SINOTRANS

Productivity Efficiency Diversity

Interim Report 2009

中外運航運有限公司
Sinotrans Shipping Limited

(incorporated in Hong Kong with limited liability)

Stock code: 368

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Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Mr. Zhao Huxiang *(Chairman)*
Mr. Pan Deyuan

Independent non-executive Directors:

Mr. Hu Hanxiang
Mr. Tsang Hing Lun
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang

REGISTERED OFFICE

21 Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Huen Po Wah, *ACIS ACS*

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
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PRINCIPAL BANKERS

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The Hongkong and Shanghai Banking Corp. Ltd.,
Sun Hung Kai Centre Branch
115–117 & 127–133 Sun Hung Kai Centre
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AUDITOR

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WEBSITE

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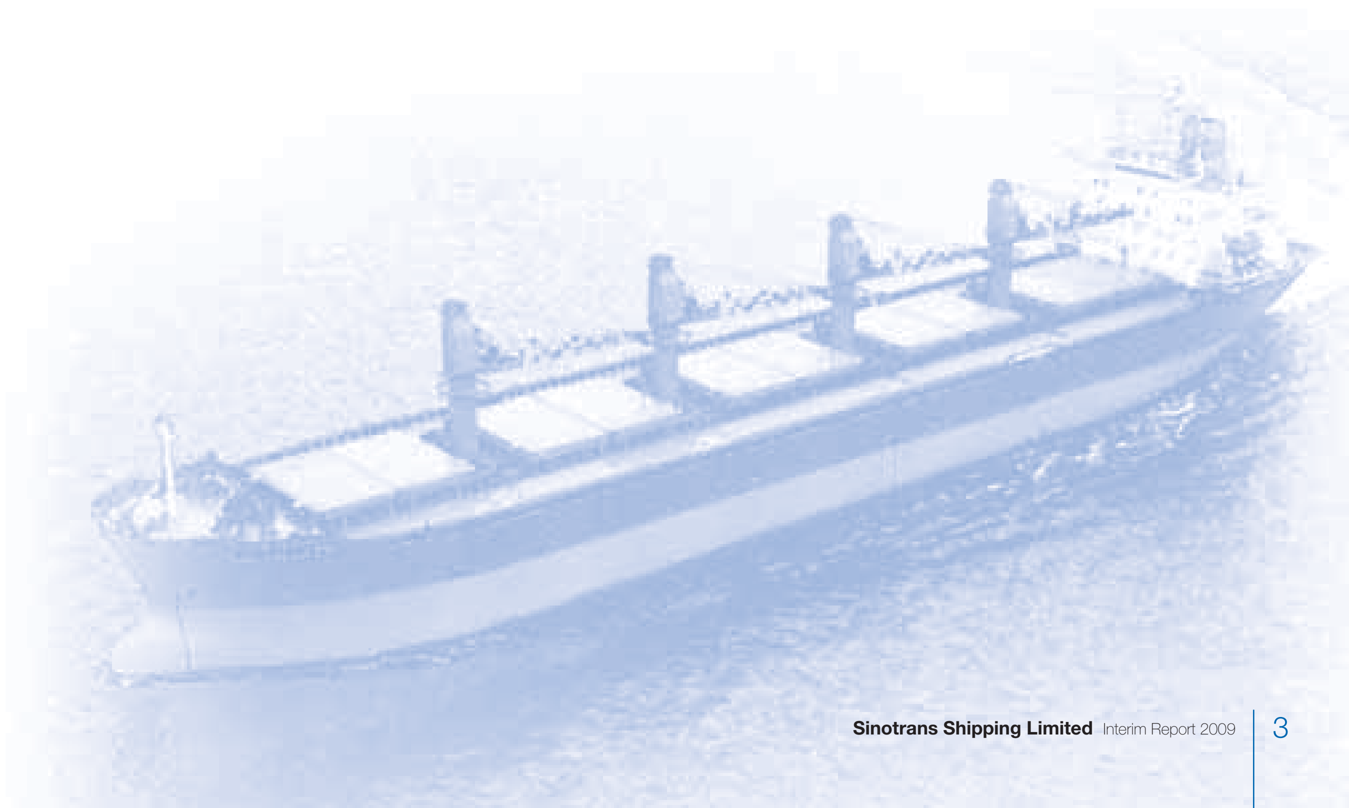


Interim Financial Information

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 US$'000	2008 US$'000
Revenues	3	**119,497**	234,412
Cost of operations		**(62,275)**	(88,424)
Gross profit		**57,222**	145,988
Selling, administrative and general expenses		**(7,341)**	(6,093)
Other operating income	4	**1,003**	14,826
Operating profit		**50,884**	154,721
Finance income	5	**14,615**	22,485
Finance costs	5	**(475)**	(5,852)
Share of (losses)/profits of jointly controlled entities		**(726)**	19,628
Profit before income tax		**64,298**	190,982
Income tax expense	6	**(236)**	(165)
Profit attributable to equity holders of the Company		**64,062**	190,817
Other comprehensive income			
Exchange difference		**90**	32
Total comprehensive income for the period		**64,152**	190,849
Earnings per share			
– Basic and diluted	8	**US1.6 cents**	US4.8 cents
Dividends	9	**10,236**	51,274

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	**As at 30 June 2009 US$'000**	As at 31 December 2008 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**656,734**	661,570
Interests in jointly controlled entities		**53,303**	54,029
Loan to a jointly controlled entity		**24,693**	26,539
		734,730	742,138
Current assets			
Inventories		**390**	703
Loan to a jointly controlled entity		**3,692**	3,692
Trade and other receivables	11	**27,189**	32,478
Cash and bank balances		**1,267,687**	1,369,812
		1,298,958	1,406,685
Total assets		**2,033,688**	2,148,823
EQUITY			
Capital and reserves			
Share capital	12	**51,239**	51,239
Reserves		**1,950,407**	1,947,672
		2,001,646	1,998,911
LIABILITIES			
Non-current liabilities			
Borrowings	13	**–**	107,200
Deferred tax liabilities		**28**	28
		28	107,228
Current liabilities			
Trade and other payables	14	**31,681**	42,396
Taxation payable		**333**	288
		32,014	42,684
Total liabilities		**32,042**	149,912
Total equity and liabilities		**2,033,688**	2,148,823
Net current assets		**1,266,944**	1,364,001
Total assets less current liabilities		**2,001,674**	2,106,139

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	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 2009	**51,239**	**1,826,869**	**(450,507)**	**101**	**80**	**571,129**	**1,998,911**
Exchange differences	**–**	**–**	**–**	**–**	**90**	**–**	**90**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(61,417)**	**(61,417)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**64,062**	**64,062**
At 30 June 2009	**51,239**	**1,826,869**	**(450,507)**	**101**	**170**	**573,774**	**2,001,646**
At 1 January 2008	51,340	1,826,869	(450,507)	–	228	278,613	1,706,543
Exchange differences	–	–	–	–	32	–	32
Profit for the period	–	–	–	–	–	190,817	190,817
At 30 June 2008	51,340	1,826,869	(450,507)	–	260	469,430	1,897,392

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Net cash from operating activities	**74,992**	161,165
Net cash used in investing activities	**(51,342)**	(720,238)
Net cash used in financing activities	**(168,617)**	(102,800)
Net decrease in cash and cash equivalents	**(144,967)**	(661,873)
Cash and cash equivalents at 1 January	**260,483**	1,370,421
Effect of foreign exchange rate changes	**(124)**	(121)
Cash and cash equivalents at 30 June	**115,392**	708,427
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**1,267,687**	1,335,679
Less: Bank deposits with initial term of over three months	**(1,152,295)**	(627,252)
	115,392	708,427

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Sinotrans Shipping Limited (the "Company") was incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 engage 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 parent company is 中國外運長航集團有限公司 ("Sinotrans Group Company"), a state-owned enterprise established in the People's Republic of China (the "PRC").

The interim financial information was approved for issue by the board of directors of the Company (the "Board") on 11 August 2009.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted in the preparation of the interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2008 except that the Group has adopted the following new or revised standards, interpretations and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
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 32 Amendment	Financial Instruments: Presentation
HKAS 36 Amendment	Impairment of Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HK(IFRIC) 16	Hedges of Net Investment in a Foreign Operation

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The adoption of the above new or revised standards, interpretations and amendments did not have significant effect on the unaudited condensed consolidated financial statements or result in any significant changes in the Group's significant accounting policies except as described below.

(a) HKFRS 8, "Operating Segments". It replaces HKAS 14, "Segment reporting" and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(b) HKAS 1 (Revised), "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (relating to non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2009. The Group has not early adopted these new and revised HKFRS.

3 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues from operations of dry bulk shipping, oil tanker shipping and container shipping totalling US$119,079,000 (six months ended 30 June 2008: US$233,564,000) and other shipping related businesses totalling US$418,000 (six months ended 30 June 2008: US$848,000) respectively.

(b) Segment information

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

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

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

Management considers 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 presentation of geographical information.

3 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Six months ended 30 June 2009				
	Dry bulk shipping US$'000	**Oil tanker shipping US$'000**	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Total revenues	**109,584**	**5,051**	**10,755**	**4,164**	**129,554**
Inter-segment revenues	**(772)**	**–**	**–**	**(3,746)**	**(4,518)**
Revenues from external customers	**108,812**	**5,051**	**10,755**	**418**	**125,036**
Segment results	**51,030**	**(414)**	**2,983**	**1,138**	**54,737**
Depreciation	**12,472**	**–**	**2,574**	**71**	**15,117**
Addition to non-current assets	**9,544**	**–**	**426**	**264**	**10,234**

	Six months ended 30 June 2008				
	Dry bulk shipping US$'000	Oil tanker shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	212,790	39,984	7,238	3,815	263,827
Inter-segment revenues	(1,010)	–	–	(2,967)	(3,977)
Revenues from external customers	211,780	39,984	7,238	848	259,850
Segment results	136,788	37,469	2,385	942	177,584
Depreciation	10,391	1,273	1,371	54	13,089
Addition to non-current assets	41,136	–	46,878	18	88,032

Revenues between segments are carried out on terms with reference to the market practice. Revenues from external customers reported to the Directors are measured in a manner consistent with that in the consolidated statement of comprehensive income, except that revenues from the Group's jointly controlled entities are measured in a proportionate consolidated basis in the segment information.

3 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Revenues from external customers for reportable segments	**125,036**	259,850
Revenues from external customers derived by jointly controlled entities measured at proportional basis	**(5,539)**	(25,438)
Total revenues per consolidated statement of comprehensive income	**119,497**	234,412

The Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. This measurement includes the results from the Group's jointly controlled entities on a proportionate consolidated basis. Corporate expenses, finance income and finance costs are not included in the segment results.

A reconciliation of segment results to profit before income tax is provided as follows:

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Segment results for reportable segments	**54,737**	177,584
Corporate expenses	**(4,579)**	(3,235)
Finance income	**14,615**	22,485
Finance costs	**(475)**	(5,852)
Profit before income tax	**64,298**	190,982

3 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	As at 30 June 2009				
	Dry bulk shipping US$'000	**Oil tanker shipping US$'000**	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**612,705**	**68,003**	**99,479**	**7,512**	**787,699**
Segment assets include:					
Interests in jointly controlled entities	**14,741**	**38,562**	**–**	**–**	**53,303**
Loan to a jointly controlled entity	**–**	**28,385**	**–**	**–**	**28,385**
Segment liabilities	**24,604**	**307**	**529**	**2,639**	**28,079**

	As at 31 December 2008				
	Dry bulk shipping US$'000	Oil tanker shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	621,666	70,229	102,816	6,027	800,738
Segment assets include:					
Interests in jointly controlled entities	15,239	38,790	–	–	54,029
Loan to a jointly controlled entity	–	30,231	–	–	30,231
Segment liabilities	30,190	442	541	4,454	35,627

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Segment assets	**787,699**	800,738
Corporate assets	**1,245,989**	1,348,085
Total assets per the consolidated balance sheet	**2,033,688**	2,148,823

3 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Segment liabilities	**28,079**	35,627
Corporate liabilities	**3,935**	114,257
Deferred tax liabilities	**28**	28
Total liabilities per the consolidated balance sheet	**32,042**	149,912

4 OTHER OPERATING INCOME

	Six months ended 30 June	
	2009 US$'000	2008 US$'000
(Loss)/gain on sale of property, plant and equipment	**(5)**	14,009
Interest income from jointly controlled entities	**1,008**	817
	1,003	14,826

5 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2009 US$'000	2008 US$'000
Finance income		
Interest income on bank deposits	**14,615**	22,485
Finance costs		
Bank loans – wholly repayable within five years	**(475)**	(4,035)
Foreign exchange loss on financing activities	**–**	(1,743)
Others	**–**	(74)
	(475)	(5,852)
	14,140	16,633

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Current income tax		
– Hong Kong profits tax	**139**	15
– Overseas taxation	**97**	150
	236	165

7 EMPLOYEE BENEFIT EXPENSE

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Wages and salaries	**2,237**	2,048
Pension costs – defined contribution plans	**58**	51
	2,295	2,099

8 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 period.

	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (US$'000)	**64,062**	190,817
Weighted average number of shares in issue (thousands)	**3,992,100**	4,000,000
Basic earnings per share (US cents per share)	**1.6**	4.8

As there were no diluted potential ordinary shares outstanding during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil), the diluted earnings per share for the six months ended 30 June 2009 is equal to basic earnings per share.

9 DIVIDENDS

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Interim dividend, proposed of HK2 cents (2008: HK10 cents) per share	**10,236**	51,274

At a Board meeting held on 11 August 2009, the Board resolved to declare the payment of an interim dividend of HK2 cents (2008: HK10 cents) (equivalent to US0.26 cents (2008: US1.28 cents)) per share, totalling US$10,236,000 (2008: US$51,274,000) for the six months ended 30 June 2009. The interim dividend declared is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31 December 2009.

10 PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	US$'000	US$'000
Cost		
At 1 January	**940,762**	840,045
Exchange differences	**34**	(16)
Additions	**10,234**	88,032
Disposals and write-off	**(2,411)**	(42,200)
Classified as asset held for sale	**–**	(35,151)
At 30 June	**948,619**	850,710
Accumulated depreciation		
At 1 January	**279,192**	291,321
Exchange differences	**(30)**	(7)
Charge for the period	**15,117**	13,089
Disposals and write-off	**(2,394)**	(21,918)
Classified as asset held for sale	**–**	(14,737)
At 30 June	**291,885**	267,748
Net book value		
At 30 June	**656,734**	582,962

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Trade receivables		
– fellow subsidiaries	**8,238**	8,218
– other state-owned enterprises	**671**	1,520
– third parties	**1,873**	2,492
	10,782	12,230
Prepayments, deposits and other receivables	**15,007**	19,080
Amounts due from related parties	**1,400**	1,168
Total	**27,189**	32,478

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

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Within 6 months	**9,050**	11,136
7-12 months	**1,596**	527
1-2 years	**136**	559
2-3 years	**–**	8
	10,782	12,230

12 SHARE CAPITAL

	Number of shares Ordinary shares of HK$0.1 each	**Nominal value US$'000**
Authorised:		
At 1 January and 30 June 2008 and 2009	50,000,000,000	641,026
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	3,992,100,000	51,239
At 1 January 2008 and 30 June 2008	4,000,000,000	51,340

13 BORROWINGS

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Non-current	–	107,200

Movement in borrowings is analysed as follows:

	2009 US$'000	2008 US$'000
Opening amount at 1 January	107,200	239,725
Repayment	(107,200)	(102,800)
Bank loan arrangement fee amortised	–	50
Closing amount at 30 June	–	136,975

14 TRADE AND OTHER PAYABLES

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Trade payables		
– fellow subsidiaries	292	741
– other state-owned enterprises	385	364
– third parties	6,793	12,006
	7,470	13,111
Other payables and accruals	15,175	19,235
Amounts due to related parties	9,036	10,050
Total	31,681	42,396

Ageing analysis of trade payables at the respective balance sheet dates is as follows:

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Within 6 months	7,030	12,722
7-12 months	175	146
1-2 years	82	47
2-3 years	89	102
Over 3 years	94	94
	7,470	13,111

15 CONTINGENT LIABILITIES

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

16 COMMITMENTS

(a) Capital commitments in respect of vessels under construction

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Contracted but not provided for	**381,860**	388,240

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

At 30 June 2009, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Office premises		
– No later than one year	**531**	1,060
– Later than one year and no later than five years	**217**	213
	748	1,273
Vessels		
– No later than one year	**275**	424
	1,023	1,697

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

At 30 June 2009, 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 31 months:

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Vessels		
– No later than one year	**131,863**	124,153
– Later than one year and no later than five years	**29,172**	25,528
	161,035	149,681

17 RELATED PARTY TRANSACTIONS

Sinotrans Group Company, the parent company of the Group, 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.

In addition to the related party transactions shown elsewhere in the interim financial information, the Group enters into various other related party transactions. Set out below is a summary of significant related party transactions and balances during the period.

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

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Charter-hire income from fellow subsidiaries	**10,111**	26,104
Commission expenses to fellow subsidiaries	**(111)**	(981)
Commercial management fee for oil tanker shipping to a fellow subsidiary	**(100)**	(242)
Expenses for hiring of crews and seafarers for fellow subsidiaries	**(3,267)**	(1,661)
Shipping agency fee to fellow subsidiaries	**(70)**	(73)
Interest income from jointly controlled entities	**1,008**	817

In the opinion of the Directors, 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) 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 30 June 2009, the 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.

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

17 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Charter-hire income	**4,031**	993
Ocean freight income	**–**	4,136
Bank interest income	**14,567**	22,474
Bank loans interest expenses	**(475)**	(4,035)
Charter-hire expenses	**(1,764)**	(4,634)
Commission expenses	**(294)**	(480)
Expenses for hiring of crews and seafarers	**(3)**	(116)

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.

18 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

In July 2009, the Group entered into agreements with third parties to purchase four vessels for an aggregate consideration of US$110,500,000. The vessels to be acquired include a container vessel, a panamax size dry bulk vessel and two handymax size dry bulk vessels and these vessels are expected to be delivered between August to October 2009.

REVIEW OF HISTORICAL OPERATING RESULTS

Revenues

Under the impact of the financial crisis, the real economy entered into recession and the shipping market remained gloomy. The low levels of charter hire and freight rate inevitably resulted in a larger decline in the Group's results.

We recorded a decline rate of 49.0% in its revenues which amounted to US$119.5 million (2008: US$234.4 million) for the six months ended 30 June 2009. The decrease was primarily attributable to the decrease in the revenues from dry bulk shipping and oil tanker shipping.

We set forth below the revenues contribution from each business segment for the six months ended 30 June 2009:

	Six months ended 30 June		
	2009	2008	
	US$'000	US$'000	% Change
Revenues			
— Dry bulk shipping	**108,812**	211,780	(48.6%)
— Oil tanker shipping	**5,051**	39,984	(87.4%)
— Container shipping	**10,755**	7,238	48.6%
— Others	**418**	848	(50.7%)
	125,036	259,850	(51.9%)
Revenues derived by jointly controlled entities measured at proportional basis	**(5,539)**	(25,438)	(78.2%)
Total revenues per statement of comprehensive income	**119,497**	234,412	(49.0%)

We set forth below the average daily charter hire rate/ time charter equivalent rate ("TCE") for each segment of our charter hire business for the six months ended 30 June 2009:

	Six months ended 30 June		
	2009	2008	
	US$	US$	% Change
Dry bulk vessel (Average daily charter hire rate)	**20,065**	37,409	(46.4%)
Oil tanker(*) (Average daily TCE)	**27,306**	72,559	(62.4%)
Container vessel (Average daily charter hire rate)	**6,730**	6,291	7.0%

* Average daily TCE of oil tanker 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.

Dry bulk shipping

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

With the introduction and implementation of economic stimulus programs being imposed by various countries, in particular plans for stimulating domestic demand by the Chinese government gradually taking effect, which has driven the demand for raw materials particularly the iron ore in China, the Baltic Dry Index ("BDI") rebounded in the first half of 2009, but the average BDI still recorded a decline of 75% compared with the corresponding period last year. Our average charter hire rate decreased from US$37,409 to US$20,065, which represents a decrease of 46.4 %. Our revenue from charter hire income for the period ended 30 June 2009 decreased by 47.2% to US$90.0 million (2008: US$170.6 million).

Revenue from ocean freight income decreased by 54.4% to US$18.8 million (2008: US$41.2 million) due to the decrease in freight rate.

Oil tanker shipping

Revenue from oil tanker shipping services for the period ended 30 June 2009 was US$5.1 million (2008: US$40.0 million), which represents a decrease of 87.4%. The decrease was primarily due to the decrease in net tonnage with the reduction of two VLCCs in the oil tanker fleet in 2008 and market downturn.

Container shipping

With the delivery and commencement of operations of four new container vessels in the year 2008, revenue from container shipping was US$10.8 million (2008: US$7.2 million) representing an increase of 48.6%. 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 business from US$6,291 in 2008 to US$6,730 in 2009.

Cost of operations

For the six months ended 30 June 2009, cost of operations was US$62.3 million (2008: US$88.4 million), which represents a decrease of 29.6%. The decrease in the cost of operations was primarily due to the significant decrease in operating lease expenses for charter-in vessels, brokerage and commission, inventories consumed, and partially offset by the increase in depreciation expenses and expenses for hiring of crews and seafarers.

Operating lease expenses

Operating lease expenses for vessels was US$7.6 million (2008: US$29.0 million), which represents a decrease of 73.7%. The decrease was primarily due to a decrease in the hire rates of our Group's charter-in vessels for our voyage charter business resulting from the adverse market condition.

Brokerage and commission

Brokerage and commission were US$4.5 million (2008: US$9.0 million), which represents a decrease of 50.1%. It mainly comprises address commission and broker commission, which the decrease are in line with the drop in the revenue from dry bulk shipping.

Inventories consumed

Inventories consumed, comprising both fuel oil and diesel oil were US$8.0 million (2008: US$10.2 million), which represents a decrease of 20.9%. The decrease was primarily due to a decrease in operating days of our oil tankers as a result of disposal of two single-hull VLCCs in the year 2008. The drop in bunker price also contributes to a decrease in inventories consumed.

Depreciation expenses

Depreciation expenses for vessels were US$15.0 million (2008: US$13.0 million), which represents an increase of 15.4%. The increase was due to a decrease of residual value of the vessels caused by the drop in scrap value of steel.

Expenses for hiring of crews and seafarers

Expenses for hiring of crews and seafarers were US$11.0 million (2008: US$9.0 million), which represents an increase of 22.5%. The increase was primarily due to the commencement of operations of four new container vessels in year 2008 and upward adjustment of the salary and wages of our crews and seafarers.

Other operating income

Other operating income was US$1.0 million (2008: US$14.8 million), which represents a decrease of 93.2%. The decrease was mainly due to the gain on disposal of a single-hull VLCC of US$14.0 million in 2008.

Finance income

Finance income was US$14.6 million (2008: US$22.5 million), which represents a decrease of 35.0%. The decrease was due to the decrease in the interest rate during the period.

Finance costs

Finance costs were US$0.5 million (2008: US$5.9 million), which represents a decrease of 91.9%. The decrease was mainly due to the full repayment of the bank borrowings during the period.

Share of losses/profits of jointly controlled entities

Share of losses of jointly controlled entities, namely, M.S. Tanker Shipping Limited and Faship Maritime Carriers Inc., was US$0.7 million (2008: share of profits of US$19.6 million). It is resulted from the share of gain on sale of a single-hull VLCC of US$10.8 million in June 2008, the decrease in the ocean freight income and charter hire income in 2009.

Income tax expense

Income tax was US$236,000 (2008: US$165,000). The effective income tax rate was 0.37 % (2008: 0.09%).

LIQUIDITY AND FINANCIAL RESOURCES

Our principal uses of cash have been, for repayment of bank loans, payment for construction of new vessels, operation costs and working capital in the first half of 2009. We have financed our liquidity requirements primarily through internal generated cash.

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

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Current assets	**1,298,958**	1,406,685
Current liabilities	**32,014**	42,684
Liquidity ratio (note)	**40.6**	33.0

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

Our liquidity ratios as at 30 June 2009 and 31 December 2008 were 40.6 and 33.0 respectively. The increase in liquidity ratio was primarily due to the repayment of bank borrowings during the period.

Borrowings

Our borrowings as at 30 June 2009 are as follows:

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Non-current		
Bank loans, secured	**–**	107,200

Our borrowings was fully repaid in the period ended 30 June 2009.

Gearing ratio is not presented as our Group recorded as net surplus as at 30 June 2009 and 31 December 2008.

Commitments

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

	As at 30 June 2009 US$'000	As at 31 December 2008 US$'000
Contracted but not provided for	**381,860**	388,240

The capital commitment of our Group represented several new building contracts for the construction of dry bulk vessels to be delivered in subsequent periods.

Capital Expenditures

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

For the six months ended 30 June 2009, total capital expenditures were US$10.2 million which was attributable to the capital expenditures for construction of dry bulk vessels and dry dock maintenance in the first half of the year.

Foreign Exchange Risks

Our 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. Our 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. Our Group currently does not have regular and established hedging policy in place. Our 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 30 June 2009, our Group had Hong Kong dollar net monetary assets of US$62.5 million (31 December 2008: US$39.6 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 30 June 2009.

Contingencies

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

Employees

As at 30 June 2009, our Group had a total of 98 shore-based employees working in our offices in Hong Kong, Canada and Singapore. Details of employees' remuneration, our remuneration policy and staff development were substantially the same as those disclosed in the 2008 Annual Report without significant changes.

Fleet Development

Our Group adjusted its shipping capacity in a timely manner with reference to market demand and characteristics of its fleet so as to build up a fleet with competitive edge. We seized market opportunities and purchased one container vessel with a capacity of 1,049

TEUs, two Handymax dry bulk vessels and one Panamax dry bulk vessel at low costs during the year. The above vessels would be delivered and put into operation in the second half of the year, which further expand our fleet with a more optimised structure so as to strengthen our overall competitiveness in the international market.

Share Option

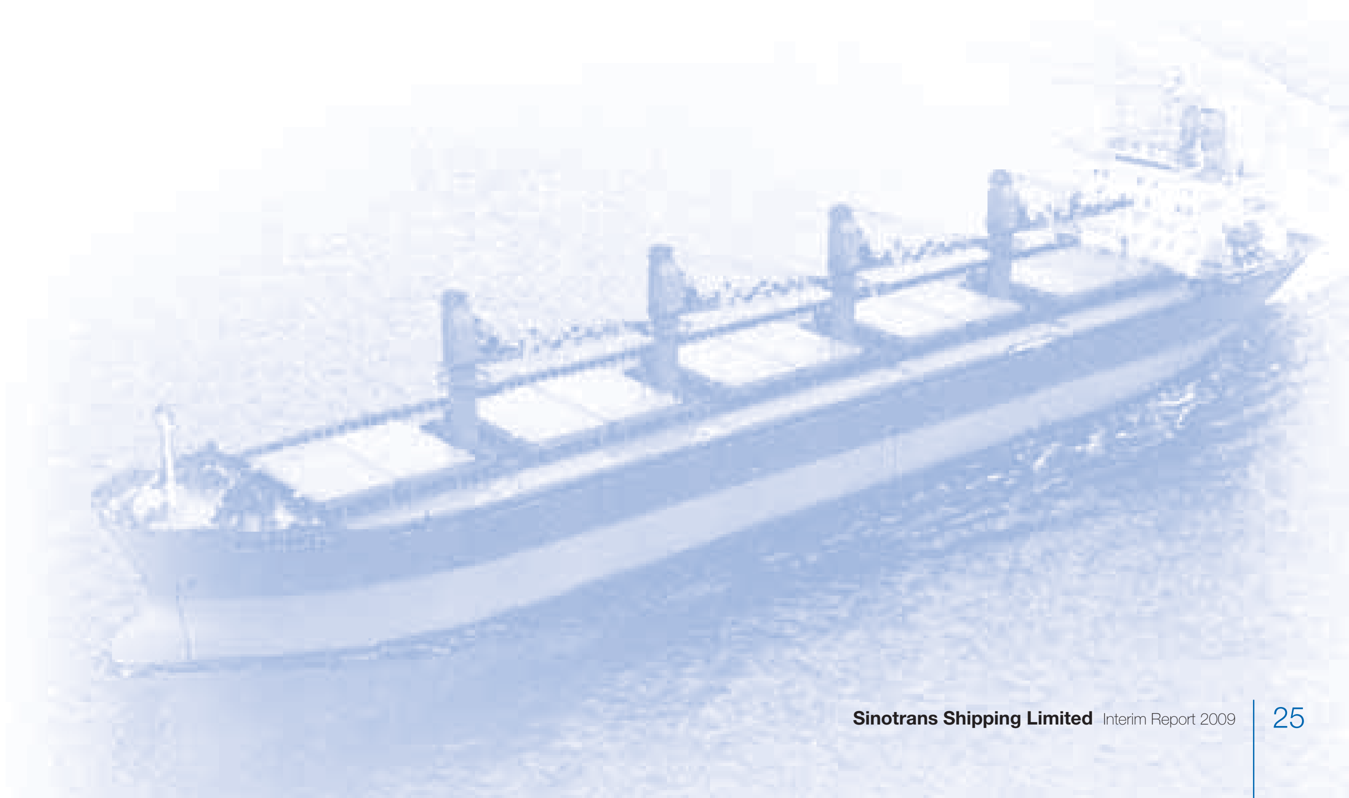
A share option scheme of our Company was adopted by the written resolutions of the sole shareholder on 31 October 2007. No share option was granted under our share option scheme as at 30 June 2009.

OUTLOOK

Looking forward into the second half of the year, it is believed that by leveraging on the accumulated positive factors, the shipping market, especially the dry bulk sector, has weathered the worst period and it will maintain in a positive situation as the world economy picks up gradually although substantial volatility is still inevitable. Firstly, the economic recession in major developed countries tends to slow down while the effect of measures to expand the domestic demand in China has also gradually taken effect. The recovery of the global economy is expected to embark at the end of 2009 or in the first half of 2010 and the demand in shipping market is expected to step up. Secondly, although the vast number of orders for newbuilding vessels will result in pressure of oversupply in the shipping market, the increasing scrapping of aged vessels and the cancellation or delay of delivery of some newbuilding orders can partly offset the effect of the new supply of shipping capacity. Taking advantage of the solid financial position, sufficient cash, low cost structure, young and modernised fleet of our Group, we will uphold our moderate operation strategies, strive to seize the market trend and actively strengthen our management with emphasis on risk control and avoidance. We will also identify opportunities for fleet development to further expand and optimise our fleet structure to ensure a steady development of our business.

AUDIT COMMITTEE

The Audit Committee has reviewed the interim report of our Group for the six months ended 30 June 2009. In addition, our Company's independent auditor, PricewaterhouseCoopers, has performed a review of the interim financial information of the Group in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.



Interim Dividend

Our Board has resolved to declare the payment of an interim dividend of HK2 cents (equivalent to US0.26 cents) per share for the six months ended 30 June 2009. It is expected that the interim dividend will be paid on or after 11 September 2009 to shareholders whose names appear on the register of members on 4 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 August 2009 to 4 September 2009 (both days inclusive), during which no transfers will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with our Company's share registrar, Computershare Hong Kong Investor Services Limited of Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 August 2009 for registration.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2009, none of the directors and chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered into the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the interests or short positions of the following persons (other than directors or chief executive of the Company) in the shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the 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	2,717,000,000	68.06%
Sinotrans Shipping (Holdings) Limited (Note 1)	Long Position	Beneficial owner	2,600,000,000	65.13%

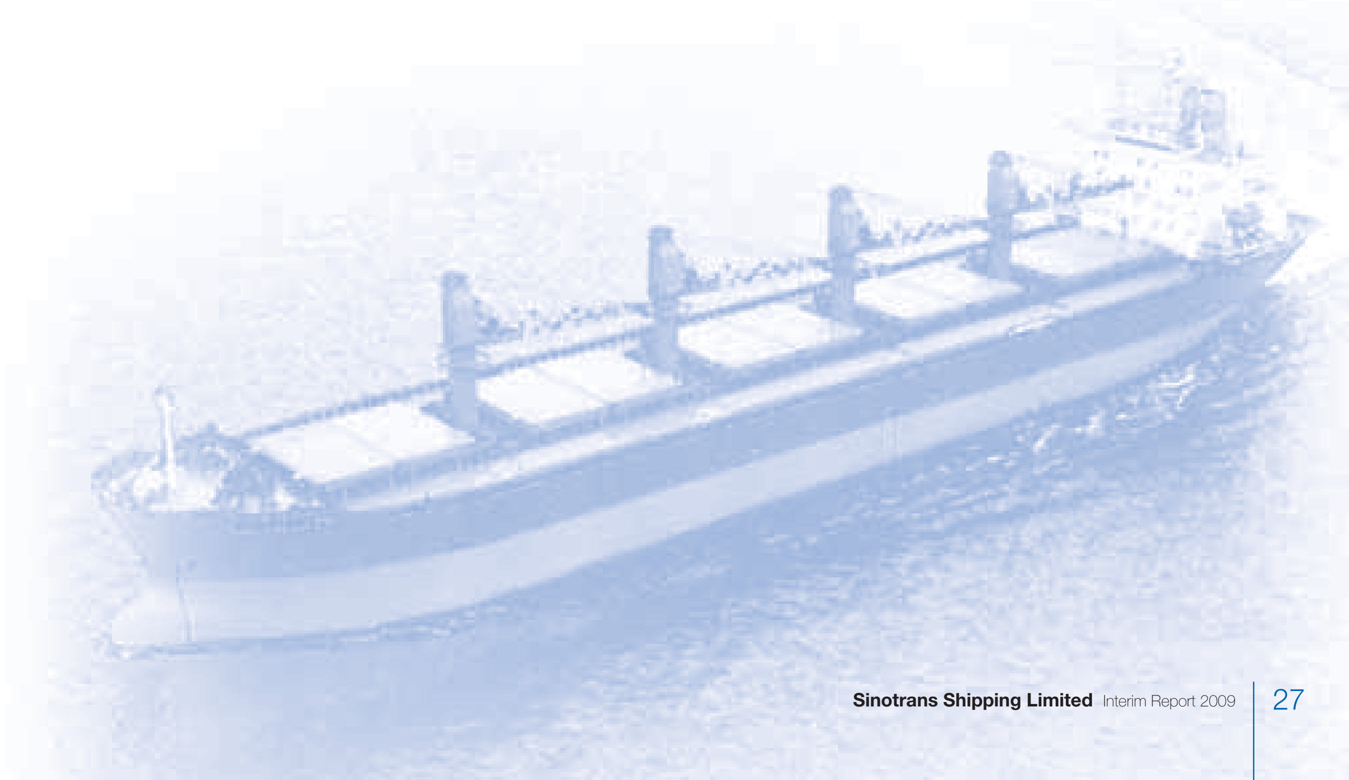
Notes:

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

Save as disclosed above, as at 30 June 2009, no other person (other than directors or chief executive 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2009.



CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance and has adopted the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules as the code of corporate governance practices of the Company. The Company has complied with all the code provisions in effect as set out in the Code throughout the six months ended 30 June 2009.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2009.