中外運航運有限公司
SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)
Stock Code : 368

SINOTRANS SHIPPING LTD.
INTERIM REPORT 2011

Contents

Corporate Information

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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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LEGAL ADVISERS TO OUR COMPANY

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Hong Kong

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Note	Six months ended 30 June **2011** **US$'000**	 2010 US$'000
Revenues	3	**134,408**	133,714
Cost of operations		**(82,953)**	(77,048)
Gross profit		**51,455**	56,666
Selling, administrative and general expenses		**(7,497)**	(6,005)
Other operating income	4	**947**	235
Operating profit		**44,905**	50,896
Finance income	5	**9,039**	4,957
Share of profits of jointly controlled entities		**1,408**	2,825
Profit before income tax		**55,352**	58,678
Income tax expense	6	**(136)**	(201)
Profit attributable to equity holders of the Company		**55,216**	58,477
Other comprehensive income			
Exchange differences		**90**	(44)
Total comprehensive income for the period		**55,306**	58,433
Earnings per share			
– Basic and diluted	8	**US1.38 cents**	US1.46 cents
Dividends	9	**10,236**	10,236

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2011

	Note	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,078,794**	1,029,020
Interests in jointly controlled entities		**53,561**	52,153
Loans to jointly controlled entities	16(b)	**12,750**	32,655
Finance lease receivable from a fellow subsidiary		**95,634**	–
Bank deposit		**58,600**	–
		1,299,339	1,113,828
Current assets			
Inventories		**3,022**	–
Loans to jointly controlled entities	16(b)	**1,500**	5,192
Trade and other receivables	11	**39,578**	36,943
Finance lease receivable from a fellow subsidiary		**3,506**	–
Cash and bank balances			
– Restricted		**7,500**	7,500
– Unrestricted		**825,198**	1,000,023
		880,304	1,049,658
Total assets		**2,179,643**	2,163,486
EQUITY			
Capital and reserves			
Share capital	12	**51,239**	51,239
Reserves		**2,098,836**	2,074,304
		2,150,075	2,125,543
LIABILITIES			
Current liabilities			
Trade and other payables	13	**28,713**	37,233
Taxation payable		**855**	710
		29,568	37,943
Total equity and liabilities		**2,179,643**	2,163,486
Net current assets		**850,736**	1,011,715
Total assets less current liabilities		**2,150,075**	2,125,543

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	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 2011	**51,239**	**1,826,869**	**(450,507)**	**101**	**356**	**697,485**	**2,125,543**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**55,216**	**55,216**
Other comprehensive income							
Exchange differences	**–**	**–**	**–**	**–**	**90**	**–**	**90**
Total comprehensive income	**–**	**–**	**–**	**–**	**90**	**55,216**	**55,306**
Transaction with owners							
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(30,774)**	**(30,774)**
At 30 June 2011	**51,239**	**1,826,869**	**(450,507)**	**101**	**446**	**721,927**	**2,150,075**
At 1 January 2010	51,239	1,826,869	(450,507)	101	222	605,805	2,033,729
Comprehensive income							
Profit for the period	–	–	–	–	–	58,477	58,477
Other comprehensive income							
Exchange differences	–	–	–	–	(44)	–	(44)
Total comprehensive income	–	–	–	–	(44)	58,477	58,433
Transaction with owners							
Dividend paid	–	–	–	–	–	(25,583)	(25,583)
At 30 June 2010	51,239	1,826,869	(450,507)	101	178	638,699	2,066,579

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
Net cash from operating activities	**64,993**	69,073
Net cash used in investing activities	**(33,784)**	(135,421)
Net cash used in financing activities	**(30,774)**	(25,583)
Net increase/(decrease) in cash and cash equivalents	**435**	(91,931)
Cash and cash equivalents at 1 January	**146,182**	238,381
Effect of foreign exchange rate changes	**83**	104
Cash and cash equivalents at 30 June	**146,700**	146,554
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**891,298**	1,032,203
Less: Bank deposits with initial term of over three months	**(737,098)**	(878,149)
Restricted bank balance (note 14)	**(7,500)**	(7,500)
Cash and cash equivalents	**146,700**	146,554

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") are principally engaged 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 SINOTRANS & CSC Holdings Co., Ltd. ("Sinotrans & CSC Group Company"), a state-owned enterprise established in the People's Republic of China (the "PRC").

This interim financial information was approved for issue by the Board of Directors on 25 August 2011.

This interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, 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 2010 except that the Group has adopted the following revised standards, interpretations and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning 1 January 2011.

HKFRSs Amendments	Improvements to HKFRSs 2010
HKFRS 7 Amendment	Financial Instruments: Disclosure
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 24 (Revised)	Related Party Disclosures
HKAS 34 Amendment	Interim Financial Reporting
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

HKAS 24 (Revised), "Related Party Disclosures". The revised standard introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

– the name of the government and the nature of their relationship; and
– the nature and amount of any individually-significant transactions; and
– the extent of any collectively-significant transactions qualitatively or quantitatively

It also clarifies and simplifies the definition of a related party.

The HKICPA has issued the following new standards and amendments to standards which are not effective for accounting period beginning 1 January 2011:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013

The Group has not early adopted these new and revised HKFRS but has already commenced an assessment of the related impact on the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

The preparation of the interim financial information requires management to make judgements, estimations and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equate the related actual results.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2010.

3 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues from operation of dry bulk shipping, oil tanker shipping and container shipping totalling US$133,623,000 (six months ended 30 June 2010: US$133,056,000) and other shipping related businesses totalling US$785,000 (six months ended 30 June 2010: US$658,000) 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 reports 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 vessel voyage chartering
– Oil tanker shipping – crude oil shipping services
– Container shipping – container vessel time chartering
– Others – shipping agency, ship management services and vessel leasing under finance lease

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.

	Six months ended 30 June 2011				
	Dry bulk shipping US$'000	**Oil tanker shipping US$'000**	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Total revenues	**125,662**	**3,634**	**11,128**	**4,822**	**145,246**
Inter-segment revenues	**(450)**	**–**	**–**	**(4,037)**	**(4,487)**
Revenues from external customers	**125,212**	**3,634**	**11,128**	**785**	**140,759**
Segment results	**46,095**	**312**	**2,605**	**992**	**50,004**
Depreciation	**22,514**	**–**	**2,622**	**83**	**25,219**
Additions to non-current assets	**74,249**	**–**	**687**	**100,048**	**174,984**

3 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Six months ended 30 June 2010				
	Dry bulk shipping US$'000	Oil tanker shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	125,246	8,611	9,755	4,144	147,756
Inter-segment revenues	(1,141)	–	–	(3,486)	(4,627)
Revenues from external customers	124,105	8,611	9,755	658	143,129
Segment results	52,748	2,317	1,427	293	56,785
Depreciation	16,898	–	2,783	44	19,725
Additions to non-current assets	164,646	–	37	37	164,720

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

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Revenues from external customers for reportable segments	**140,759**	143,129
Revenues from external customers derived by jointly controlled entities measured at proportional basis	**(6,351)**	(9,415)
Total revenues per the condensed consolidated statement of comprehensive income	**134,408**	133,714

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 and finance income are not included in the segment results.

3 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
Segment results for reportable segments	**50,004**	56,785
Corporate expenses	**(3,691)**	(3,064)
Finance income	**9,039**	4,957
Profit before income tax	**55,352**	58,678

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

	As at 30 June 2011				
	Dry bulk shipping US$'000	**Oil tanker shipping US$'000**	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**1,055,920**	**37,123**	**104,521**	**106,027**	**1,303,591**
Segment assets include:					
Interests in jointly controlled entities	**16,705**	**36,856**	**–**	**–**	**53,561**
Loans to jointly controlled entities	**14,250**	**–**	**–**	**–**	**14,250**
Segment liabilities	**21,042**	**6**	**437**	**3,784**	**25,269**

	As at 31 December 2010				
	Dry bulk shipping US$'000	Oil tanker shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	1,000,279	59,655	107,266	8,522	1,175,722
Segment assets include:					
Interests in jointly controlled entities	15,612	36,541	–	–	52,153
Loans to jointly controlled entities	15,000	22,847	–	–	37,847
Segment liabilities	25,950	63	1,184	4,908	32,105

3 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Segment assets	**1,303,591**	1,175,722
Corporate assets	**876,052**	987,764
Total assets per the condensed consolidated balance sheet	**2,179,643**	2,163,486

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Segment liabilities	**25,269**	32,105
Corporate liabilities	**4,299**	5,838
Total liabilities per the condensed consolidated balance sheet	**29,568**	37,943

4 OTHER OPERATING INCOME

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Finance lease income from a fellow subsidiary	**687**	–
Interest income from jointly controlled entities	**175**	232
Interest income from a fellow subsidiary (note 14)	**45**	3
Exchange difference	**40**	–
	947	235

5 FINANCE INCOME

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
Interest income on bank deposits	**9,039**	4,957

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 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	
	2011	2010
	US$'000	US$'000
Current income tax		
Hong Kong profits tax	**157**	52
Overseas taxation	**(21)**	149
	136	201

7 EMPLOYEE BENEFIT EXPENSE

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
Wages and salaries	**2,679**	2,628
Pension costs – defined contribution plans	**106**	88
	2,785	2,716

Notes to the Interim Financial Information

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	
	2011	2010
Profit attributable to equity holders of the Company (US$'000)	**55,216**	58,477
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cents per share)	**1.38**	1.46

As there were no diluted potential ordinary shares outstanding during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil), the diluted earnings per share is equal to basic earnings per share.

9 DIVIDENDS

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
Interim dividend, proposed of HK2 cents (2010: HK2 cents) per share	**10,236**	10,236

On 25 August 2011, the Board of Directors resolved to declare the payment of an interim dividend of HK2 cents (2010: HK2 cents) (equivalent to US0.26 cents (2010: US0.26 cents)) per share, totalling US$10,236,000 (2010: US$10,236,000) for the six months ended 30 June 2011. The interim dividend declared has not been reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

10 PROPERTY, PLANT AND EQUIPMENT

	2011 US$'000	2010 US$'000
Cost		
At 1 January	**1,359,580**	1,120,461
Exchange differences	**27**	(6)
Additions	**174,984**	164,720
Derecognition under finance lease	**(100,000)**	–
Write-off	**(3,885)**	(3,086)
At 30 June	**1,430,706**	1,282,089
Accumulated depreciation		
At 1 January	**330,560**	304,665
Exchange differences	**18**	(4)
Charge for the period	**25,219**	19,725
Write-off	**(3,885)**	(3,081)
At 30 June	**351,912**	321,305
Net book value		
At 30 June	**1,078,794**	960,784

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Trade receivables		
– fellow subsidiaries	**7,962**	8,614
– third parties	**6,783**	3,360
	14,745	11,974
Prepayments, deposits and other receivables	**23,884**	23,608
Amounts due from related parties	**949**	1,361
Total	**39,578**	36,943

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

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Within 6 months	**13,664**	10,946
7 – 12 months	**212**	104
1 – 2 years	**252**	877
2 – 3 years	**611**	47
Over 3 years	**6**	–
	14,745	11,974

12 SHARE CAPITAL

	Number of shares Ordinary shares of HK$0.1 each	Nominal value US$'000
Authorised:		
At 1 January and 30 June 2010 and 2011	50,000,000,000	641,026
Issued and fully paid:		
At 1 January and 30 June 2010 and 2011	3,992,100,000	51,239

13 TRADE AND OTHER PAYABLES

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Trade payables		
– fellow subsidiaries	**1,460**	878
– third parties	**7,670**	10,335
– a jointly controlled entity	**60**	779
	9,190	11,992
Other payables and accruals	**19,377**	24,515
Amounts due to related parties	**146**	726
Total	**28,713**	37,233

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

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Within 6 months	**8,734**	11,611
7 – 12 months	**166**	104
1 – 2 years	**89**	88
2 – 3 years	**92**	91
Over 3 years	**109**	98
	9,190	11,992

14 CONTINGENT LIABILITIES

A vessel chartered by Sinotrans (Germany) GmbH ("Sinotrans (Germany)"), a fellow subsidiary, from an independent third party (the "Third Party") was hijacked by pirates in November 2009 and was released in December 2009.

The Third Party requested Sinotrans (Germany) to provide security for losses and expenses incurred by the Third Party in connection with the hijack, and subsequently initiated legal proceedings in South Africa and detained a dry bulk vessel of the Group (the "Vessel") as security for enforcement of judgement. The Vessel was chartered from the Group to another independent third party immediately prior to the detention.

In order to minimise losses suffered by the Group as a result of the detention of the Vessel and to secure the release of the Vessel, the Group placed a bank deposit of US$7,500,000 (the "Payment") as a security to Bank of China (Hong Kong) Limited (the "Bank") to issue a bank guarantee to the Protection and Indemnity Club of the Group (the "P&I Club") for the issuance of a letter of undertaking (the "Letter of Undertaking") to the Third Party for a sum of US$6,825,848.94 as a condition for the Vessel to be released and the fees to be charged by P&I Club in connection with the Letter of Undertaking. On 11 June 2010, the P&I Club issued the Letter of Undertaking to the Third Party and the Vessel was released at the same date.

Pursuant to a deed of undertaking dated 18 June 2010 (the "Deed of Undertaking"), Sinotrans (Germany) undertook to indemnify and reimburse the Group (the "Indemnity") in respect of the following amounts:

(i) the full amount of US$7,500,000 or such lesser amount enforced by the P&I Club together with interest accrued on such amount from 18 June 2010 up to and including the date on which the Group receives the full amount of US$7,500,000 from Sinotrans (Germany) or the Bank calculated based on an interest rate of 1.18% per annum; and

(ii) any other payments, cost, expenses, losses or liabilities incurred or suffered by the Group arising out of or in connection with the Payment and/or detention of the Vessel.

Taking into account the indemnity given by Sinotrans (Germany), the Directors are of the opinion that the matter will not have significant financial impact on the Group.

Save as disclosed in the above, 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.

15 COMMITMENTS

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

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Authorised but not contracted for	**1,517**	1,018
Contracted but not provided for	**56,340**	225,670
	57,857	226,688

15 COMMITMENTS (Continued)

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

At 30 June 2011, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Office premises		
– no later than one year	**763**	200
– later than one year and no later than five years	**32**	127
	795	327
Vessels		
– no later than one year	**12,236**	7,953
	13,031	8,280

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

At 30 June 2011, 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 33 months:

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Vessels		
– no later than one year	**124,224**	126,845
– later than one year and no later than five years	**50,011**	70,189
	174,235	197,034

16 RELATED PARTY TRANSACTIONS

SINOTRANS & CSC Group Company, the parent company, is controlled by the PRC Government. The PRC Government is the Company's ultimate controlling party. In accordance with HKAS 24 (Revised), "Related Party Disclosures" issued by the HKICPA, enterprises directly or indirectly controlled, jointly controlled or significant influenced by the PRC Government ("state-owned enterprises"), together with SINOTRANS & CSC Group Company and its group companies are all related parties of the Group.

The Group has certain transactions with other state-owned enterprises including but are not limited to the charterhire income and expenses and bank interest income. In the ordinary course of the Group's business, transactions occur with state-owned enterprises are based on the terms and prices agreed by both parties.

Apart from the above-mentioned transactions with the state-owned enterprises, the following 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	
	2011	2010
	US$'000	US$'000
Charterhire income from fellow subsidiaries	**25,957**	10,773
Charterhire expenses paid to a jointly controlled entity	**(2,719)**	–
Commission expenses to fellow subsidiaries	**(713)**	(118)
Expenses for hiring of crews and seafarers to a fellow subsidiary	**(4,756)**	(3,890)
Finance lease income from a fellow subsidiary	**687**	–
Interest income from jointly controlled entities	**175**	235
Rental expenses to fellow subsidiaries	**(577)**	(383)
Service fee paid to a related company	**(333)**	(881)

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) At 30 June 2011, loans to jointly controlled entities are secured and bear interest at 1% (31 December 2010: 0.6% to 1%) over London Interbank Offered Rate per annum. The loans are repayable by installments and are wholly repayable in or before 2020.

16 RELATED PARTY TRANSACTIONS (Continued)

(c) Period ended balances arising from sales, purchases and other transactions with related parties were disclosed in notes 11 and 13.

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

(e) On 28 December 2010, the Group agreed the principal terms with M.S. Tanker Shipping Limited ("M.S. Tanker"), a jointly controlled entity, to buy an oil tanker from M.S. Tanker at a total consideration of US$100,000,000. The sale was completed and the vessel was delivered during the period.

(f) On 4 January 2011, the Group entered into the charter agreement with Ji Sheng Marine Limited, a fellow subsidiary (the "Charterer"), pursuant to which the Charterer agreed to hire an oil tanker from the Group for a term of five years at a daily rate of US$25,800 by monthly installments and to purchase the oil tanker at a consideration of US$80,000,000 upon expiry of the charter agreement. The Group has accounted for this transaction as finance lease.

(g) Key management compensation

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
Salaries, allowances, and benefits-in-kind	**270**	195
Contributions to pension plans	**8**	5
	278	200

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF HISTORICAL OPERATING RESULTS

In the first half of 2011, the global economic growth slowed down and there was still massive oversupply of the global fleet. As a result, charter hire and freight rate were under continuous pressure and the international shipping market remained weak. For the six months ended 30 June 2011, our Group produced operating profit of US$44.91million (2010: US$50.90 million). Profit attributable to equity holders of the Company was US$55.22 million (2010: US$58.48 million).

Revenues

For the six months ended 30 June 2011, revenues of our Group were US$134.41 million (2010: US$133.71 million) mainly due to the increase in revenue from dry bulk shipping and container shipping, which was partially offset by the decrease in revenue from oil tanker shipping.

We set forth below the revenues contribution from each business segment for the six months ended 30 June 2011:

	Six months ended 30 June		
	2011	2010	
	US$'000	US$'000	% Change
Revenues from:			
– Dry bulk shipping*	**125,212**	124,105	0.9%
– Oil tanker shipping*	**3,634**	8,611	(57.8%)
– Container shipping	**11,128**	9,755	14.1%
– Others	**785**	658	19.3%
	140,759	143,129	(1.7%)
Revenues derived from jointly controlled entities measured at proportionate consolidated basis*	**(6,351)**	(9,415)	(32.5%)
Revenues per the condensed consolidated statement of comprehensive income	**134,408**	133,714	0.5%

* Segment revenue includes revenues derived from jointly controlled entities measured at proportionate consolidated basis. Segment revenue subtracted the revenues derived from jointly controlled entities measured at proportionate consolidated basis to arrive at revenues per the condensed consolidated statement of comprehensive income.

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 2011:

	Six months ended 30 June		
	2011	2010	
	US$	US$	% Change
Dry bulk vessel (Self-owned)	**16,540**	19,140	(13.6%)
Oil tanker** (Average daily TCE)	**14,218**	53,890	(73.6%)
Container vessel	**6,355**	5,399	17.7%

** 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

In the first half of 2011, recovery of the global economy slowed down due to concerns over further spread of the sovereign credit crisis in the developed countries, the reinforcement of macro-tightening measures in China which curbed the growth of demand for bulk commodities, and the easing growth of international trade. In addition, with the delivery of large numbers of newbuilding vessels, the oversupply of the shipping capacity kept the dry bulk shipping market subdued. The unrest of the geopolitical situation and the frequent occurrence of natural disasters also brought various uncertainties to the shipping market. In the first half of this year, the Baltic Dry Index ("BDI") continued to remain depressed with an average of only 1,372, representing a significant year-on-year decline of 56.7% in a highly volatile market.

Against such market downturn, revenue from dry bulk shipping of our Group in the first half of 2011 still record a year-on-year increase of 0.9% to US$125.21 million (2010: US$124.11 million), which was because our Group had followed closely with the market trend, fully utilized our cost advantage and adopted moderated strategies of long and short-term chartering flexibly. In addition, newbuilding dry bulk vessels were successively put into operation. As a result, the adverse impact of the market downturn on our Group was mitigated.

Our revenue from dry bulk shipping primarily consists of charter hire income and ocean freight income. For the six months ended 30 June 2011, our charter hire income was US$110.46 million (2010: US$101.43 million), representing a year-on-year increase of 8.9%. Revenue from ocean freight income was US$14.75 million (2010: US$22.68 million), representing a year-on-year decrease of 35.0%.

Oil tanker shipping

For the six months ended 30 June 2011, revenue from oil tanker shipping services amounted to US$3.63 million (2010: US$8.61 million), mainly because of the weak oil tanker shipping market. The freight rate remained at a relatively low level and the freight index of the Middle East/Japan route (TD3) of very large crude oil carrier (VLCC) only record an average of WS55.6, representing a year-on-year decrease of 37.1%. Also, starting from mid-May this year, our Group has conducted a bareboat chartering arrangement for the VLCC and the charter hire revenue from this VLCC was accounted for as finance lease income of our Group instead of revenue from the oil tanker shipping service.

Management Discussion and Analysis of Results of Operations and Financial Position

Container Shipping

In the first half of 2011, the container shipping market was nothing excited and its recovery was not as good as the same period in 2010. The pressure of fleet oversupply was still high. For the period ended 30 June 2011, our revenue from container shipping was US$11.13 million (2010: US$9.76 million), representing a year-on-year increase of 14.1%, which was mainly because our Group upwardly adjusted the charter hire of certain vessels according to the market changes for realization of higher revenues.

Cost of operations

Due to the expansion of our fleet size, the cost of operations, primarily the depreciation expenses and expenses for hiring of crews and seafarers, increased. For the six months ended 30 June 2011, cost of operations was US$82.95 million (2010: US$77.05 million), which represents an increase of 7.7%.

Depreciation expenses

With the enlarged fleet size, the depreciation expenses for vessels increased by 27.9% to US$25.12 million (2010: US$19.64 million).

Expenses for hiring of crews and seafarers

In order to support for the need of our fleet development, more crews and seafarers were recruited. Besides, the upward adjustment of salary and wages also led to higher expenses for hiring of crews and seafarers amounted to US$16.37 million (2010: US$13.34 million), representing an increase of 22.7% as compared to the corresponding period of last year.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs, travelling expenses, office expenses and professional expenses, amounted to US$7.50 million (2010: US$6.01 million). The increase was due to the expansion of our fleet size.

Other operating income

Our Group leased out a vessel under finance lease arrangement in the first half of 2011 and derived a finance lease income amounted to US$687,000. Therefore, the other operating income increased to US$947,000 (2010: US$235,000).

Finance income

Under effective fund management, the effective interest income derived from bank deposits increased. As a result, the finance income rose by 82.3% to US$9.04 million (2010: US$4.96 million).

Share of profits of jointly controlled entities

The slowdown of oil tanker shipping market in the first half of 2011 and termination of the oil tanker business by a jointly controlled entity in mid-May of 2011 led to the drop of the share of profits of jointly controlled entities from US$2.83 million to US$1.41 million.

Income tax expense

Income tax was US$136,000 (2010: US$201,000). The effective income tax rate was 0.25% (2010: 0.34%).

Liquidity and financial resources

Our cash has been principally used for payment for construction of new dry bulk vessels, acquisition of a second hand oil tanker, operation costs and working capital in the first half of 2011. 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 2011 US$'000	As at 31 December 2010 US$'000
Current assets	**880,304**	1,049,658
Current liabilities	**29,568**	37,943
Liquidity ratio (Note)	**29.77**	27.66

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 2011 and 31 December 2010 were 29.77 and 27.66 respectively.

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 30 June 2011 and 31 December 2010.

Capital Commitment

The following table sets out our capital commitment in respect of property, plant and equipment as at the balance sheet date indicated.

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Authorised but not contracted for	**1,517**	1,018
Contracted but not provided for	**56,340**	225,670
	57,857	226,688

Capital expenditures

Capital expenditures principally comprise expenditures for additions to property, plant and equipment, including primarily vessels. For the six months ended 30 June 2011, total capital expenditures were US$174.98 million (2010: US$164.72 million) which was attributable to the capital expenditures for construction of dry bulk vessels, acquisition of a second hand oil tanker and dry docking 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, Japanese Yen and Renminbi. Our Group's revenues, cost of operations and majority of financial assets and liabilities are principally denominated in US dollar. Accordingly, foreign exchange risk mainly arises from future commercial transactions and net investments in foreign operations. 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.

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. As at 30 June 2011, if US dollar had strengthened/weakened by 5% against Japanese Yen with all other variables unchanged, our Group's profit before income tax would have been US$377,000 (31 December 2010: US$ 276,000) lower/higher. As at 30 June 2011, if US dollar had strengthened/weakened by 5% against Renminbi with all other variables unchanged, our Group's profit before income tax would have been US$1,068,000 (31 December 2010: US$101,000) lower/higher.

Contingencies

The contingencies of our Group were set out in note 14 of the notes to the interim financial information.

Employees

As at 30 June 2011, our Group had a total of 115 shore-based employees working in our offices in Hong Kong, Canada and Singapore. Details of our employees' remuneration, our remuneration policy and staff development were substantially the same as those disclosed in our 2010 Annual Report without significant changes.

Fleet development

During the first half of 2011, our Group took delivery of 3 dry bulk newbuilding vessels with additional capacity of approximately 390,000 DWT. Besides, our Group acquired a VLCC from a jointly controlled entity with our own funding in mid-May. As at 30 June 2011, our Group operated a fleet of 49 vessels with an aggregate capacity of 3.05 million DWT and an average age of approximately 9.2 years. Also, our Group had a total of 4 newbuilding vessels of approximately 300,000 DWT, which were scheduled to be delivered between the second half of 2011 and early 2012.

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 2011.

OUTLOOK

Looking forward to the second half of the year, the global economy will continue to undergo slow recovery and the demand for shipping will also experience marginal growth. However, with the continuous influx of new tonnage into the market, the growth in seaborne trade can hardly offset the massive delivery of newbuilding vessels and the pressure of oversupply will further intensify. On the other hand, factors such as the global financial environment, the economic policies of different countries, the pricing of bulk commodities, change in the global trade pattern, the geopolitical circumstances as well as weather disruption will also bring variables to the demand and supply of the shipping market. As the foundation of full recovery of the shipping market was still not solid enough, it is expected that in the second half of this year, charter hire and freight rate will still be subdued and the overall market will be less favorable as compared with that of 2010. In the face of such rigorous market situation, our Group has confidence to seize market opportunities and maintain better cost structure and risk controls with our solid financial position, low-cost structure and modernized fleet. Meanwhile, we will continue to optimize and adjust our fleet structure, expand our fleet in the right timing and enhance the risk aversions of our fleet in order to ensure healthy development of our Group and to maximize the return for our shareholders.

AUDIT COMMITTEE

The audit committee of our Company has reviewed the interim financial information of our Group for the six months ended 30 June 2011. In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed a review of the interim financial information of our Group in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the 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 2011. It is expected that the interim dividend will be paid on or after 20 September 2011 to our shareholders whose names appear on the register of members on 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed from 14 September 2011 to 16 September 2011 (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 12 September 2011 for registration.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2011, 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 Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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 & CSC Holdings Co., Ltd. (Note 1)	Long Position	Interest of controlled corporation	2,718,520,000	68.10%
Sinotrans Shipping (Holdings) Limited (Note 1)	Long Position	Beneficial owner	2,600,000,000	65.13%

Notes:

1. SINOTRANS & CSC Holdings Co., Ltd. (formerly known as Sinotrans Group Company) is the beneficial owner of all the issued shares in Sinotrans Shipping (Holdings) Limited, and therefore, SINOTRANS & CSC Holdings Co., Ltd. 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 2011, 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 2011.

Other Information

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 2011.

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 2011.