right to information and participation of the shareholders.

Our Company places strong emphasis on its communications with investors, and considers that maintaining ongoing and open communications with investors can promote investors' understanding of and confidence in our Company and enhance the standard of corporate governance. Our Company has set up an investor relations department. As at 31 December 2008, our management representatives participated in a number of meetings with investors through activities including company visits, telephone conferences, luncheons, large investors conferences organized by investment banks and Non-deal road show activities. These various ways of communications have enabled the investors to have a better understanding of our Company's management rationale, business circumstance and development strategies, thus enhancing the degree of transparency and investors' understanding of our Company.

Our Company's website, www.sinotranship.com, provides information of our Company such as investor relations, corporate governance and other latest information regarding our Company in a timely manner and is updated regularly.

DIRECTORS

Executive Directors

Mr. Tian Zhongshan (田忠山), born in October 1968, has been our director since January 2003. Mr. Tian has been actively and extensively involved in the management and strategic development of our Company, and oversees the overall development of our Company. Mr. Tian graduated from the University of International Business and Economics in 1991 and obtained a master's degree at the University of South Australia in 2006. He joined Sinotrans Group in 1991 and has over 17 years of experience in the shipping industry. Mr. Tian served at China National Chartering Corp. from January 1991 up to March 2002. Between April 2002 and May 2003, he served as the deputy general manager of China Business Marine Co., Ltd. ("CBMC"). In May 2003, Mr. Tian worked as deputy general manager of our Company and was promoted as the general manager of our Company since March 2005. At the same time, he has been appointed as the legal representative of Sinotrans Shipping (Shenzhen) Limited (深圳市中外運航運有限公司), and the legal representative and general manager of CBMC. Mr. Tian has resigned from his positions in Sinotrans Shipping (Shenzhen) Limited, CBMC and Sinoecl Auto Liners Limited prior to listing or within one month after listing. Mr. Tian was elected as the executive committee members of The Hong Kong Shipowners' Association and International Association of Dry Cargo Shipowners in March 2005.

Mr. Li Hua (李樺), born in April 1966, has been the deputy general manager of our Company since February 2003. Mr. Li has been actively involved in the management and the decision-making process of our Company, in particular he is in charge of the construction of new buildings, sale and purchase of vessels, and strategic planning of our Company. Mr. Li graduated from the University of International Business and Economics in 1989 and received a master's degree at Murdoch University in January 2002. Mr. Li has over 19 years of experience in the shipping industry. Mr. Li joined CBMC in July 1989. From November 1999, Mr. Li served as the assistant to general manager of Worlder Shipping Limited. Between 2001 and February 2003, Mr. Li served as the deputy general manager of Worlder Shipping Limited.

Ms. Feng Guoying (馮幗英), born in March 1964, has been the deputy general manager of our Company since September 2004. Ms. Feng is responsible for the management of oil tankers shipping business of our Company. She graduated from Renmin University of China in 1986 and received a master's degree at the Guanghua School of Management in Peking University in 2007. Ms. Feng has over 18 years of experience in the shipping industry. From December 1989 to March 1998, Ms. Feng served in various positions in Worlder Shipping Limited including the deputy manager of the business department. Between March 1998 and September 2001, she served as the manager of CBMC. From September 2001 to September 2004, Ms. Feng was appointed as the assistant general manager and since September 2004, she has been promoted to the position of the deputy general manager of CBMC. From January 2003, she served as the assistant to general manager of our Company and was promoted to the position of the deputy general manager of our Company in September 2004. Ms. Feng also serves as the director of Sinoecl Auto Liners Limited, Sinotrans-MOL Shipping Co., Ltd and Sinotrans Shipping (Shenzhen) Limited (深圳市中外運航運有限公司). Ms. Feng has resigned from her positions in CBMC, Sinoecl Auto Liners Limited, Sinotrans-MOL Shipping Co., Ltd. and Sinotrans Shipping (Shenzhen) Limited prior to the listing or within one month after listing.

Non-executive Directors

Mr. Zhao Huxiang (趙滬湘), born in November 1955, was appointed as our director and chairman in August 2007. Mr. Zhao graduated from Dalian Maritime University in 1980 and obtained a MBA degree at University of Louisville, USA, and carries the professional title of "Senior Engineer". He has over 29 years of experience in the shipping industry. From January 1980 to September 1985, he worked as an officer in the Marine Shipping Bureau of the Ministry of Communications. From September 1985 to May 1997, Mr. Zhao served at Hoi Tung Marine Machinery Suppliers Limited where he held various positions including head of division, deputy general manager and general manager. From May 1997 to December 2005, he served as the assistant to chief executive, vice president and a director of China Merchants Group Limited and the general manager of China Merchants Holding (International) Co., Ltd. Mr. Zhao joined China National Foreign Trade Transportation (Group) Corporation ("Sinotrans Group

Company") and serves as a director and president since December 2005. He now also serves as the chairman and executive director of Sinotrans Limited, a company whose shares are listed on the main board of the Hong Kong Stock Exchange, and the chairman of DHL-Sinotrans (中外運－敦豪國際航空快件有限公司). Mr. Zhao was elected as the chairman of China International Freight Forwarders Association in February 2007, and was appointed vice chairman of International Federation of Freight Forwarders Association (FIATA) in October 2007.

Mr. Pan Deyuan (潘德源), born in July 1949, was appointed as our director in August 2007. Mr. Pan graduated from Jilin Financial Institute in 1982. From January 1984 to January 1990, Mr. Pan served as the deputy general manager of Huarun Longdi Company in Hong Kong. From January 1990 to April 1994, he served as the Head of Financial Department of Foreign Economy Trade Ministry. Mr. Pan served as the deputy general manager of China National Machinery & Equipment Import & Export Corporation from April 1994 to July 1997. Mr. Pan has over nine years of experience in the shipping industry. From October 1997 to January 2003, Mr. Pan served as a director and vice president of Sinotrans Group Company. Mr. Pan served as the general manager of China National Native Produce and Animal By-Products Import & Export Corporation from January 2003 to February 2005 before he re-joined Sinotrans Group Company and served as a director of Sinotrans Group Company from February 2005 to October 2006. As from March 2005 up to now, Mr. Pan was appointed as the vice president of Sinotrans Group Company, overseeing Sinotrans Group's finance and strategic research. He now also serves as the Directors of Taikang Life Insurance Company Limited, Sinotrans (NZ) Limited and Wenita Forest Products Company Limited. Taikang Life Insurance Company Limited was established in August 1996 and was approved by the People's Bank of China to engage in life insurance business. Sinotrans Group Company is one of the promoters of Taikang Life Insurance Company Limited and holds a shareholding stake in it. Sinotrans (NZ) Limited is a holding company of Wenita Forest Products Company Limited, and it does not carry out any business itself. Wenita Forest Products Company Limited is engaged in the business of forest logging and timber processing, and Sinotrans Group Company holds a shareholding stake in it.

Independent Non-executive Directors

Mr. Hu Hanxiang (胡漢湘), born in February 1940, was appointed as our independent non-executive director in August 2007. Mr. Hu graduated from Dalian Maritime College (大連海運學院) in 1966. From 2000 up to the present, Mr. Hu serves as the president of Association for Shippings Across the Straits. From 2000, he serves as a member of the first and second sessions of the Specialist Committee of the Ministry of Communications of the PRC. In 2001, Mr. Hu was listed in the Chinese Experts Celebrity Dictionary. In 1972, Mr. Hu was appointed as the dispatcher of the Bureau of Marine Transportation of the Ministry of Communications and was promoted as the deputy director of the Bureau of Marine Transportation of the Ministry of Communications in 1982. From 1985 to 1994, Mr. Hu was appointed as the deputy head of the Marine Transportation Administration Bureau of the Ministry of Communications, deputy division head of Transportation Administration Division and director of the Marine transportation Centre of China, deputy division head of the Marine Transportation Division and director of the National Marine Chief Dispatching. From 1994 to 2000, Mr. Hu was appointed as division head of the Marine Transportation Division. From 1995 onwards, he was appointed for positions such as vice chairman of China Association of Fort-of-Entry, vice president of China Communications and Transportation Association, vice president of China Institute of Navigation, director of Association for Relations Across the Taiwan Straits, member of Coordinating Committee for Economic and Trading Affairs Across Taiwan Straits and the honorary vice-president of China Shipowners' Association. In March and December 2004, Mr. Hu was appointed as the independent non-executive director of China Shipping Container Lines Co., Ltd. and China Merchants Energy Shipping Co., Ltd., respectively. In April 2006, Mr. Hu was appointed as the independent non-executive director of Ningbo Marine Company Limited.

Mr. Tsang Hing Lun (曾慶麟), born in April 1949, was appointed as our independent non-executive director in August 2007. Mr. Tsang is also the Chief Executive Officer of Influential Consultants Ltd., a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang obtained his PhD Hon in 2006. He graduated from the

Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (1st Class Hons) in 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. He joined Hang Seng Bank in 1973 and served for 17 years. Mr. Tsang acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. After working in the UOB Group, Mr. Tsang also acted as an executive director of the Hong Kong Stock Exchange in 1993 and an executive director of China Champ Group in 1994, as the alternate chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. He is currently an independent non-executive director of Beijing Media Corporation Limited, First China Financial Holdings Ltd. (formerly known as International Financial Network Holdings Ltd.) as well as Sino-Ocean Land Holdings Ltd. and all these companies are listed on the Hong Kong Stock Exchange.

Mr. Lee Peter Yip Wah (李業華), born in April 1942, was appointed as our independent non-executive director in August 2007. Mr. Lee graduated from The University of Hong Kong with a Bachelor's Degree of Arts in 1965 and is a practising solicitor. Mr. Lee was the former senior partner of Messrs. Woo, Kwan, Lee & Lo and is presently a consultant at Messrs. Woo, Kwan, Lee & Lo. He was admitted as solicitors of Hong Kong, United Kingdom and Singapore in 1971, 1974 and 1995 respectively, and he was appointed as a China-appointed Attesting Officer in 1993. Mr. Lee possesses about 35 years of experience in management and company secretarial works. He is currently the independent non-executive director of China Merchants Holdings (International) Company Limited and the non-executive Director of Yu Ming Investments Limited, all are companies listed on the Hong Kong Stock Exchange. Mr. Lee is also the company secretaries of about 20 Hong Kong-listed companies, including China Resources Enterprise, Limited and Hopewell Holdings Limited.

Mr. Zhou Qifang (周祺芳), born in December 1943, was appointed as the Company's independent non-executive director in October 2007. Mr. Zhou graduated from Dalian Maritime College in 1965. From September 1965 to June 1990, he served at Guangzhou Ocean Shipping Company (廣州遠洋運輸公司) where he held various positions including the head of the ship repairing factory. From June 1990 to July 1992, Mr. Zhou served as the general manager of the Nantong Ocean Shipping Enterprise of China Ocean Shipping Company (中國遠洋運輸總公司南通船務企業公司). China Ocean Shipping Company was restructured and renamed as China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司) in 1992. Between July 1992 and July 1997, Mr. Zhou was promoted to the position of vice president of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司). Between July 1997 and April 2000, Mr. Zhou worked as the general manager of Shekou Industrial Zone Co., Ltd. (蛇口工業區有限公司). Since October 1997 up to April 2000, Mr. Zhou served as the director and vice president of China Merchants Group Limited (招商局集團有限公司), and remained as its director and vice president between April 2000 and March 2004. From March 2004 up to March 2007, he served as a director of China Merchants Group (Hong Kong) Limited (招商局集團(香港)有限公司) and the chairman of China LNG Shipping (Holdings) Limited (中國液化天然氣運輸(控股)有限公司). From December 2004 to March 2007, he was appointed as a director of China Merchants Energy Shipping Co. Ltd (招商局能源運輸股份有限公司) and since November 2008, he was appointed as an independent director of Shanghai International Port (Group) Co., Ltd., all of which are companies listed on the Shanghai Stock Exchange.

SENIOR MANAGEMENT

Mr. Xie Shaohua (謝少華), born in January 1971, is the chief financial controller of our Company since August 2007. Mr. Xie is responsible for overseeing all financial aspects of our Company's business. He graduated from Central University of Finance and Economics in 1993 and received master's degrees at the University of International Business and Economics and at The Chinese University of Hong Kong in 2003 and 2005, respectively. Mr. Xie has over nine years of experience in the shipping industry. From November 1998 to October 2002, he served in the finance department of Sinotrans Group Company. From November 2002 up to May 2007, he served as the deputy general manager of the finance department of Sinotrans Limited.

Mr. Lo Ting Ho (盧定灝), born in December 1950, is the assistant general manager of our Company since July 2004. Mr. Lo graduated from the Island Navigation Corp., HK. Pre-Sea Deck Cadet Training School in 1971. In 1996, Mr. Lo served as the Manager of the business department of Wah Tung Shipping Agency, responsible for technical management of fleet operation. Mr. Lo has over 38 years of experience in the shipping industry. From October 2000 to June 2004, he was the Manager of the operations department of Worlder Shipping Limited. From July 2004, Mr. Lo was appointed as the assistant general manager of our Company, in charge of the business department and machinery department, overseeing all marine technical and management matters.

Mr. Ng Kwun Wa (吳冠華), born in October 1977, is the qualified accountant of the Company. He has more than 7 years of experience in audit and financial management. He received an Honorary Bachelor's Degree in Business Administration from the Hong Kong Baptist University in 2001. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Company in February 2008, he worked for an international accounting firm.

COMPANY SECRETARY

Mr. Huen Po Wah (禤寶華), born in December 1948, was appointed as company secretary in October 2007. He is an associate of the Hong Kong Institute of Chartered Secretaries and also an associate of the Institute of Chartered Secretaries and Administrators. Mr. Huen is also a director of Fair Wind Secretarial Services Limited and he has over 27 years of experience in company management and secretarial fields. He is currently the company secretary of Suga International Holdings Limited, Country Garden Holdings Company Limited and Wing Shan International Limited, all of which are companies listed on the Hong Kong Stock Exchange. Suga International Holdings Limited is an investment holding company, whose principal subsidiaries are engaged in the research and development, manufacture and sale of electronic products. Country Garden Holdings Company Limited and its subsidiaries are engaged in the business of property development, construction, fitting and decoration, property management and hotel operation. Wing Shan International Limited is an investment holding company and the principal activities of its subsidiaries are the manufacture and sale of Chinese medicine and pharmaceutical products in the PRC.

The Board is pleased to present its report and the audited financial statements of our Group for the year ended 31 December 2008.

GROUP REORGANISATION

Our Company was incorporated in Hong Kong under the Companies Ordinance on 13 January 2003.

Details of the reorganisation are set out in the section headed "Our History and reorganisation – Our reorganisation" of the Company's Prospectus. On 23 November 2007, the shares of our Company were listed on the Main Board of the Stock Exchange.

BUSINESS OPERATIONS OF THE GROUP

The principal activities of our Group are dry bulk vessel time chartering, container vessel time chartering, crude oil shipping services, technical management of vessels and other shipping related businesses. There were no material changes in the nature of the principal activities of our Group during the year.

An analysis of our Group's operating results for the year by business segments is set out in Note 6 to the financial statements.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the subsidiaries and jointly controlled entities of our Company are set out in Note 30 to the financial statements.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2008 are set out in the financial statements of this annual report on page 44.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2008 to shareholders whose names appear on the register of members on 25 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed from Tuesday, 19 May 2009 to Monday, 25 May 2009 (both days inclusive), during which no transfer of shares of our Company will be registered.

In order to qualify for the proposed final dividend and determine the identity of our shareholders who are entitled to attend and vote at the annual general meeting (the "Annual General Meeting") to be held on Monday, 25 May 2009, shareholders are required to deposit the transfer documents together with relevant share certificates to our Company's Share Registrar, 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 Monday, 18 May 2009, for registration.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 17 to the financial statements.

BANK LOANS

Details of the bank loans of the Company and the Group are set out in Note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2008, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for 29.0% and 19.9% of the Group's turnover and purchases, respectively.

The revenue from our largest customer accounted for 10.0% of our total revenue, while purchase from our largest supplier accounted for 5.1% of our total purchases. During the year ended 31 December 2008, none of our Directors or any of their associates, or any of our shareholder who, to the knowledge of the Board, owns more than 5% of our shares, had any interest in any of our five largest customers (except for Sinotrans Group itself being our largest customer) or our five largest suppliers.

CONNECTED TRANSACTIONS

Details of the Group's material related party transactions for the year ended 31 December 2008 are set out in Note 29 to the financial statements, some of which also constituted connected transactions requiring disclosures under Chapter 14A of the Listing Rules, details of which are as follows:

A. Continuing connected transactions exempted from compliance with independent shareholders' approval, reporting and announcement requirements under Rule 14A.33(3) of the Listing Rules

1. Licensing of trademarks by Sinotrans Group Company to Our Company

Prior to the Listing Date, members of our Group have been using the SINOTRANS, , 中外運, 外運, and trademarks registered in the name of Sinotrans Group Company and/or its subsidiaries (the "Trademarks") for its shipping business. On 9 November 2007, Sinotrans Group Company and our Company entered into the Trademark Licence Agreement, pursuant to which Sinotrans Group Company has granted our Group non-exclusive rights of using the Trademarks. The right to use the Trademarks is granted on a free-of-charge basis.

2. Leasing of properties by Sinotrans Group to our Group

Prior to the Listing Date, members of Sinotrans Group have leased certain properties (the "Properties") to our Group to be used as office and staff quarters in Hong Kong pursuant to two Tenancy Agreements. On 9 November 2007, Sinotrans Group Company and our Company entered into the Master Tenancy Agreement in respect of the leasing of the Properties, with a term commencing on 1 January 2008 and expiring on 31 December 2009.

3. *Provision of management services by Parakou Shipping Limited*

Prior to the Listing Date, certain members of the Group entered into four management agreements with Parakou Shipping Limited on 24 May 2002 in relation to the provision of management services by Parakou Shipping Limited, a company which is controlled by a director of certain subsidiaries of the Group, namely Mr. Liu Cheng Chan, and he was a director of certain member companies of the Group in relation to four vessels owned by the Group, and he resigned on 3 July 2008. Such four management agreements were terminated on the Listing Date. On 9 November 2007, our Company and Parakou Shipping Limited entered into the Master Management Agreement for the provision of management services by Parakou Shipping Limited to the Group in relation to such four vessels.

B. Continuing connected transactions exempted from compliance with independent shareholders' approval, but subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules

Provision and receipt of general services by our Group to/from Sinotrans Group

On 9 November 2007, our Company and Sinotrans Group Company entered into the Master Services Agreement for the provision and receipt of the following general services by our Group to/from members of Sinotrans Group:

(A) Provision of general services by our Group to Sinotrans Group

(a) shipping agency services including:

(i) attending to formalities of a vessel's entry into or departure from ports;

(ii) arranging pilotage, berthing, loading and discharging of vessels; and

(iii) arranging crew replacement;

(b) consultancy services including:

(i) advisory works in relation to ship operation and/or technical assistance, if needed; and

(ii) payment of fees and expenses to the suppliers and service providers offshore on behalf of Sinotrans Group;

(c) ship management services including:

(i) maintenance, repairs and docking of vessels;

(ii) insurance and claim arrangements relating to the vessels;

(iii) operation of vessels, including maintaining the vessels' valid trading certificates;

(iv) crew management; and

(v) supply of provisions for the vessels and the supply of lubricating oil and bunker fuel if requested by the owners;

(d) air freight forwarding services including:

(i) attending to customs clearance;

(ii) arranging documentation and cargo collection;

(iii) collecting freight and settling payments on behalf of the carriers; and

(e) corporate administrative services.

(B) Receipt of general services by our Group from Sinotrans Group

(a) shipping agency services including:

(i) attending to formalities of a vessel's entry into or departure from ports;

(ii) arranging pilotage, berthing, loading and discharging of vessels; and

(iii) arranging crew replacement;

(b) shipping broker services regarding oil tankers;

(c) commercial management services regarding oil tankers including:

(i) analysing the market trends, locating suitable charterers and negotiating the terms of the voyage charters and time charters for the oil tankers; and

(ii) giving instructions to the captains, liaising with charterers, brokers, agents, carriers, ship manager in the performance of the charters, calculating income and port charges and making arrangements for vessels' port operations;

(d) supervisory services regarding construction of vessels including:

(i) negotiation in respect of the design and specification of vessels and all technical aspects of the ship building, specifications and plans approval;

(ii) supervision during the construction of the vessels;

(iii) sea trials; and

(iv) delivery and acceptance of the vessels;

(e) crew management services; and

(f) vessels inspection services.

Our Group will provide certain services to Sinotrans Group and receive the same type of services from Sinotrans Group at the same time. The reason is that our Group and Sinotrans Group will utilize the geographical advantages of each other to increase their respective competitiveness. For example, our Group will provide shipping agency services for vessels chartered by Sinotrans Group arriving at the ports in Singapore. Likewise, Sinotrans Group will provide shipping agency services for our vessels arriving at the ports of the PRC. This reduces the costs for setting up shipping agency services networks at places where the other party has presence and is mutually beneficial to each other. Our Company has an option to renew the Master Services Agreement according to the Master Services Agreement.

For the year ended 31 December 2008, the transaction amount and the annual caps of the above continuing connected transactions were as follows:

	Transaction amount (US$'000)	**Annual cap** (US$'000)
Provision of general services by the Group to Sinotrans Group	398	792
Receipt of general services by the Group from Sinotrans Group	6,430	10,197

C. Non-exempted continuing connected transactions which are subject to independent shareholders' approval, reporting and announcement requirements under Rule 14A.35 of the Listing Rules

Chartering of vessels by our Group to Sinotrans Group

On 9 November 2007, our Company and Sinotrans Group Company entered into the Master Chartering Agreement, under which our Group chartered out vessels to Sinotrans Group for a term commencing from the Listing Date and ending on 31 December 2009. Our Company has an option to renew the Master Chartering Agreement according to the Master Chartering Agreement.

For the year ended 31 December 2008, the transaction amount and the annual caps of the above continuing connected transactions were as follows:

	Transaction amount (US$'000)	**Annual cap** (US$'000)
Chartering of vessels by the Group to Sinotrans Group	59,430	117,113
Chartering of vessels by the Group to Sinotrans Group – Address Commission	2,052	4,115

Our Directors (including our independent non-executive Directors) considers that the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and the terms of the relevant transactions agreement are fair and reasonable and in the interests of the shareholders and our Company as a whole.

For the purpose of Rule 14.38 of the Listing Rules, the Board engaged the auditor of our Company, PricewaterhouseCoopers, to perform certain agreed-upon procedures on the above continuing connected transactions (other than the continuing connected transactions exempted from compliance with independent shareholders' approval, reporting and announcement requirements under Rule 14A.33(3) of the Listing Rules) as identified by the management for the year ended 31 December 2008 (the "Transactions") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor, based on the agreed-upon procedures, reported that:

(1) the Transactions have been approved by the Board:

(2) the pricing of the Transactions (for the samples selected) was in accordance with the pricing policies of our Company;

(3) the Transactions (for the samples selected) was in accordance with the terms of the relevant agreements governing the Transactions; and

(4) the amounts of the Transactions have not exceeded the relevant annual caps.

DONATION

Charitable and other donations made by our Group during the year amounted to US$566.

RESERVES

Details of movements in reserves of our Group and our Company during the year are set out in Note 22 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2008 amounted to approximately US$127.1 million.

SHARE CAPITAL

Details of movements in the share capital of our Company are set out in Note 21 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the interests or short positions of the following persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Name of Shareholders	Long Position/ Short Position	Capacity	Number of Shares Held	As a % of Total Issued Shares
Sinotrans Group Company (Note 1)	Long position	Interest of controlled corporation	2,716,000,000	68.03%
Sinotrans Shipping (Holdings) Limited (Note 1)	Long position	Beneficial owner	2,600,000,000	65.13%

Note:

1. Sinotrans Group Company is the beneficial owner of all the issued shares in Sinotrans Shipping (Holdings) Limited. Accordingly, Sinotrans Group Company is deemed to be interested in the shares owned by Sinotrans Shipping (Holdings) Limited for the purposes of the SFO.

Save as disclosed above, as at 31 December 2008, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, the Company repurchased its own shares on the Stock Exchange as follow:

Month of repurchase	Number of shares repurchased	Consideration per share		Aggregated consideration (excluding transaction costs) paid
		Highest price	Lowest price	
		HK$	HK$	HK$
August 2008	7,900,000	3.27	3.18	25,387,895.00

Shares repurchased were cancelled during the year and the nominal value of the issued share capital of the Company was reduced accordingly. The purpose of the share repurchase is to increase the earnings per share of the Company, which is beneficial to all the shareholders of the Company.

Save as disclosed above, there was no purchase, sale or redemption of any of our shares by our Company or our subsidiaries.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The table below sets out a summary of the operating results, assets and liabilities of the Group for each of the five years ended 31 December 2008.

Income Statement

	Year ended 31 December				
	2008	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues	**455,972**	302,217	247,515	304,581	284,648
Cost of operations	**(182,647)**	(154,447)	(129,968)	(124,571)	(101,281)
Gross profit	**273,325**	147,770	117,547	180,010	183,367
Selling, administrative and general expenses	**(18,961)**	(13,945)	(10,490)	(10,178)	(9,395)
Other operating income	**31,185**	685	11,779	3,355	188
Operating profit	**285,549**	134,510	118,836	173,187	174,160
Finance income	**44,607**	11,128	639	366	278
Finance costs	**(6,304)**	(7,999)	(6,105)	(9,880)	(9,445)
Share of profits of jointly controlled entities	**23,575**	3,452	5,748	8,582	9,234
Profit before income tax	**347,427**	141,091	199,118	172,255	174,227
Income tax expense	**(293)**	(202)	(166)	(207)	(118)
Profit for the year	**347,134**	140,889	118,952	172,048	174,109
Earnings per share – Basic and diluted	**US8.7 cents**	US5.1 cents	US4.6 cents	N/A	N/A
Dividends	**112,763**	252,301	2,162	1,029	621

Balance Sheet

	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	**661,570**	548,724	467,093	504,592	532,276
Interests in jointly controlled entities	**80,568**	34,594	33,222	29,554	24,052
	742,138	583,318	500,315	534,146	556,328
Current assets					
Inventories	**703**	2,931	1,490	1,474	969
Loan to a jointly controlled entity	**3,692**	2,080	2,080	2,080	2,080
Trade and other receivables	**32,478**	28,603	457,679	365,142	317,502
Cash and bank balances	**1,369,812**	1,372,033	23,841	20,973	21,922
	1,406,685	1,405,647	485,090	389,669	342,473
Total assets	**2,148,823**	1,988,965	985,405	923,815	898,801
EQUITY					
Capital and reserves					
Share capital	**51,239**	51,340	33,333	33,333	33,333
Reserves	**1,947,672**	1,655,203	376,475	259,590	88,592
	1,998,911	1,706,543	409,808	292,923	121,925
LIABILITIES					
Non-current liabilities					
Borrowings	**107,200**	167,026	62,354	129,481	285,943
Deferred tax liabilities	**28**	27	41	45	48
	107,228	167,053	62,395	129,526	285,991
Current liabilities					
Trade and other payables	**42,396**	42,468	478,559	463,720	416,276
Taxation payable	**288**	202	143	196	128
Borrowings	**–**	72,699	34,500	37,450	74,481
	42,684	115,369	513,202	501,366	490,885
Total liabilities	**149,912**	282,422	575,597	630,892	776,876
Total equity and liabilities	**2,148,823**	1,988,965	985,405	923,815	898,801
Net current assets/(liabilities)	**1,364,001**	1,290,278	(28,112)	(111,697)	(148,412)
Total assets less current liabilities	**2,106,139**	1,873,596	472,203	422,449	407,916

DIRECTORS

As at 31 December 2008, the composition of the Board is as follows:

Executive Directors:
Mr. Tian Zhongshan *(General Manager of the Company)*
Mr. Li Hua
Ms. Feng Guoying

Non-executive Directors:
Mr. Zhao Huxiang *(Chairman of the Board)*
Mr. Pan Deyuan

Independent non-executive Directors:
Mr. Hu Hanxiang
Mr. Tsang Hing Lun
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang

In accordance with Article 104(A) of the Company's Articles of Association, Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

We have received, from each of our independent non-executive Directors, a written confirmation of his/her independence to our Company pursuant to the requirements of the Listing Rules. Our Company considers that all of our independent non-executive Directors are independent of our Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 25 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company for a term of three years with effect from the Listing Date.

Under the letter of appointment entered into between our Company and each of the independent non-executive Directors, each independent non-executive Director was appointed for a term of one year with effect from the Listing Date. Each of our independent non-executive Directors was re-appointed for a term of one year with effect from November 2008 after their initial terms have expired. For the twelve months ended November 2008 and the twelve months ended November 2009, each of the independent non-executive Directors is entitled to an annual fee of HK$100,000 and HK$120,000 respectively.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract with our Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The remuneration of the Directors and the details of the five highest-paid individuals of our Company are set out in Note 12 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, none of the Directors or chief executives of our Company or their respective associates had any interest or short position in any shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register kept by our Company, or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 December 2008 and at any time during the year, none of our Directors had any material interest, directly or indirectly, in any contract of significance to which our Company or our subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2008, none of our Company, our subsidiaries, our ultimate holding company or our fellow subsidiaries was a party to any arrangement which would enable our Directors to acquire benefits by means of the acquisition of shares in or debentures of our Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2008, none of our Directors had any interest in any business which competes or may compete with the business of our Group.

SHARE OPTIONS

On 31 October 2007, the sole shareholder of our Company passed the written resolutions for the conditional adoption of the Company's share option scheme (the "Share Option Scheme"). Details of the conditions to adopt the Share Option Scheme are set out in the section headed "Statutory and General Information – E Share Option Scheme" in Appendix VII to the Prospectus. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant options to subscribe for shares of the Company based on the terms and conditions set out therein to (i) any Directors (including executive or non-executive Directors but excluding independent non-executive Directors) or any of our subsidiaries; (ii) any member of senior management of our Group; (iii) any core members of the technical and management teams of our Group; and (iv) any employee of our Group who plays a key role in our Group's strategic development (the "Eligible Participants").

Details of the Share Option Scheme are as below:

(i) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(ii) Maximum number of shares

(1) 10% limit

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering, being 400,000,000 shares, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company).

(2) Renewal of the 10% limit

Subject to the issue of a circular by our Company, the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting.

(3) Beyond 10% limit

Subject to the issue of a circular by our Company, the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

(4) Individual limit

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised and outstanding) to each Eligible Participant in any twelve month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by our Company, the approval of our shareholders in general meeting with such Eligible Participants and their associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant: (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the shares in issue; and (ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our shareholders in general meeting at which all connected persons of our Company shall abstain from voting, and/or other requirements prescribed under the Listing Rules from time to time.

(5) Maximum limit of 30%

The shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the shares in issue from time to time.

(iii) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 7 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 7 years after it has been granted. No option may be granted more than 7 years after the date of approval of the Share Option Scheme.

(iv) Amount payable upon acceptance of option

Upon acceptance of an option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

(v) The exercise price

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(vi) The remaining life of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(vii) Shares to be issued under the Share Option Scheme

As at the date of this report, the total number of shares to be issuable under the Share Option Scheme is 400,000,000 shares, representing 10% of the total number of shares in issue immediately following completion of the Global Offering.

No share option has been granted under the Share Option Scheme and no other share option scheme was adopted by the Company as at 31 December 2008.

MATERIAL CONTRACTS WITH SINOTRANS GROUP COMPANY

Sinotrans Group Company is the controlling shareholder of our Company, with which our Company entered into various agreements for regulating the on-going business relationship between our Group and Sinotrans Group Company. These agreements are the Master Services Agreement, Master Lease Agreement, Trademarks Licence Agreement, Master Management Agreement and Master Chartering Agreement, details of which please refer to the section headed "Connected Transactions".

PENSION SCHEMES

Details of our Company's pension schemes for the year ended 31 December 2008 are set out in Note 3m (iii) and Note 11 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, our Directors acknowledge that, based on publicly available information and to the knowledge of our Directors, our Company had sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by our Company are set out in the Report on Corporate Governance of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

Our Company has adopted the Model Code as the code of conduct regarding our Directors' securities transactions. Upon specific enquiry made by the Company, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2008.

AUDIT COMMITTEE

Our Company has established an audit committee (the "Audit Committee") and prescribed its written terms of reference in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The principal functions of the Audit Committee include the appointment of external auditors, review and supervision of the Group's financial reporting process and internal controls as well as the offer of advice and recommendations to the Board. The terms of reference of the Audit Committee are available on our Company's website. As of 31 December 2008, the Audit Committee was chaired by Mr. Tsang Hing Lun and its members were Mr. Pan Deyuan, Mr. Zhou Qifang and Mr. Lee Peter Yip Wah.

The Audit Committee has reviewed our Group's financial statements for the year ended 31 December 2008, including the accounting principles and practices adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2008, our Group had legal claims arising in the ordinary course of business. The Directors consider these cases will not have significant financial or operational impact on our Group.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Zhao Huxiang
Chairman

Hong Kong
9 March 2009

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SINOTRANS SHIPPING LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Sinotrans Shipping Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 88, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
Revenues	6	**455,972**	302,217
Cost of operations	7	**(182,647)**	(154,447)
Gross profit		**273,325**	147,770
Selling, administrative and general expenses	7	**(18,961)**	(13,945)
Other operating income	8	**31,185**	685
Operating profit		**285,549**	134,510
Finance income	9	**44,607**	11,128
Finance costs	9	**(6,304)**	(7,999)
Share of profits of jointly controlled entities		**23,575**	3,452
Profit before income tax		**347,427**	141,091
Income tax expense	10	**(293)**	(202)
Profit for the year	13	**347,134**	140,889
Earnings per share			
– Basic and diluted	14	**US8.7 cents**	US5.1 cents
Dividends	15	**112,763**	252,301

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**661,570**	548,724
Interests in jointly controlled entities	18	**54,029**	30,454
Loan to a jointly controlled entity	18	**26,539**	4,140
		742,138	583,318
Current assets			
Inventories		**703**	2,931
Loan to a jointly controlled entity	18	**3,692**	2,080
Trade and other receivables	19	**32,478**	28,603
Cash and bank balances	20	**1,369,812**	1,372,033
		1,406,685	1,405,647
Total assets		**2,148,823**	1,988,965
EQUITY			
Capital and reserves			
Share capital	21	**51,239**	51,340
Reserves	22	**1,947,672**	1,655,203
		1,998,911	1,706,543
LIABILITIES			
Non-current liabilities			
Borrowings	23	**107,200**	167,026
Deferred tax liabilities	24	**28**	27
		107,228	167,053
Current liabilities			
Trade and other payables	25	**42,396**	42,468
Taxation payable		**288**	202
Borrowings	23	**-**	72,699
		42,684	115,369
Total liabilities		**149,912**	282,422
Total equity and liabilities		**2,148,823**	1,988,965
Net current assets		**1,364,001**	1,290,278
Total assets less current liabilities		**2,106,139**	1,873,596

Zhao Huxiang
Director

Tian Zhongshan
Director

Balance Sheet

As at 31 December 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Subsidiaries	16	**-**	-
Property, plant and equipment	17	**206**	198
		206	198
Current assets			
Trade and other receivables	19	**1,000,257**	1,998,298
Cash and bank balances	20	**1,132,864**	385,946
		2,133,121	2,384,244
Total assets		**2,133,327**	2,384,442
EQUITY			
Capital and reserves			
Share capital	21	**51,239**	51,340
Reserves	22	**1,954,081**	1,832,243
		2,005,320	1,883,583
LIABILITIES			
Non-current liabilities			
Borrowings	23	**107,200**	107,200
Deferred tax liabilities	24	**28**	27
		107,228	107,227
Current liabilities			
Trade and other payables	25	**20,779**	340,832
Borrowings	23	**-**	52,800
		20,779	393,632
Total liabilities		**128,007**	500,859
Total equity and liabilities		**2,133,327**	2,384,442
Net current assets		**2,112,342**	1,990,612
Total assets less current liabilities		**2,112,548**	1,990,810

Zhao Huxiang
Director

Tian Zhongshan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Capital redemption reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total equity US$'000
At 1 January 2007	33,333	420,366	(450,507)	-	109	406,507	409,808
Exchange differences	-	-	-	-	119	-	119
Profit for the year	-	-	-	-	-	140,889	140,889
Issue of new shares	18,007	1,454,938	-	-	-	-	1,472,945
Share issue expenses	-	(48,435)	-	-	-	-	(48,435)
Deemed distribution	-	-	-	-	-	(16,482)	(16,482)
Dividends paid	-	-	-	-	-	(252,301)	(252,301)
At 31 December 2007	51,340	1,826,869	(450,507)	-	228	278,613	1,706,543
At 1 January 2008	51,340	1,826,869	(450,507)	-	228	278,613	1,706,543
Exchange differences	-	-	-	-	(148)	-	(148)
Profit for the year	-	-	-	-	-	347,134	347,134
Repurchase of shares	(101)	-	-	101	-	(3,272)	(3,272)
Dividends paid	-	-	-	-	-	(51,346)	(51,346)
At 31 December 2008	51,239	1,826,869	(450,507)	101	80	571,129	1,998,911

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
Cash flows from operating activities			
Net cash generated from operations	26(a)	**280,242**	199,298
Interest paid		**(6,029)**	(7,694)
Interest received		**45,997**	11,811
Income tax paid		**(206)**	(157)
Net cash from operating activities		**320,004**	203,258
Cash flows from investing activities			
Purchases of property, plant and equipment		**(179,901)**	(114,049)
Proceeds from sale of property, plant and equipment		**70,401**	10
Repayment of loan to a jointly controlled entity		**23,989**	2,080
Loan granted to a jointly controlled entity		**(48,000)**	–
(Increase)/decrease in term deposits with initial term of over three months		**(1,107,717)**	2,992
Net cash used in investing activities		**(1,241,228)**	(108,967)
Cash flows from financing activities			
Repurchase of the Company's shares		**(3,272)**	–
Issuance of shares		**–**	1,472,945
Share issue expenses		**–**	(48,435)
Drawdown of new bank borrowings		**–**	380,000
Repayment of borrowings		**(132,800)**	(140,000)
Payment of bank loan arrangement fees		**–**	(580)
Repayment of loans from the parent company		**–**	(96,854)
Amounts due to related parties, net		**–**	(57,797)
Distribution of Excluded Companies		**–**	(7)
Dividends paid		**(51,346)**	(252,301)
Net cash (used in)/from financing activities		**(187,418)**	1,256,971
Net increase in cash and cash equivalents		**(1,108,642)**	1,351,262
Cash and cash equivalents at beginning of year		**1,370,421**	19,237
Effect of foreign exchange rate changes		**(1,296)**	(78)
Cash and cash equivalents at end of year	26(c)	**260,483**	1,370,421

Notes to the Financial Statements

1 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 Company and its subsidiaries (collectively the "Group") principally engages in dry bulk and container vessels owning (including dry bulk vessel time chartering and container vessel time chartering), oil tanker shipping, dry bulk cargo voyage charter and other shipping related businesses (the "Vessel Owning and Related Business").

Pursuant to a reorganisation (the "Reorganisation") of the Vessel Owning and Related Business of China National Foreign Trade Transportation (Group) Corporation, (hereinafter referred to as "Sinotrans Group Company"), a state-owned enterprise established in the People's Republic of China (the "PRC") and its subsidiaries (collectively, the "Sinotrans Group") in 2007, the Company became the holding company of the Vessel Owning and Related Business previously owned by the Sinotrans Group, including the Company and certain other subsidiaries of Sinotrans Group Company. Certain subsidiaries of Sinotrans Group Company ("Excluded Companies"), which were involved in Vessel Owning and Related Business, were not included in the Group after the Reorganisation as the related vessels had been disposed of prior to the Reorganisation and these Excluded Companies became inactive thereafter. As a result of separation of Excluded Companies from the Group, the net assets of the Excluded Companies amounted to US$16,482,000 were reflected as a deemed distribution to Sinotrans Group Company on 13 September 2007.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 November 2007.

These financial statements were approved for issue by the Board of Directors on 9 March 2009.

2 BASIS OF PREPARATION

(i) The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (which include Hong Kong Accounting Standards ("HKAS") and Interpretations). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Certain comparative figures have been reclassified or extended to conform with current year's presentation.

2 BASIS OF PREPARATION (CONTINUED)

(ii) Interpretation effective in 2008

In 2008, the Group adopted HK(IFRIC) – Interpretation 11, "HKFRS 2 – Group and Treasury Share Transactions". It provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. The adoption of this interpretation does not have an impact on the financial statements.

(iii) Standards, interpretations and amendments which are not yet effective

The HKICPA has issued the following new or revised standards, interpretations and amendments to the standards which are not yet effective in 2008 but relevant to the Group and have not been early adopted:

Effective for the year ending 31 December 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 36 Amendment	Impairment of Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement

Effective for the year ending 31 December 2010

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 3 (Revised)	Business Combination
HK(IFRIC) - Interpretation 17	Distribution of Non-cash Assets to Owners
HKFRS 5 Amendment	Non-Current Assets Held for Sale and Discontinued Operations

The Group is assessing the impact of these new or revised standards, interpretations and amendments. The adoption of these new or revised standards, interpretations and amendments does not have significant impact on the Group's financial statements except for certain changes in presentation and disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(ii) Accounting for non-common control combinations

Apart from the business combination under common control which has been accounted for using the principles of merger accounting prescribed in HKAG5, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 3(f)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the ventures have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

Investment in a jointly controlled entity is accounted for using the equity method from the date on which it becomes a jointly controlled entity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency transaction

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in the United States dollar ("US$" or "US Dollar"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement unless they are capitalised as part of the borrowing costs.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

(e) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels under construction, are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and available for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

(ii) Vessels, buildings and other property, plant and equipment

Vessels, buildings and other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance, including vessel repairs and surveys, are expensed in the income statement during the financial period in which they are incurred.

For vessels, an element of the cost of an acquired vessel is attributed at acquisition to its service potential reflecting its maintenance condition. This cost is depreciated over the period to the next drydocking. Costs incurred on subsequent drydocking of vessel are capitalised as part of the cost of vessel and depreciated on a straight-line basis over the estimated period until the next drydocking.

Freehold land is not subject to amortisation. Depreciation of vessels, buildings and other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Vessels	
Dry bulk and container vessels	25 years
Oil tankers	25 years
Buildings on freehold land	20 years
Others (including leasehold improvements, furniture, fixtures and equipments, motor vehicles)	5 years

The residual values of vessels, buildings and other property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(iii) The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of investments in subsidiaries, jointly controlled entities and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the leases all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee (operating leases)

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the income statement on a straight-line basis over the lease periods.

(ii) Where the Group is the lessor (operating leases)

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

(h) Inventories

Inventories represent bunkers on board of vessels, which are stated at cost. Costs are calculated on first-in first-out basis. Net realisable value of bunkers is expected amount to be realised from use as estimated by the directors/management.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement within selling, administrative and general expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Retirement benefits obligations

The Group participates in various retirement schemes which are defined contribution in nature and are available to qualified employees. Monthly contribution made by the Group is calculated based on certain percentages of the applicable payroll costs. The Group's contributions to these schemes are expensed as incurred.

(n) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability or an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(p) Revenue and income recognition

Revenue and income comprises the fair value of the consideration received or receivable for the chartering of vessels and provision of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

The Group recognises revenue on the following basis:

(i) Revenue from charter hire

Income from time charter, which is of operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Income from voyage charter is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(ii) Revenue from shipping related businesses

Revenue from provision of ship management and shipping agency services is recognised when the services are rendered.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(q) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(s) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Cash flow and fair value interest rate risk

The Group's significant interest bearing assets comprise bank deposits and cash equivalents, and loan to a jointly controlled entity. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

The impact on the profit or loss of a 100 basis-point shift in interest rate would be a maximum increase or decrease of US$1,072,000 for the year ended 31 December 2008.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

The extent of credit exposure of the Group are aggregate carrying value of cash and bank balances, trade and other receivables (including amounts advanced to related entities) and loan to a jointly controlled entity. The Group's credit risk is considered minimal as it is normal shipping practice that substantial part of the time charter income is prepaid by customers. Under time charters, charter hire is normally paid every 15 days in advance. Under voyage charters for oil tankers, freight is normally paid within three to five working days after the end of a voyage, while under voyage charters for dry bulk vessels, 80-95% of freight is normally paid within three to seven working days of the completion of loading, with the balance paid within a month of the completion of discharge.

The Group also has policies in place to assess the credit worthiness of customers to ensure vessels are chartered to customers with an appropriate credit history. Besides, management of the Group monitors its credit risk on an ongoing basis by reviewing the debtors' ageing to minimise its exposure to credit risk.

Cash and bank balances are deposits in banks with sound credit ratings. Given their sound credit ratings, the Group does not expect to have high credit risk in this aspect. Furthermore, management regularly assesses credit risk for loans and amounts advanced to related companies and jointly controlled entities by preparing ageing analysis and reviewing financial information of related companies and jointly controlled entities on a regular basis to minimise credit risk.

Under the current circumstances of the global financial turmoil, the Group would tighten its credit control procedures and policies to minimise the credit exposure of the Group.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations and will consider to finance major capital investment, such as construction of vessels through bank credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Carrying amount US$'000	Total contractual undiscounted cashflow US$'000	Less than one year US$'000	Between one and two years US$'000	Between two and five years US$'000
At 31 December 2008					
Borrowings (note)	107,200	114,610	–	114,610	–
Trade and other payables	42,396	42,396	42,396	–	–
At 31 December 2007					
Borrowings	239,725	267,438	75,598	21,581	170,259
Trade and other payables	42,468	42,468	42,468	–	–

Note: Borrowings were fully repaid in 2009.

(iv) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk from various currency exposures, primarily with respect to Hong Kong dollar, Renminbi and Japanese Yen. The Group's revenues, cost of operations and majority of financial assets and liabilities are principally denominated in US$. Accordingly, foreign exchange risk mainly arises from future commercial transactions, net investments in foreign operations and commitments arising from certain ship-building contracts. The Group currently does not have regular and established hedging policy in place. The Group is monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments, and adopting appropriate hedging policy to control the hedging risks, when need arises.

At 31 December 2008, the Group had Hong Kong dollar net monetary assets of US$ 39,575,000 (2007: US$564,583,000). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the US Dollar, management considers that there is no significant foreign exchange risk with respect to the Hong Kong dollar. Management considers that there is no significant foreign exchange risk with respect to Renminbi and Japanese Yen as the net monetary amounts of these foreign currencies are insignificant at 31 December 2008.

(b) Fair value estimation

The carrying values less impairment provision (as applicable) of trade receivables and payables, loan to a jointly controlled entity and borrowings are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at current market interest rate that is available to the Group for similar financial instruments.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings or repay borrowings as necessary. In light of the recent global financial turmoil, the Group will continue to adopt a prudent approach in managing its capital.

The Group monitors its capital on the basis of the gearing ratio, which represents ratio of comparing net debt to total equity. Net debts represent total borrowings less cash and bank balances. The Group's strategy was to maintain a gearing ratio below 50%.

	2008 **US$'000**	2007 US$'000
Total borrowings	**107,200**	239,725
Less: Cash and bank balances	**(1,369,812)**	(1,372,033)
Net surplus	**(1,262,612)**	(1,132,308)
Total equity	**1,998,911**	1,706,543

Gearing ratios as at 31 December 2007 and 2008 are not presented as the Group recorded net surplus as at 31 December 2007 and 2008 which resulted from inflow of cash proceeds from the listing of the Company's shares on the Stock Exchange in November 2007.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of vessels

The operation of shipping industry is subject to cyclical fluctuations, which in turn affects the results of operations. Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable.

Management reviews certain indicators of potential impairment, such as reported sale and purchase prices, market demand and general market conditions. Based on management's best estimates, there is no indication of potential impairment of the vessels and no impairment loss for vessels is recognised during the year.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Useful lives of vessels

Management determines the estimated useful lives and related depreciation expenses for the vessels. Management estimates useful life of its vessels by reference to expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market. Useful lives of vessels could change significantly as a result of the changes in these factors.

Management will revise the depreciation charge where useful life is different from previously estimated life.

Were the useful lives to differ by 10% from management estimates, it is estimated that depreciation expense would increase by US$2,802,000 (2007: US$3,259,000) or decrease by US$2,156,000 (2007: US$2,525,000) in the future periods.

(c) Residual values of vessels

The Group's management determines the residual values for its vessels. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual value to differ by 10% from management estimates, it is estimated that depreciation expense would increase or decrease by US$764,000 (2007: US$1,485,000) in the future periods.

6 REVENUES AND SEGMENT INFORMATION

Revenues represent charter hire income from dry bulk shipping, oil tanker shipping and container shipping as well as other related business.

	2008 US$'000	2007 US$'000
Turnover		
Charter-hire income		
– Dry bulk shipping	**419,049**	259,181
– Oil tanker shipping	**17,214**	31,218
– Container shipping	**18,030**	10,637
Others	**1,679**	1,181
	455,972	302,217

The Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

The Group is organised on a worldwide basis into the following segments:

- Dry bulk shipping – dry bulk vessel time chartering and dry bulk cargo voyage charter
- Oil tanker shipping – crude oil shipping services
- Container shipping – container vessel time chartering
- Others-shipping agency and ship management services

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

The Group's total assets are primarily dominated by its vessels. The directors of the Company consider that the nature of the provision of ship owning and chartering services, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful allocation of segment results, vessels and their related expenditure to specific geographical segments. Accordingly, geographical segment information is not presented.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate assets. Segment liabilities comprise operating liabilities and mainly exclude items such as current and deferred tax liabilities, and corporate liabilities. Capital expenditure comprises additions to property, plant and equipment.

	Year ended and as at 31 December 2008					
	Dry bulk shipping US$'000	Oil tanker shipping (note) US$'000	Container shipping US$'000	Others US$'000	Inter-segment elimination US$'000	Total US$'000
Revenues						
– External	419,049	17,214	18,030	1,679	–	455,972
– Inter-segment	1,893	–	–	9,930	(11,823)	–
	420,942	17,214	18,030	11,609	(11,823)	455,972
Segment results	257,289	33,979	5,356	1,758	–	298,382
Unallocated expenses						(12,833)
Operating profit						285,549
Finance income						44,607
Finance costs						(6,304)
Share of profits of jointly controlled entities	4,065	19,510	–	–	–	23,575
Profit before income tax						347,427
Income tax expense						(293)
Profit for the year						347,134
Segment assets	607,095	1,208	103,912	14,317	(10,054)	716,478
Interests in jointly controlled entities	15,239	38,790	–	–	–	54,029
Loan to a jointly controlled entity	–	30,231	–	–	–	30,231
Unallocated assets						1,348,085
Total assets						2,148,823
Segment liabilities	37,631	848	984	6,218	(10,054)	35,627
Unallocated liabilities						114,285
Total liabilities						149,912
Capital expenditure	120,734	–	58,873	294	–	179,901
Depreciation	21,310	1,379	3,566	124	–	26,379

Note: Segment results and share of profits of jointly controlled entities under oil tanker shipping segment include gain on sale of property, plant and equipment of US$29,758,000 and US$10,562,000 respectively.

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Year ended and as at 31 December 2007					
	Dry bulk shipping US$'000	Oil tanker shipping US$'000	Container shipping US$'000	Others US$'000	Inter-segment elimination US$'000	Total US$'000
Revenues						
– External	259,181	31,218	10,637	1,181	–	302,217
– Inter-segment	1,457	–	–	5,477	(6,934)	–
	260,638	31,218	10,637	6,658	(6,934)	302,217
Segment results	138,976	(1,522)	4,084	692	–	142,230
Unallocated expenses						(7,720)
Operating profit						134,510
Finance income						11,128
Finance costs						(7,999)
Share of profits of jointly controlled entities	2,441	1,011	–	–	–	3,452
Profit before income tax						141,091
Income tax expense						(202)
Profit for the year						140,889
Segment assets	492,428	48,399	42,249	1,161	–	584,237
Interests in jointly controlled entities	11,174	19,280	–	–	–	30,454
Loan to a jointly controlled entity	–	6,220	–	–	–	6,220
Unallocated assets						1,368,054
Total assets						1,988,965
Segment liabilities	26,966	2,418	1,459	265	–	31,108
Unallocated liabilities						251,314
Total liabilities						282,422
Capital expenditure	100,123	–	13,849	77	–	114,049
Depreciation	20,783	9,910	1,631	134	–	32,458

7 EXPENSES BY NATURE

	2008 US$'000	2007 US$'000
Auditor's remuneration	**581**	513
Brokerage and commission	**18,441**	12,769
Inventories consumed	**20,602**	20,791
Depreciation (note 17)	**26,379**	32,458
Employee benefit expense (note 11)	**7,251**	4,643
Hiring of crews and seafarers	**19,807**	16,603
Insurance premium	**6,754**	5,485
Net exchange loss	**618**	2,534
Operating lease expenses		
– vessels	**50,407**	40,023
– office premises	**1,227**	793
Port charges	**11,919**	5,792
Repairs and maintenance expenses	**9,092**	9,397
Others	**28,530**	16,591
Total cost of operations and selling, administrative and general expenses	**201,608**	168,392

8 OTHER OPERATING INCOME

	2008 US$'000	2007 US$'000
Gain on sale of property, plant and equipment	**29,795**	2
Interest income on loan to a jointly controlled entity	**1,390**	683
	31,185	685

9 FINANCE INCOME AND COSTS

	2008 US$'000	2007 US$'000
Finance income		
Interest income on bank deposits	**44,607**	11,128
Finance costs		
Bank loans		
– wholly repayable within five years	**6,300**	6,213
Loans from Sinotrans Group Company		
– wholly repayable within five years	**–**	1,640
Others	**4**	146
	6,304	7,999
Net finance income	**38,303**	3,129

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008 US$'000	2007 US$'000
Current income tax		
– Hong Kong profits tax	60	57
– Overseas taxation	228	159
– Underprovisions in prior years	4	–
Total current income tax	292	216
Deferred income tax (note 24)		
Origination and reversal of temporary differences	2	(14)
Impact of change in Hong Kong profits tax rate	(1)	–
Total deferred income tax	1	(14)
Income tax expense	293	202

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate applicable to profits of the consolidated entities as follows:

	2008 US$'000	2007 US$'000
Profit before income tax	347,427	141,091
Tax calculated at 16.5% (2007: 17.5%)	57,325	24,691
Underprovisions in prior years	4	–
Income not subject to tax	(91,366)	(57,215)
Expenses not deductible for tax purposes	34,246	32,664
Effect of differential tax rates of other countries	85	62
Remeasurement of deferred tax – change in Hong Kong tax rate	(1)	–
Income tax expense	293	202

During the year, as a result of the change in the Hong Kong profits tax rate from 17.5% to 16.5%, deferred tax balances have been remeasured.

11 EMPLOYEE BENEFIT EXPENSE

	2008 US$'000	2007 US$'000
Wages and salaries	7,100	4,544
Pension costs – defined contribution plans	151	99
	7,251	4,643

12 DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of director	Fees US$'000	Salaries, allowances and benefits-in-kind US$'000	Contributions to pension plans US$'000	Total US$'000
Year ended 31 December 2008				
Executive directors				
Tian Zhongshan	–	314	3	317
Li Hua	–	248	3	251
Feng Guoying	–	219	2	221
	–	781	8	789
Non-executive directors				
Zhao Huxiang	–	–	–	–
Pan Deyuan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Hu Hanxiang	16	–	–	16
Tsang Hing Lun	16	–	–	16
Lee Peter Yip Wah	16	–	–	16
Zhou Qifang	16	–	–	16
	64	–	–	64
	64	781	8	853

12 DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (Continued)

Name of director	Fees US$'000	Salaries, allowances and benefits-in-kind US$'000	Contributions to pension plans US$'000	Total US$'000
Year ended 31 December 2007				
Executive directors				
Tian Zhongshan	–	288	3	291
Li Hua (notes (i) and (iii))	–	–	–	–
Zhang Shaojun (note (i))	–	14	2	16
Feng Guoying (notes (i) and (iii))	–	–	–	–
Li Zhen (note (iv))	–	–	–	–
	–	302	5	307
Non-executive directors				
Zhao Huxiang (note (ii))	–	–	–	–
Pan Deyuan (note (ii))	–	–	–	–
Li Xiaoying (notes (ii) and (iv))	–	–	–	–
Yang Yuntao (notes (ii) and (iv))	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Hu Hanxiang (note (ii))	2	–	–	2
Tsang Hing Lun (note (ii))	2	–	–	2
Lee Peter Yip Wah (note (ii))	2	–	–	2
Zhou Qifang (note (iii))	2	–	–	2
	8	–	–	8
	8	302	5	315

Notes:

(i) Resigned on 10 August 2007

(ii) Appointed on 10 August 2007

(iii) Appointed on 31 October 2007

(iv) Resigned on 31 October 2007

12 DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (Continued)

Other than the directors' emoluments disclosed above, Feng Guoying and Li Hua received emoluments from Sinotrans Group Company, amounting to approximately US$6,000 and US$2,000 respectively (2007: US$157,000 and US$16,000 respectively), part of which is in respect of their services to the Group. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services to the Group and their services to subsidiaries of the Sinotrans Group Company.

No director waived or agreed to waive any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors of the Company during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2007: one) directors of the Company whose emoluments as disclosed in note 12(a). The emoluments paid or payable to the remaining non-director individuals for the year ended 31 December 2008 are as follows:

	2008	2007
	US$'000	US$'000
Salaries, allowances and benefits-in-kind	**409**	641
Contributions to pension plans	**7**	11
	416	652

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
US$128,205 (HK$1,000,001) – US$192,308 (HK$1,500,000)	**–**	4
US$192,308 (HK$1,500,001) – US$256,410 (HK$2,000,000)	**2**	–

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$176,354,000 (2007: US$254,253,000).

14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue, a total of 2,400,000,000 ordinary shares allotted and issued to Sinotrans Shipping (Holdings) Limited pursuant to the Reorganisation were deemed to be in issue since 1 January 2007.

	2008	2007
Profit attributable to equity holders of the Company (US$'000)	**347,134**	140,889
Weighted average number of shares in issue (thousands)	**3,997,128**	2,745,589
Basic earnings per share (US cents per share)	**8.7**	5.1

As there were no diluted potential ordinary shares outstanding during the year (2007: Nil), the diluted earnings per share for the year ended 31 December 2008 is equal to basic earnings per share.

15 DIVIDENDS AND DISTRIBUTIONS

(a) Dividends

	2008 US$'000	2007 US$'000
The Company		
Interim, paid of US1.28 cents per ordinary share	**51,346**	–
Special, paid of US$12.5 per ordinary share (note i)	**–**	250,000
Final, proposed of US1.54 cents per ordinary share (note ii)	**61,417**	–
	112,763	250,000
Subsidiaries (note iii)	**–**	2,301
	112,763	252,301

Notes:

(i) Pursuant to the resolution of a shareholders' meeting dated 14 September 2007, the shareholder of the Company has resolved to make a special dividend of US$12.5 per share totalling US$250,000,000 to Sinotrans Shipping (Holdings) Limited.

(ii) On 9 March 2009, the Board proposed a final dividend of HK12 cents (equivalent to US1.54 cents) per share, totalling US$61,417,000 for the year ended 31 December 2008. The proposed dividend is not reflected as dividend payable in the financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

(iii) Amounts represent dividends paid by the companies comprising the Group to the shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these financial statements.

(b) Distributions

On 13 September 2007, net assets of Excluded Companies amounting to US$16,482,000 were distributed to Sinotrans Group Company. The Group has not included the operating results and financial position of Excluded Companies in its financial statements since 13 September 2007 (note 1).

16 SUBSIDIARIES

	Company 2008	2007
Unlisted shares, at cost	**US$6**	US$6

Particulars of the subsidiaries are set out in note 30(i).

17 PROPERTY, PLANT AND EQUIPMENT

	Group					Company
	Vessels US$'000	**Assets under construction** US$'000	**Freehold land and buildings** US$'000	**Others** US$'000	**Total** US$'000	**Others** US$'000
Cost						
At 1 January 2007	721,984	8,293	342	924	731,543	570
Exchange differences	–	–	62	51	113	–
Additions	7,342	106,630	–	77	114,049	17
Disposals and write-off	(5,606)	–	–	(54)	(5,660)	–
At 31 December 2007	723,720	114,923	404	998	840,045	587
Exchange differences	–	–	(79)	(61)	(140)	–
Additions	5,110	174,496	–	295	179,901	117
Disposals and write-off	(78,865)	–	–	(179)	(79,044)	(15)
Transfer	79,610	(79,610)	–	–	–	–
At 31 December 2008	729,575	209,809	325	1,053	940,762	689
Accumulated depreciation						
At 1 January 2007	263,720	–	174	556	264,450	273
Exchange differences	–	–	28	37	65	–
Charge for the year	32,298	–	4	156	32,458	116
Disposals and write-off	(5,606)	–	–	(46)	(5,652)	–
At 31 December 2007	290,412	–	206	703	291,321	389
Exchange differences	–	–	(41)	(29)	(70)	–
Charge for the year	26,214	–	4	161	26,379	109
Disposals and write-off	(38,274)	–	–	(164)	(38,438)	(15)
At 31 December 2008	278,352	–	169	671	279,192	483
Net book value						
At 31 December 2008	451,223	209,809	156	382	661,570	206
At 31 December 2007	433,308	114,923	198	295	548,724	198

Notes:

(a) As of 31 December 2008, the Group's borrowings were secured by certain property, plant and equipment with net book value of US$135,706,000 (2007: US$141,326,000) (note 23(e)).

(b) The freehold land is located outside Hong Kong.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2008	2007
	US$'000	US$'000
Share of net assets	**54,029**	30,454
Loan to a jointly controlled entity (note a)	**30,231**	6,220
	84,260	36,674
Current portion of loan to a jointly controlled entity	**(3,692)**	(2,080)
	80,568	34,594
Unlisted investments, at cost	**128**	128

Notes:

(a) Loan to a jointly controlled entity is unsecured and bears interest at 0.6% (2007: 0.8%) over London Interbank Offered Rate ("LIBOR") per annum. It is repayable by 52 installments until 2021 (2007: repayable by 12 installments until 2012). Effective interest rate as at 31 December 2008 was 2.07% (2007: 5.95%). The loan balance as at 31 December 2007 has been repaid in 2008.

(b) The aggregate amounts of assets, liabilities, income, expenses and capital commitments attributable to the Group's interests in the jointly controlled entities are summarised as follows:

	2008	2007
	US$'000	US$'000
Assets		
Non-current assets	**63,088**	27,206
Current assets	**23,682**	14,864
Total assets	**86,770**	42,070
Liabilities		
Non-current liabilities	**26,539**	4,140
Current liabilities	**6,202**	7,476
Total liabilities	**32,741**	11,616
Net assets	**54,029**	30,454
Capital commitments	**–**	47,400

	2008	2007
	US$'000	US$'000
Income	**48,533**	27,778
Expenses	**24,958**	24,326

There are no contingent liabilities relating to the Group's interests in jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves.

Particulars of the Group's jointly controlled entities are set out in note 30(ii).

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (note a)				
– fellow subsidiaries	**8,218**	3,120	**–**	–
– other state-owned enterprises	**1,520**	795	**–**	
– third parties	**2,492**	7,223	**–**	–
	12,230	11,138	**–**	–
Prepayments, deposits and other receivables	**19,080**	16,386	**8,778**	2,733
Amounts due from related parties (note b)				
– subsidiaries	**–**	–	**991,474**	1,994,899
– fellow subsidiaries	**798**	492	**5**	209
– jointly controlled entities	**25**	447	**–**	419
– immediate holding company	**–**	8	**–**	8
– other related companies	**345**	132	**–**	30
	1,168	1,079	**991,479**	1,995,565
Total	**32,478**	28,603	**1,000,257**	1,998,298

Notes:

(a) The Group does not grant any credit term to its customers. Ageing analysis of gross trade receivables at the respective balance sheet dates are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Within 6 months	**11,136**	9,827	**–**	–
7-12 months	**527**	1,248	**–**	–
1-2 years	**559**	63	**–**	–
2-3 years	**8**	–	**–**	–
Trade receivables, gross	**12,230**	11,138	**–**	–

Trade receivables are past due but not considered to be impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default.

(b) Amounts due from related parties are unsecured, interest free and repayable on demand. Also, these balances are neither past due nor impaired and there is no history of default.

(c) The fair values of trade and other receivables approximate to the carrying amounts. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

20 CASH AND BANK BALANCES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**260,483**	1,370,421	**177,252**	385,946
Short-term bank deposits	**1,109,329**	1,612	**955,612**	–
Cash and bank balances	**1,369,812**	1,372,033	**1,132,864**	385,946

The cash and bank balances of the Group and the Company are denominated in the following currencies.

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
US Dollar	**1,321,761**	800,562	**1,087,340**	236,086
Hong Kong Dollar	**45,209**	568,700	**44,638**	147,338
Japanese Yen	**2,332**	2,439	**806**	2,439
Others	**510**	332	**80**	83
Cash and bank balances	**1,369,812**	1,372,033	**1,132,864**	385,946

21 SHARE CAPITAL

	Number of shares		
	Ordinary shares of HK$1 each	**Ordinary shares of HK$0.1 each**	**Nominal value US$'000**
Authorised:			
At 1 January 2007	20,000,000	–	2,564
Subdivision of shares (note a)	(20,000,000)	200,000,000	–
Increase in authorised share capital (note a)	–	49,800,000,000	638,462
At 31 December 2007 and 2008	–	50,000,000,000	641,026
Issued and fully paid:			
At 1 January 2007	20,000,000	–	2,564
Subdivision of shares (note a)	(20,000,000)	200,000,000	–
Issue of shares upon reorganisation (note a)	–	2,400,000,000	30,769
Issue of shares upon listing (note b)	–	1,400,000,000	18,007
At 31 December 2007	–	4,000,000,000	51,340
Repurchase of shares (note c)	–	(7,900,000)	(101)
At 31 December 2008	–	3,992,100,000	51,239

21 SHARE CAPITAL (CONTINUED)

Notes:

(a) Pursuant to the shareholder resolutions passed on 31 October 2007, the issued ordinary shares of the Company of HK$1 each were subdivided into 10 ordinary share of HK$0.1 each and the authorised share capital of the Company was increased from HK$20,000,000 to HK$5,000,000,000 by the creation of an additional 49,800,000,000 ordinary shares of HK$0.1 each. On the same date, 2,400,000,000 ordinary shares of HK$0.1 each were allotted and issued to Sinotrans Shipping (Holdings) Limited to settle a payable to Sinotrans Group Company of US$451,135,000.

(b) 1,400,000,000 shares with a nominal value of HK$0.1 each were issued by way of international offering and public offering at HK$8.18 (equivalent to approximately US$1.04) each.

The Company raised proceeds of approximately HK$11,452,000,000 (US$1,472,945,000) from the issuance of 1,400,000,000 new shares, of which paid-up share capital was approximately US$18,007,000 and share premium was approximately US$1,454,938,000.

(c) During the year, the Company repurchased 7,900,000 of its own shares on the Stock Exchange at prices ranging from HK$3.18 to HK$3.27 per share for an aggregate consideration before expenses of HK$25,388,000 (equivalent to approximately US$3,255,000). The repurchased shares were then cancelled.

(d) The Company adopted a share option scheme on 31 October 2007. Under the terms of the share option scheme, the directors of the Company may, at their discretion, grant an option to eligible participants to subscribe for the Company's shares at the subscription price which will not be less than the highest of (i) the closing price of the Company's shares at the Stock Exchange daily quotation sheets on the date of grant; (ii) the average of the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. No share options were granted during the year ended 31 December 2008.

22 RESERVES

Group

	Share premium US$'000	Merger reserve US$'000	Capital redemption reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2007	420,366	(450,507)	–	109	406,507	376,475
Exchange differences	–	–	–	119	–	119
Profit for the year	–	–	–	–	140,889	140,889
Issue of new shares upon listing	1,454,938	–	–	–	–	1,454,938
Share issue expenses	(48,435)	–	–	–	–	(48,435)
Deemed distribution (note 1)	–	–	–	–	(16,482)	(16,482)
Dividends paid (note 15)	–	–	–	–	(252,301)	(252,301)
At 31 December 2007	1,826,869	(450,507)	–	228	278,613	1,655,203
Exchange differences	–	–	–	(148)	–	(148)
Profit for the year	–	–	–	–	347,134	347,134
Repurchase of shares (note 21(c))	–	–	101	–	(3,272)	(3,171)
Dividends paid (note 15)	–	–	–	–	(51,346)	(51,346)
At 31 December 2008	1,826,869	(450,507)	101	80	571,129	1,947,672

22 RESERVES (CONTINUED)

Company

	Share premium US$'000	Capital redemption reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2007	–	–	1,121	1,121
Profit for the year	–	–	254,253	254,253
Issue of new shares upon reorganisation	420,366	–	–	420,366
Issue of new shares upon listing	1,454,938	–	–	1,454,938
Share issue expenses	(48,435)	–	–	(48,435)
Dividend paid	–	–	(250,000)	(250,000)
At 31 December 2007	1,826,869	–	5,374	1,832,243
Profit for the year	–	–	176,355	176,355
Repurchase of shares (note 21(c))	–	101	(3,272)	(3,171)
Dividends paid (note 15)	–	–	(51,346)	(51,346)
At 31 December 2008	1,826,869	101	127,111	1,954,081

23 BORROWINGS

	Group		Company	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000
Non-current				
Bank loans, secured (note (e))	**107,200**	107,200	**107,200**	107,200
Bank loans, unsecured	**–**	59,826	**–**	–
	107,200	167,026	**107,200**	107,200
Current				
Bank loans, secured (note (e))	**–**	52,800	**–**	52,800
Bank loans, unsecured	**–**	19,899	**–**	–
	–	72,699	**–**	52,800
Total borrowings	**107,200**	239,725	**107,200**	160,000

23 BORROWINGS (CONTINUED)

(a) At 31 December 2008, the borrowings were repayable as below:

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Bank loans				
– Within one year	**–**	72,699	**–**	52,800
– In the second year	**107,200**	19,899	**107,200**	–
– In the third to fifth year	**–**	147,127	**–**	107,200
	107,200	239,725	**107,200**	160,000

(b) The effective interest rates (per annum) of the long-term borrowings at the respective balance sheet dates are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	%	%	**%**	%
Bank loans	**3.97**	5.71	**3.97**	5.92

(c) The exposure of the long-term borrowings to interest rate changes and the contractual repricing dates are within six months.

(d) The long-term borrowings bear interest at floating rates. The fair values of the long-term borrowings approximate their carrying amounts.

(e) As at 31 December 2008, property, plant and equipment of the Group with aggregate net book value of approximately US$135,706,000 (2007: US$141,326,000) have been pledged to banks to secure the Group's banking facilities.

24 DEFERRED INCOME TAX

The movements on the deferred tax liabilities account are as follows:

	Group and Company	
	2008	2007
	US$'000	US$'000
At beginning of the year	**(27)**	(41)
(Charged)/credited to income statement (note 10)	**(1)**	14
At end of the year	**(28)**	(27)

Deferred tax liabilities represented deferred taxation relating to accelerated depreciation allowances and are to be settled after more than twelve months.

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade payables (note a)				
– fellow subsidiaries	**741**	1,380	**12**	59
– other related companies	**–**	74	**–**	–
– other state-owned enterprises	**364**	7	**–**	–
– third parties	**12,006**	10,092	**115**	2,123
	13,111	11,553	**127**	2,182
Other payables and accruals	**19,235**	21,037	**7,003**	8,157
Amounts due to related parties				
– subsidiaries	**–**	–	**13,649**	330,479
– fellow subsidiaries	**365**	24	**–**	14
– jointly controlled entity	**9,685**	9,536	**–**	–
– other related companies	**–**	318	**–**	–
	10,050	9,878	**13,649**	330,493
Total	**42,396**	42,468	**20,779**	340,832

Notes:

(a) Ageing analysis of trade payables at 31 December 2008 is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Within 6 months	**12,722**	11,151	**115**	2,167
7-12 months	**146**	112	**12**	15
1-2 years	**47**	200	**–**	–
2-3 years	**102**	–	**–**	–
Over 3 years	**94**	90	**–**	–
	13,111	11,553	**127**	2,182

(b) Amounts due to related parties are unsecured, interest free and repayable on demand.

26 NET CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	2008 **US$'000**	2007 US$'000
Profit before income tax	**347,427**	141,091
Adjustments for:		
Depreciation	**26,379**	32,458
Gain on sale of property, plant and equipment	**(29,795)**	(2)
Share of profits of jointly controlled entities	**(23,575)**	(3,452)
Interest income	**(45,997)**	(11,811)
Finance costs	**6,304**	7,999
Changes in working capital:		
Inventories	**2,228**	(1,441)
Trade and other receivables (excluding amounts due from related parties)	**(3,786)**	17,863
Amounts due to related parties, net	**83**	–
Trade and other payables (excluding amounts due to related parties)	**974**	16,593
Net cash generated from operations	**280,242**	199,298

In the consolidated cash flow statements, proceeds from sale of property, plant and equipment comprise:

	2008 **US$'000**	2007 US$'000
Net book amount (note 17)	**40,606**	8
Gain on sale of property, plant and equipment	**29,795**	2
Proceeds from sale of property, plant and equipment	**70,401**	10

26 NET CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Distribution of Excluded Companies

In connection with the Reorganisation, net assets of Excluded Companies as at 13 September 2007 amounting to US$16,482,000 were distributed to Sinotrans Group Company (note 1).

	2008 US$'000	2007 US$'000
Trade and other receivables	**–**	14
Amounts due from related companies	**–**	67,083
Cash and bank balances	**–**	7
Trade and other payables	**–**	(81)
Amounts due to related companies	**–**	(50,541)
Net assets	**–**	16,482

(c) Analysis of balances of cash and cash equivalents

	2008 US$'000	2007 US$'000
Cash and bank balances	**1,369,812**	1,372,033
Less: Term deposits with initial term of over three months	**(1,109,329)**	(1,612)
Cash and cash equivalents	**260,483**	1,370,421

(d) Major non-cash transaction

On 31 October 2007, the net payable of US$451,135,000 to Sinotrans Group Company pursuant to the Reorganisation was settled by allotting and issuing 2,400,000,000 ordinary shares in the Company of HK$0.10 each to Sinotrans Shipping (Holdings) Limited.

27 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. The directors of the Company consider these cases will not have significant financial or operational impact to the Group.

28 COMMITMENTS

(a) Capital commitments in respect of vessels under construction and drydocking:

	2008 **US$'000**	2007 US$'000
Authorised but not contracted for		
– The Group	**623**	–
Contracted but not provided for		
– The Group	**388,240**	364,497
– Jointly controlled entities	**–**	47,400
	388,240	411,897
	388,863	411,897

(b) Operating lease commitments – where the Group is the lessee

At 31 December 2008, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2008 **US$'000**	2007 US$'000
Office premises		
– No later than one year	**1,060**	299
– Later than one year and no later than five years	**213**	329
	1,273	628
Vessels		
– No later than one year	**424**	4,737
	1,697	5,365

(c) Operating lease commitments – where the Group is the lessor

At 31 December 2008, the Group has the following future minimum lease receipts under non-cancellable operating leases in relation to chartering of vessels. These vessels chartering agreements have varying terms ranging from 1 to 29 months:

	2008 **US$'000**	2007 US$'000
Vessels		
– No later than one year	**124,153**	155,015
– Later than one year and no later than five years	**25,528**	39,508
	149,681	194,523

29 RELATED PARTY TRANSACTIONS

Sinotrans Group Company, the parent company of the Company, is controlled by the PRC Government. The PRC Government is the Company's ultimate controlling party. In accordance with HKAS 24, "Related Party Disclosures" issued by the HKICPA, enterprises directly or indirectly controlled by PRC Government ("state-owned enterprises") and their subsidiaries, together with the Sinotrans Group Company, are all related parties of the Group.

The Group has extensive transactions with the Sinotrans Group Company and other state-owned enterprises. For the purpose of disclosures of related party transactions, to the extent practicable, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers or privatisation programs. However, management believes that all material related party transactions and balances, of which it is aware, have been adequately disclosed.

Set out below is a summary of significant related party transactions and balances during the year.

(a) The following significant transactions were carried out with related parties:

	2008 **US$'000**	2007 US$'000
Charter-hire income from fellow subsidiaries	**59,204**	41,391
Commission expenses to fellow subsidiaries	**2,052**	1,829
Commercial management fee for oil tanker shipping to a fellow subsidiary	**692**	1,111
Expenses for hiring of crews and seafarers for fellow subsidiaries	**4,952**	1,638
Shipping agency fee to fellow subsidiaries	**213**	906
Interest expenses on loans from the parent company	**–**	1,640
Interest income on loan to a jointly controlled entity	**1,390**	683

In the opinion of the directors of the Company, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

(b) During the year, the Group was allowed to use trademarks registered in the name of Sinotrans Group Company on a free-of-charge basis.

(c) Year ended balances arising from sales, purchases, services and other transactions with related parties were disclosed in notes 19 and 25.

(d) Pursuant to an agreement dated 10 December 2007 entered into between the Group and Faship Maritime Carriers Inc. ("Faship Maritime"), a jointly controlled entity, the Group agreed to sell two Handysize vessels to Faship Maritime at a total consideration of US$63,800,000. As at 31 December 2008, two Handysize vessels were under construction and the sale is subject to the completion of construction which is expected to be delivered in June and October 2010 respectively.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) The following significant transactions were carried out with other state-owned enterprises:

	2008 US$'000	2007 US$'000
Charter-hire income	**37,798**	11,294
Ocean freight income	**4,628**	1,763
Bank interest income	**44,592**	11,046
Bank loans interest expenses	**6,300**	6,213
Charter-hire expenses	**9,785**	9,440
Commission expenses	**2,393**	932
Expenses for hiring of crews and seafarers	**168**	604
Freight forwarding expenses	**749**	499

The transactions of revenues and expenses in nature with the other state-owned enterprises were conducted based on the terms and prices agreed by both parties.

(f) Year ended balances with other state – owned enterprises were as follows:

	2008 US$'000	2007 US$'000
Cash at bank	**1,365,892**	1,367,461
Bank loans	**107,200**	239,725

Movement of bank loans during the year is as follows:

	2008 US$'000	2007 US$'000
At beginning of year	**239,725**	–
Loan drawdown during the year	**–**	380,000
Loan repayment during the year	**(132,800)**	(140,000)
Bank loan arrangement fees	**275**	(275)
At end of year	**107,200**	239,725

(g) Key management compensation

	2008 US$'000	2007 US$'000
Salaries, allowances, and benefits-in-kind	**781**	302
Contributions to pension plans	**8**	5
	789	307

30 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2008, the Company has interests in the following principal subsidiaries and jointly controlled entities:

(i) List of principal subsidiaries

Name	Country/place of operation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
Double Strong International Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Earning Top Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Ambition Shipping Inc.	Panama	2 shares of US$1 each	100%	Owning and chartering of vessel
Great Bless Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Blossom Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Bright Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Century Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Concord Shipping S.A.	Panama	2 shares of US$1 each	100%	Owning and chartering of vessel
Great Creation Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Calm Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Gain Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Glory Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Happy Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Harmony Shipping S.A.	Panama	2 shares of US$1 each	100%	Owning and chartering of vessel
Great Immensity Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel

30 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(i) List of principal subsidiaries (Continued)

	Name	Country/place of operation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
	Great Intelligence Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
	Great Jade Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
	Great Loyalty Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
	Great Luck Maritime Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
	Great Majesty Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
	Great Motion Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
	Great Peace Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
	Great Prestige Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
	Great Prosperity Shipping Inc.	Panama	2 shares of US$1 each	100%	Owning and chartering of vessel
	Great Scenery Shipping Limited	Hong Kong	3 shares of HK$1 each	100%	Owning and chartering of vessel
	Great Wisdom Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
	Jin Da Maritime Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
	Jin Teng Maritime Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
#	Joy Top International Limited	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
	Marine Harvest Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning of oil tanker and shipment of oil
	Marine Peace Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding

30 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(i) List of principal subsidiaries (Continued)

	Name	Country/place of operation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
	Marine Peace Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning of oil tanker and shipment of oil
	Rich Target Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
	Sinotrans (Bermuda) Ltd	Bermuda	12,000 shares of US$1 each	100%	Provision for agency services for shipping forwarding and aircargo
	Sinotrans Agencies (S) Pte Limited	Singapore	700,000 shares of S$1 each	100%	Provision for agency services for shipping forwarding and aircargo
	Sinotrans Canada Inc.	Canada	1,000 common shares of US$1 each, 1,500 Series 1 preference shares at US$100 per share	100%	Provision of shipping agency services
#	Sinotrans Ship Management Limited	Hong Kong	2 shares of HK$1 each	100%	Provision of ship management services
#	Sinotrans Ship Trading Limited	British Virgin Islands	1 share of US$1	100%	Ship building and trading of vessels
#	Sinotrans Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
	Trade Elegancy Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
	Trade Endeavor Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
	Trade Fast Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel

30 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(i) List of principal subsidiaries (Continued)

Name	Country/place of operation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
Trade Hope Maritime Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Trade Integrity Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Trade Sincerity Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Trade Worlder Maritime Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Trade Worlder Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding

\# Directly held by the Company

(ii) List of jointly controlled entities

Name	Country/place of operation	Issued and fully paid share capital	Attributable equity interest indirectly held by the Group	Principal activities
M.S. Tanker Shipping Limited	Hong Kong	2,000,000 shares of HK$1 each	50%	Owning of oil tanker and shipment of oil
Faship Maritime Carriers Inc.	Panama	1,200 shares of US$1 each	50%	Owning and chartering of vessel

Definitions

In this annual report, the following expressions shall have the meaning set out below unless the context otherwise requires. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this annual report.

Baltic Dirty Tanker Index" or "BDTI"	the BDTI is published every London working day by the Baltic Exchange, who collate information for crude oil tankers to create this leading freight market indicator
"Baltic Dry Index" or "BDI"	the BDI is published every London working day by the Baltic Exchange, who collate information for Handysize, Supramax, Panamax and Capesize vessels to create this leading freight market indicato
"Board"	the board of Directors of our Company
"CBMC"	中國經貿船務公司 (China Business Marine Co., Ltd.), a company incorporated in the PRC on 24 December 1984, and a direct wholly-owned subsidiary of our controlling shareholder Sinotrans Group Company
"Chartering Opportunity"	a business oppotunity to charter out dry bulk vessels to a potential customer
"Company" or "our Company"	Sinotrans Shipping Limited（中外運航運有限公司）, a company incorporated on 13 January 2003 with limited liability under the laws of Hong Kong
"Deed of Non-Competition"	the deed of non-competition entered into by and between Sinotrans Group Company and our Company on 8 November 2007 in respect of the main businesses conducted by our Group
"Director(s)" or "our Director(s)"	the Director(s) of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "our Group"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by the present subsidiaries of our Company or (as the case may be) its predecessor
"Master Management Agreement"	an agreement dated 9 November 2007 which was entered between our Company and Parakou Shipping Limited for the provision of the management services by Parakou Shipping Limited to our Group in relation to four vessels of our Group.
"Master Tenancy Agreement"	an agreement which was entered between our Company and Sinotrans Group Company on 9 November 2007 in respect of the leasing of the Properties, the term of which shall commence on 1 January 2008 and continue until 31 December 2009

"Master Services Agreement"	an agreement dated 9 November 2007 which was entered between our Company and Sinotrans Group Company for the provision and receipt of the general services by our Group to/from members of Sinotrans Group
"M.S. Tanker"	M.S. Tanker Shipping Limited, a company incorporated in Hong Kong on 7 April 2004, which is owned as to 50% by Marine Peace Shipowning Limited (an indirect wholly-owned subsidiary of our Company) and 50% by Mitsui O.S.K. Lines, Ltd.
"Prospectus"	the Company's prospectus dated 12 November 2007
"Relevant Services"	time chartering of self-owned dry bulk vessels, time chartering of self-owned container vessels, and crude oil shipping
"Sinotrans Group"	Sinotrans Group Company and its subsidiaries (but excluding our Group)
"Sinotrans Group Company"	中國對外貿易運輸(集團)總公司 (China National Foreign Trade Transportation (Group) Corporation or sometimes known as "China National Foreign Trade Transportation Group (Sinotrans Group)"), a PRC state-owned enterprise formed in 1950, being the ultimate controlling shareholder of our Company
"Tenancy Agreements"	two tenancy agreements in relation to the leased properties for our Group to be used as office and staff quarters in Hong Kong, the details of which are set out in the Prospectus under the section headed "Connected Transactions — Connected Transactions — A. 2. Leasing of properties by Sinotrans Group to our Group".
"Trademark Licence Agreement"	the trademark licence agreement dated 9 November 2007 entered between Sinotrans Group Company and our Company, pursuant to which Sinotrans Group Company has granted a non-exclusive licence to our Group the right of using the Trademarks
"we," "us" or "our"	our Company or our Group (as the case may require)

In this annual report, Terms like "associate", "connected party", "connected party transaction", "controlling shareholder", "subsidiary", and "substantial shareholder" shall have the meaning ascribed to them in the Listing Rules.

Glossary

This glossary contains certain definitions of technical terms used in this annual report in connection with our Company and our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of these terms.

"ABS"	the American Bureau of Shipping, a classification society established in 1862, being one of the largest classification societies in the world with a classed fleet of over 10,000 commercial vessels and offshore facilities. ABS is a member of IACS and is recognised by the Hong Kong government
"FFA"	Forward Freight Agreement, a kind of forward freight rate agreement concluded between the buyer and seller, specifying the courses, prices, quantities, etc. The two parties agree to take or pay the difference between BDI and the transaction price in a certain
"Daily TCE"	daily time charter equivalent rate, the basis on which we measure our charter rate level. It is determined by dividing total voyage revenue (net of voyage expenses) by total voyage days for the relevant time period. Voyage expenses primarily consist of port charges and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. Daily TCE is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types under which the vessels may be employed between the periods
"dry bulk"	unpacked goods such as coal, metallic minerals, iron, building materials, cement, timber, salt, grains and similar materials
"drydocking"	the removal of a vessel from the water for inspection, maintenance and/or repair
"DWT"	the deadweight of a ship expressed in tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
"Handymax"	a dry bulk vessel with a capacity of between 40,000 DWT and 59,999 DWT
"Handysize"	a dry bulk vessel with a capacity of between 10,000 DWT and 39,999 DWT
"Panamax"	a dry bulk vessel with a capacity of between 60,000 and 99,999 DWT
"Capesize"	a dry bulk vessel with a capacity of over 100,000 DWT
"VLCC"	very large crude oil carrier, a vessel designed for the carriage of crude oil with a capacity of between 200,000 to 319,999 DWT
"hire"	a sum of money to be paid to the shipowner by a charterer under a time charter for the use of a vessel

"IHC pool"	a commercial pool of Handysize tonnage managed by International Handybulk Carriers Limited
"ISM Code"	the International Management Code for the Safe Operation of Ships and for Pollution Prevention
"off-hire"	the situation applying to a ship on time charter when hire temporarily ceases to be paid by the charterer, or the time gap between two charters
"operating costs"	the costs of operating a ship which primarily consists of the costs of lubricants, spare parts, repairs and maintenance, crewing costs and insurance costs (but excluding capital expenditure, drydocking costs and voyage costs)
"P&I insurance"	protection and indemnity insurance, obtained through a mutual association formed by shipowners to provide liability indemnification protection from various liabilities to which they are exposed in the course of their business, and which spreads the liability costs of each member by requiring contribution by all members in the event of a loss
"P&I Association"	a mutual association providing P&I insurance coverage
"port charges"	a general term which includes charges and dues of every nature assessed against a vessel, cargo and passengers in a port. Such charges can be classified into three categories: (i) charges in relation to the vessel such as vessel tonnage tax, vessel port dues, pilot fee and towage, (ii) charges in relation to the cargoes such as cargo port duties, loading and discharge fees and cargo handling fees and (iii) other expenses such as ship repairing costs and advances by the crew
"technical management"	management of those aspects of ship owning and operation that relate to the physical operation of a vessel, including the provision of crew, routine maintenance, repairs, drydocking and supplies of stores and spares
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet
"time charter"	contract under which the shipowner hires out a ship for a specified period of time. The shipowner is responsible for providing the crew and paying the operating costs while the charterer is responsible for paying the voyage costs. The shipowner is paid charter hire on a per day basis
"voyage charter"	contract under which a shipowner hires out a ship for a specific voyage between the loading port and the discharging port. The shipowner is responsible for paying both the operating costs and the voyage costs. The shipowner is paid freight on the basis of cargo movement between ports

Corporate Information

REGISTERED OFFICE

21st Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Huen Po Wah, *ACS ACIS*

AUTHORISED REPRESENTATIVES

Mr. Tian Zhongshan
Mr. Li Hua

AUDIT COMMITTEE

Mr. Tsang Hing Lun *(Chairman)*
Mr. Pan Deyuan
Mr. Zhou Qifang
Mr. Lee Peter Yip Wah

REMUNERATION COMMITTEE

Mr. Hu Hanxiang *(Chairman)*
Mr. Zhao Huxiang
Mr. Tsang Hing Lun

NOMINATION COMMITTEE

Mr. Zhao Huxiang *(Chairman)*
Mr. Lee Peter Yip Wah
Mr. Hu Hanxiang
Mr. Zhou Qifang

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Ltd., Harbour Road Branch
G/F., China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
ICBC Tower
122-126 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corp. Ltd.,
Sun Hung Kai Centre Branch
115-117 & 127-133 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

COMPLIANCE ADVISER

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

LEGAL ADVISERS TO OUR COMPANY

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

中外運航運有限公司
Sinotrans Shipping Limited
(incorporated in Hong Kong with limited liability)

www.sinotranship.com