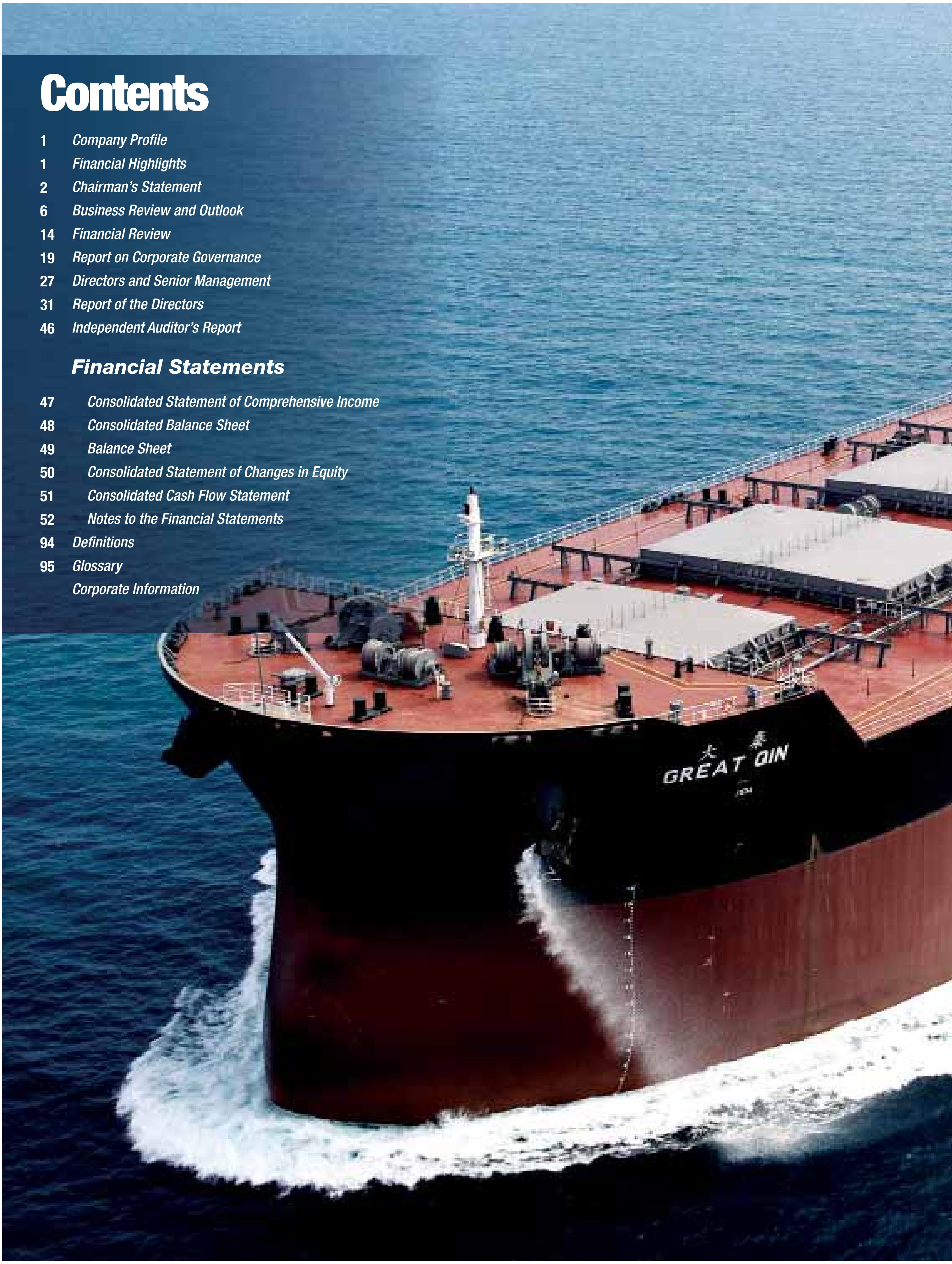
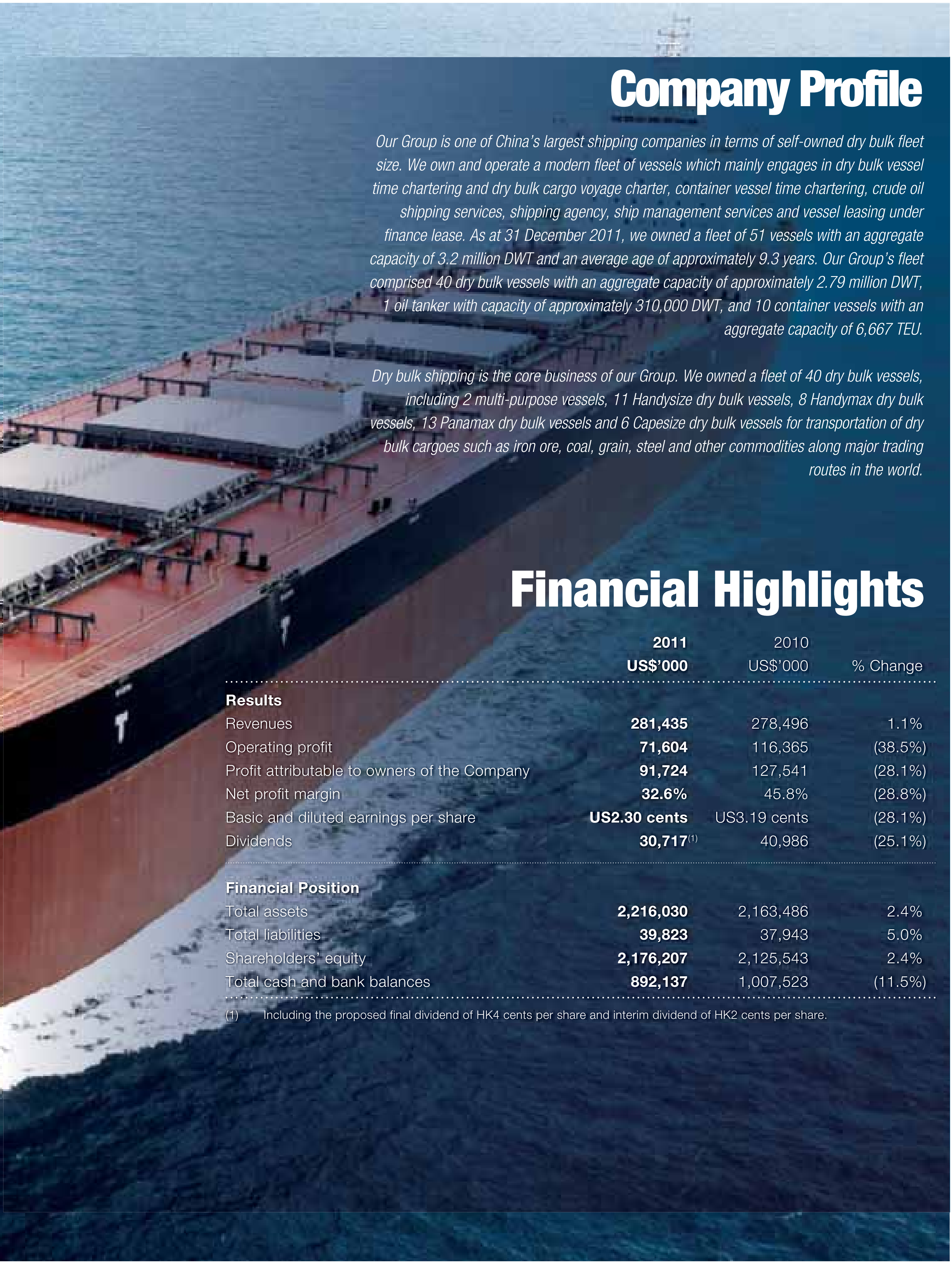
中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

2011 ANNUAL REPORT

Contents





Company Profile

Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. We own and operate a modern fleet of vessels which mainly engages in dry bulk vessel time chartering and dry bulk cargo voyage charter, container vessel time chartering, crude oil shipping services, shipping agency, ship management services and vessel leasing under finance lease. As at 31 December 2011, we owned a fleet of 51 vessels with an aggregate capacity of 3.2 million DWT and an average age of approximately 9.3 years. Our Group's fleet comprised 40 dry bulk vessels with an aggregate capacity of approximately 2.79 million DWT, 1 oil tanker with capacity of approximately 310,000 DWT, and 10 container vessels with an aggregate capacity of 6,667 TEU.

Dry bulk shipping is the core business of our Group. We owned a fleet of 40 dry bulk vessels, including 2 multi-purpose vessels, 11 Handysize dry bulk vessels, 8 Handymax dry bulk vessels, 13 Panamax dry bulk vessels and 6 Capesize dry bulk vessels for transportation of dry bulk cargoes such as iron ore, coal, grain, steel and other commodities along major trading routes in the world.

Financial Highlights

	2011	2010	
	US$'000	US$'000	% Change
Results			
Revenues	**281,435**	278,496	1.1%
Operating profit	**71,604**	116,365	(38.5%)
Profit attributable to owners of the Company	**91,724**	127,541	(28.1%)
Net profit margin	**32.6%**	45.8%	(28.8%)
Basic and diluted earnings per share	**US2.30 cents**	US3.19 cents	(28.1%)
Dividends	**30,717**(1)	40,986	(25.1%)
Financial Position			
Total assets	**2,216,030**	2,163,486	2.4%
Total liabilities	**39,823**	37,943	5.0%
Shareholders' equity	**2,176,207**	2,125,543	2.4%
Total cash and bank balances	**892,137**	1,007,523	(11.5%)

(1) Including the proposed final dividend of HK4 cents per share and interim dividend of HK2 cents per share.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I hereby present the annual report of Sinotrans Shipping Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2011 to the shareholders for their review.

BUSINESS REVIEW

Subsequent to a momentary recovery in 2010, the growth in global economy and international trade fell short of impetus again in 2011. Sovereign debt crisis in developed countries further exacerbated while the economic growth of emerging economies was dampened by severe inflation. Under the dual pressures of rapid tonnage expansion and lackluster seaborne trade growth, the global shipping market stayed subdued with performance apparently less favorable than that in 2010. Meanwhile, with the intensifying inflation in emerging economies and the resulting significant surge in operating costs, the entire shipping industry remained grim.

OUTLOOK

In the face of such complicated and changeable market situation, our Group will continue to leverage on our advantages of sound financial position, low-cost structure and modern fleet. We will further strengthen our market research to facilitate early deployment and optimize comprehensive control over costs and risks to maintain sound operation. Besides, we will move forward in optimizing our fleet structure. All these will help our Group achieve a better development of our business.

In 2011, the dry bulk shipping market experienced downturn again after the financial crisis in 2008. Growth of international dry bulk seaborne trade suffered a slowdown, which was held back by unfavorable factors such as instability of the global economy, tightening of macroeconomic measures in China and the frequent occurrences of natural disasters worldwide. On the other hand, delivery of newbuilding dry bulk vessels reached a historical high and brought huge oversupply pressure to the shipping market. As the growth in seaborne trade lagged behind the influx of new tonnage, the dry bulk shipping market was strangled by the austere imbalance in market supply and demand. The average Baltic Dry Index ("BDI") in 2011 hit the ten-year low at an average of 1,549 only, down 43.8% over the same period last year. Albeit the dry bulk shipping market showed signs of temporary recovery in the third quarter of 2011, the BDI has remained relatively low since then as the market supply and demand have not been improved intrinsically.

The container shipping market and the oil tanker shipping market were equally bleak. In 2011, the slowdown in economic growth of developed countries dragged down the global container shipping market. On the other hard, the incongruity of supply and demand in oil tanker shipping market remained prominent and surpressed the freight rate of oil tankers in 2011 at relatively low levels, with the average Baltic Dirty Tanker Index ("BDTI") tumbling by 12.7% over last year.

Regardless of the low charter hire in the market, our Group still managed to generate revenues of US$281.44 million and operating profit of US$71.60 million in 2011. Profit attributable to owners of the Company amounted to US$91.72 million and earnings per share was US2.30 cents. This was attributable to our Group's sound management to cope with challenges of all sorts and to endeavor to minimize the impact of the market downturn on our Group.

Chairman's Statement

In 2011, our Group made further progress in fleet development. During the year, our Group took delivery of 5 newbuilding dry bulk vessels with an additional capacity of approximately 540,000 DWT. Upon the delivery of these newbuilding vessels, our Group owned a fleet of 51* vessels with an aggregate capacity of 3.2 million DWT and an average age of approximately 9.3 years as at 31 December 2011. Our Group also had a total of 2 newbuilding vessels of approximately 150,000 DWT, which were delivered to our Group in early 2012. With on-going improvement in fleet structure, our Group's competitiveness in the industry was further enhanced. Our Group will continue to seize any favorable opportunities arising from the market to further optimize the fleet structure.

As at 31 December 2011, our Group owned 40* dry bulk vessels with an aggregate capacity of approximately 2.79 million DWT and a total of 13,342 operating days. Revenue from dry bulk shipping amounted to US$259.39 million. Our Group also owned 10 container vessels with an aggregate capacity of 6,667 TEU and a total of 3,572 operating days. Revenue from container shipping amounted to US$23.01 million.

Our Group has been dedicated to improving the vessel management standard of the Company. In order to comply with ISM Code, ISO 9001 and ISO 14001, continuous efforts are made to improve and standardize the business process of the Company. This helps ensure positive development of our fleet to achieve sustainable development of the Company.

DIVIDEND

To reward our shareholders for their continuous support of our Group, and taken into consideration of the healthy financial position of the Company, the Board of Directors proposes a final dividend of HK4 cents per share, together with the interim dividend of HK2 cents per share, making a dividend payout ratio of 33.5% for the year.

* Including 2 jointly owned dry bulk vessels.

OUTLOOK

Looking forward, the slow recovery of the US and European economies, the weakening growth of emerging economies and the increasing uncertainty factors will all pose severe challenges to global economic recovery. Meanwhile, due to large amount of newbuilding vessels hitting the water, the supply glut will be difficult to improve in the short run, which will expose the market to tremendous pressure. Under the dual pressures of the surge of new tonnage and modest growth of seaborne trade, it is expected that the shipping market will remain sluggish in 2012. In the face of such complicated and changeable market situation, our Group will further leverage our competitive advantages to strengthen our market research to facilitate early deployment and optimize comprehensive control over costs and risks to maintain sound operation. Besides, we will move forward in optimizing our fleet structure. All these will help our Group achieve a better development of our business.

ACKNOWLEDGEMENT

Looking back, our Group managed to overcome the challenges again and to capture the opportunities to further drive our business development, thanks to the continuous support and trust of all shareholders, investors and clients as well as the commitment and efforts of our employees. Today, beginning on a new chapter, our Group is well-positioned to brace for all kinds of challenges by virtue of our advantages of solid financial position, low-cost structure and our young and modern fleet, and to contribute to our shareholders by maximizing their interests.

Zhao Huxiang
Chairman

12 March 2012

Business Review & Outlook

Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. We own and operate a modern fleet of vessels which mainly engages in dry bulk vessel time chartering and dry bulk cargo voyage charter, container vessel time chartering, crude oil shipping services, shipping agency, ship management services and vessel leasing under finance lease.

MARINE TRANSPORTATION BUSINESS

Dry bulk shipping

Subsequent to the momentary recovery in 2010, the slowdown in global economy became obvious in 2011. High unemployment rate and falling trade demand in major developed countries were accentuated by the sovereign debt crisis, while economic slowdown was seen in emerging economies which were beset by rising inflationary pressure as well as deteriorating external export environment. Intensified uncertainty in global economy diminished the growth in global trade, which induced a relatively large impact on the shipping market.

In 2011, China continued to be the main driving force for the dry bulk shipping market. Both the import volume of China's iron ore and coal hit a new high, providing a rigid support for the global dry bulk seaborne trade. However, amidst unfavorable factors such as global economic downturn, the growth in global demand for major bulk commodities such as iron ore and coal dropped acutely, especially the debt-crisis-stricken euro area where the growth in demand for iron ore and coking coal was negative. Furthermore, the delivery of newbuilding dry bulk vessels reached a record high in 2011. Although global demolition of dry bulk vessels also hit a new high, it was still difficult to alleviate the oversupply condition in the market. In 2011, the global dry bulk tonnage surged by 14.4%, bringing a tremendous pressure in supply to the shipping market. In 2011, the dry bulk shipping market experienced downturn again after the financial crisis in 2008. The BDI hit the ten-year low at an average of 1,549 only, dipping significantly by 43.8% as compared to 2010.

Regardless of the low charter hire in the market, our Group still managed to generate revenue of US$259.39 million (2010: US$258.36 million) from dry bulk shipping in 2011, offsetting the adverse effects of the market downturn to our Group. This was mainly attributable to our Group's flexible business strategy of long-term and short-term chartering, which balanced the revenue and risks in spot market and forward market, together with our newbuilding dry bulk vessels successively coming on stream, which broadened our sources of income. Also, our Group expanded our business generating ocean freight income in response to market development needs in 2011.

As at 31 December 2011, the number of operating days of dry bulk vessel was fixed at approximately 56.3% for 2012, in which approximately 32.6% for Handysize dry bulk vessels, approximately 59.8% for Handymax dry bulk vessels, approximately 68.9% for Panamax dry bulk vessels and approximately 73.3% for Capesize dry bulk vessels.

In 2011, our Group took delivery of 5 newbuilding dry bulk vessels, which included 2 Capesize dry bulk vessels, 2 Panamax dry bulk vessels and 1 Handysize dry bulk vessel. Upon the delivery of these newbuilding vessels, our Group's fleet owned 40* dry bulk vessels, including 2 multi-purpose vessels, 11 Handysize dry bulk vessels, 8 Handymax dry bulk vessels, 13 Panamax dry bulk vessels and 6 Capesize dry bulk vessels as at 31 December 2011. Our Group also had a total of 2 newbuilding vessels, which were delivered to our Group and put into operation in early 2012. With continual adjustment and optimization of fleet structure, our Group has become more competitive in the industry. We will grasp favorable opportunities arising in the market to optimize and adjust the fleet structure as well as further strengthen our Group's position in the shipping market.

* Including 2 jointly owned dry bulk vessels.

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

	2011	2010
Number of vessels	**40**	35
Utilization (1)		
Total number of operating days	**13,342**	11,300
Total number of off-hire days (other than because of repair and maintenance)	**86**	73
Total number of days that vessels are not utilized because of repair and maintenance	**432**	308
Fleet utilization (2)	**96.3%**	96.7%

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 dry bulk vessels of the jointly controlled entities in which we have 50% equity interest).

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

Business Review & Outlook

In 2011, the total number of operating days of our dry bulk vessels increased by 18.1%, mainly because our Group gradually took delivery of 5 newbuilding dry bulk vessels during the year. In addition, owing to the expansion of our fleet, the total off-hire days due to repair and maintenance increased to 432 days, which accounted for 83.4% of the off-hire percentage.

In addition to chartering of self-owned vessels, our Group also provides dry bulk shipping services, primarily in Canada through our wholly-owned subsidiaries Sinotrans Canada Inc. and Sinotrans (Bermuda) Ltd. In 2011, our revenue from ocean freight income and charter hire income of the main business of Sinotrans Canada Inc. and Sinotrans (Bermuda) Ltd. amounted to US$26.51 million (2010: US$34.64 million) and US$10.10 million (2010: US$20.22 million) respectively.

In 2012, with increasing uncertainties for the global economic outlook, the growth in global trade will keep decelerating. Developed countries' seaborne trade demand will remain weak owing to factors such as debt crisis while emerging economies which have the greatest consumption of major bulk commodities such as iron ore and coal will hardly keep pace with the rapid growth over the past due to pressures such as weakening external market demand and internal inflation. Meanwhile, oversupply of tonnage in the market will remain extremely prominent. With declining demand growth and substantial expansion of global dry bulk tonnage, it is expected that the dry bulk shipping market will remain sluggish in 2012.

Oil tanker shipping

In 2011, the oil tanker shipping market experienced a challenging year. Oil consumption in the United States and the European Union shrank considerably, while soaring oil prices inhibited further growth in global oil demand. In addition, the influx of new tonnage, especially large oil tankers, to the market triggered the freight rates to plunge continuously. The average BDTI for the year slipped significantly by 12.7% from 896 in 2010 to 782 in 2011. In 2012, global demand for oil may fall below the original estimation due to uncertainties of the global economic outlook, while the unsettling international political situation may continue to drive the international oil prices up. Oversupply of oil tankers will still be severe and it is expected that the oil tanker shipping market will remain grim.

In 2011, our very large crude oil carrier (VLCC) fleet was operated in the spot market under voyage charters to provide crude oil shipping services. Revenue from oil tanker shipping amounted to US$3.63 million (2010: US$12.65 million), mainly because of the sustained gloomy oil tanker shipping market and the enduring low freight rate. The freight index of the Middle East/Japan route (TD3) of VLCC only recorded an average of WS53.0, representing a year-on-year decrease of 26.0%. Also, starting from mid-May 2011, our Group has conducted a bareboat chartering arrangement for our VLCC and the charter hire revenue from this VLCC was accounted finance lease income of our Group instead of revenue from the oil tanker shipping service.

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

	2011	2010
Number of vessels	**1**	1
Utilization (1)		
Total number of operating days	**131**	325
Total number of off-hire days (other than because of repair and maintenance)	**6**	20
Total number of days that vessels are not utilized because of repair and maintenance	**–**	20
Fleet utilization (2)	**95.6%**	89.0%

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).

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

Container shipping

In view of shrinking consumption arising from the economic slowdown in developed countries, coupled with massive delivery of container vessels, the entire container shipping market remained stagnant in 2011. In 2012, the prospects of the container shipping market will still be under the influences of the uncertainty of the global economy, low-cost competitive strategy from large container vessel companies and oversupply of global tonnage.

Our chartered container vessels mainly operate along trade routes in the Asia Pacific Region. As at the end of 2011, our Group had a total of 10 container vessels with an aggregate capacity of 6,667 TEU. Revenue from container shipping for 2011 reached US$23.01 million (2010: US$20.33 million), a year-on-year increase of 13.2%, which was mainly because our Group committed to explore market opportunities to strive for higher operating income.

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

	2011	2010
Number of vessels	**10**	10
Utilization (1)		
Total number of operating days	**3,572**	3,603
Total number of off-hire days (other than because of repair and maintenance)	**5**	1
Total number of days that vessels are not utilized because of repair and maintenance	**73**	43
Fleet utilization (2)	**97.9%**	98.8%

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 (SQE) management system and have passed the related audit of American Bureau of Shipping (ABS) to tally with the requirements of ISM Code, ISO 9001 and ISO 14001.

Our Group provides 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$1.44 million was achieved in 2011 (2010: US$1.45 million).

FLEET DEVELOPMENT

In 2011, our Group continued to conduct proper supervision on the construction of newbuilding vessels to ensure the quality thereof. During the year, our Group successively took delivery of 5 newbuilding dry bulk vessels with an additional capacity of approximately 540,000 DWT and further optimized our fleet structure. Besides, our Group acquired a VLCC from a jointly controlled entity with our own funding in mid-May. As at 31 December 2011, our Group owned a fleet of 51* vessels with an aggregate capacity of 3.20 million DWT and an average age of approximately 9.3 years. Our Group also had a total of 2 newbuilding vessels of approximately 150,000 DWT, which were delivered to our Group in early 2012. At present, our Group owns a fleet ranging from Capesize dry bulk vessels to Handysize dry bulk vessels. By further expanding the fleet size, our edges in the industry have become more distinguished. Our Group will continue to seize favorable opportunity in the market to make progress in adjustment and optimization of the fleet structure.

* Including 2 jointly owned dry bulk vessels.

Name of Vessel	DWT/TEU [(1)]	Year Built/Expected Delivery Time	Age
Multi-purpose vessel			
Great Blossom	32,509	September 1999	12.2
Great Immensity	32,485	December 1999	12.0
Handysize dry bulk vessel			
Great Friendship	24,021	February 1999	12.8
Great Concord	24,159	March 1999	12.7
Great Harmony	24,159	May 1999	12.6
Great Creation	27,383	July 1998	13.4
Great Motion	27,338	September 1998	13.2
Great Success	27,172	October 1998	13.2
Great Gain	27,140	November 1998	13.1
Great Resource	31,775	May 2010	1.6
Trans Friendship I [(2)]	31,809	August 2010	1.4
Trans Friendship II [(2)]	31,744	December 2010	1.1
Great Reward [(3)]	31,785	January 2011	1.0
Handymax dry bulk vessel			
Great Calm	45,215	August 1996	15.3
Great Peace	45,259	March 1996	15.7
Great Happy	45,248	March 1997	14.7
Great Prestige	46,193	April 1998	13.6
Great Eternity [(4)]	46,194	February 1998	13.8
Great Scenery	47,760	August 2002	9.3
Great Praise	52,434	May 2006	5.6
Great Legend	52,385	August 2006	5.3
Panamax dry bulk vessel			
Great Luck	71,399	February 1998	13.8
Great Bless	73,251	August 1997	14.3
Great Jade	73,192	October 1997	14.2
Great Bright	73,242	December 1997	14.0
Great Glory	73,274	November 1997	14.1
Great Ambition	73,725	August 1999	12.3
Great Loyalty	73,659	September 1999	12.2
Great Prosperity	73,679	July 1999	12.4
Great Wisdom	74,293	March 2000	11.7
Great Intelligence	74,293	June 2000	11.5
Great Talent	76,773	January 2005	6.9
Great Mind [(5)]	75,624	December 2011	0.1
Great Hope	75,630	February 2012[(6)]	–
Great Wealth [(7)]	75,569	September 2011	0.3
Great Rich	75,523	January 2012[(6)]	–

Name of Vessel	DWT/TEU [1]	Year Built/Expected Delivery Time	Age
Capesize dry bulk vessel			
Great Qin	176,105	March 2010	1.8
Great Jin	175,868	March 2010	1.8
Great Zhou	180,334	July 2010	1.4
Great Han	180,443	October 2010	1.2
Great Tang [8]	180,246	January 2011	1.0
Great Song [9]	180,387	March 2011	0.8
Oil tanker – VLCC			
Yangtze Friendship [10]	310,444	March 2008	3.7
Container vessel			
Jin Da	338	September 1994	17.2
Jin Teng	338	June 1994	17.5
Trade Worlder	385	April 1993	18.6
Trade Hope	385	July 1993	18.4
MSC Algerie	784	May 1992	19.6
Sinotrans Beijing	847	February 2008	3.9
Sinotrans Shenzhen	847	April 2008	3.7
Sinotrans Ningbo	847	May 2008	3.6
Sinotrans Xiamen	847	July 2008	3.4
Sinotrans Hong Kong	1,049	May 2006	5.6

Notes:

(1) Applies only to container vessels.

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

(3) Great Reward was delivered to our Group on 17 January 2011.

(4) The original name of the vessel was Great Majesty.

(5) Great Mind was delivered to our Group on 22 December 2011.

(6) The latest expected delivery time.

(7) Great Wealth was delivered to our Group on 23 September 2011.

(8) Great Tang was delivered to our Group on 13 January 2011.

(9) Great Song was delivered to our Group on 18 March 2011.

(10) Our Group acquired the oil tanker from a jointly controlled entity in which we had 50% equity interest on 18 May 2011, and arranged a bareboat chartering of the oil tanker to Ji Sheng Marine Limited. The original name of the oil tanker was Grand Sea.

EMPLOYEES

As at 31 December 2011, our Group had a total of 118 shored-based employees working in our offices in Hong Kong, Canada and Singapore. Among them 49 had bachelor's degree or above and 50 possessed professional qualification in the areas of shipping, accounting and legal practices.

Remuneration of our employees includes fixed basic salary (determined with reference to the market and the staff's ability), bonus (determined with reference to the Company's results and the staff's annual performance) and allowances. We ensure to attract, retain and incent talents with the principles of paying for the positions, performance and abilities. We provide our employees with ample and complete welfare benefits in accordance with applicable regulations and our internal policies, which include provident fund and mandatory fund retirement benefits, medical insurance scheme, annual physical examination, personal accident and life insurance scheme. We also arrange various travel, entertainment and birthday celebration activities in order to enhance the staff's cohesion and sense of identity.

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 characterized as prudence, devotion and commitment to creativity, standardization and teamwork has provided our employees with a platform to develop their capabilities and to explore their potentials.

OUTLOOK

Looking forward, the slow recovery of the US and European economies, the weakening growth of emerging economies and the increasing uncertainty factors will all pose severe challenges to global economic recovery. Meanwhile, due to large amount of newbuilding vessels hitting the water, the supply glut will be difficult to improve in the short run, which will expose the market to high pressure. Under the dual pressures of the surge of new tonnage and modest growth of seaborne trade, it is expected that the shipping market will remain sluggish in 2012. In the face of such complicated and changeable market situation, our Group will continue to leverage on our advantages of sound financial position, low-cost structure and modernized fleet. We will further strengthen our market research to facilitate early deployment and optimize comprehensive control over costs and risks to maintain sound operation. Besides, we will move forward in optimizing our fleet structure. All these will help our Group achieve a better development of our business.

Financial Review

REVIEW OF HISTORICAL OPERATING RESULTS

Following the short-lived recovery in 2010, growth of global economy and international trade slowed down again in 2011. Under the dual pressures of rapid tonnage expansion and lackluster seaborne trade, the global shipping market stayed subdued with performance apparently less favorable than that in 2010. Meanwhile, with the intensifying inflation in emerging economies and the resulting significant surge in operating costs, the overall shipping industry was in an adverse situation. Relying on our sound management, our Group coped with the challenges and endeavored to minimize the impact of the market downturn on our Group. For the year ended 31 December 2011, our Group produced operating profit of US$71.60 million (2010: US$116.37 million). Profit attributable to owners of the Company was US$91.72 million (2010: US$127.54 million).

Revenues

For the year ended 31 December 2011, revenues of our Group increased by 1.1% to US$281.44 million (2010: US$278.50 million).

We set forth below the revenues contribution from each business segment for the year ended 31 December 2011:

	2011	2010	
	US$'000	US$'000	% Change
Revenues			
– Dry bulk shipping*	**259,387**	258,361	0.4%
– Oil tanker shipping*	**3,634**	12,650	(71.3%)
– Container shipping	**23,011**	20,332	13.2%
– Others	**1,556**	1,501	3.7%
	287,588	292,844	(1.8%)
Revenues derived by jointly controlled entities measured at proportionate consolidated basis*	**(6,153)**	(14,348)	(57.1%)
Revenues per the consolidated statement of comprehensive income	**281,435**	278,496	1.1%

* Segment revenue includes revenue 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 total revenues per the 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 year ended 31 December 2011:

	2011	2010	
	US$	US$	% Change
Dry bulk vessel (Self–owned)	**15,654**	19,332	(19.0%)
Oil tanker** (Average daily TCE)	**14,218**	37,737	(62.3%)
Container vessel	**6,441**	5,642	14.2%

** 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.

In 2011, growth of international dry bulk seaborne trade suffered a slowdown, which was held back by factors such as instability of the global economy, tightening of macroeconomic measures in China and the frequent occurrences of natural disasters worldwide. On the other hand, delivery of newbuilding dry bulk vessels reached a historical high and brought huge oversupply pressure to the shipping market. As the growth in seaborne trade lagged behind the influx of new tonnage, the market became severely imbalanced in supply and demand. The dry bulk shipping market experienced downturn again after the financial crisis in 2008. The average Baltic Dry Index ("BDI") for 2011 only recorded an average of 1,549, losing 43.8% from last year's level and was the lowest in the last decade.

Although the charter hire in the market remained low, our Group still recorded revenue from charter hire income of US$208.88 million for the year ended 31 December 2011 (2010: US$219.23 million) and partly offset the adverse effect of the market downturn on our Group. This was mainly attributable to our Group's flexible business strategy of long-term and short-term chartering, which balanced the revenue and risks in spot market and forward market, together with our newbuilding dry bulk vessels successively coming on stream, which broadened our sources of income.

Our revenue from ocean freight shipping was US$50.51 million (2010: US$39.13 million), mainly due to our Group's expansion of business generating ocean freight income in 2011 in response to market development needs.

Oil tanker shipping

For the year ended 31 December 2011, revenue from oil tanker shipping services amounted to US$3.63 million (2010: US$12.65 million), mainly because of the sustained gloomy oil tanker shipping market and the enduring low freight rate. The freight index of the Middle East/Japan route (TD3) of very large crude oil carrier (VLCC) only recorded an average of WS53.0, representing a year-on-year decrease of 26.0%. Also, starting from mid-May 2011, our Group has conducted a bareboat chartering arrangement for a VLCC and the charter hire revenue from this VLCC was accounted finance lease income of our Group instead of revenue from the oil tanker shipping service.

Container shipping

Due to the slowdown in growth of developed countries' economy, the global container shipping market became stagnant on the whole. For the year ended 31 December 2011, our revenue from container shipping was US$23.01 million (2010: US$20.33 million), representing a year-on-year increase of 13.2%, which was mainly because our Group committed to explore market opportunities to strive for higher operating income.

Financial Review

Cost of operations

Due to the expansion of our fleet size, the cost of operations, primarily the bunker consumed, depreciation expenses for vessels, expenses for hiring of crews and seafarers, and operating lease expenses for charter-in vessels, increased by 21.5% to US$198.68 million (2010: US$163.54 million).

Bunker consumed

Bunker consumed, comprising both fuel oil and diesel oil, increased from US$9.94 million to US$22.31 million due to the rise in bunker price and the increasing consumption in the expanding voyage charter shipping.

Depreciation expenses for vessels

With the enlarged fleet size, the depreciation expenses for vessels rose by 23.4% to US$53.12 million (2010: US$43.05 million).

Expenses for hiring of crews and seafarers

Expenses for hiring of crews and seafarers grew by 19.8% to US$33.89 million (2010: US$28.28 million), resulted from the increasing number of crews and seafarers recruited to support the need of our fleet development and also the upward adjustment of the salary and wages of crews and seafarers.

Operating lease expenses for charter-in vessels

To expand our chartering business, we chartered in more vessels in year 2011. As as result, the operating lease expenses increased by 15.8% to US$30.50 million (2010: US$26.34 million)

Selling, administrative and general expenses

The selling, administrative and general expenses mainly comprised staff costs, travelling expense and office rental, amounted to US$17.81 million (2010: US$15.66 million). The increase was due to the expansion of our fleet size.

Other operating income, net

The net amount of other operating income amounted to US$6.66 million (2010: US$17.07 million) mainly consisted of finance lease income of US$3.66 million and the exchange gain of US$2.64 million. The finance lease income was derived from the finance lease arrangement of a vessel.

The reduction of the net amount of other operating income was due to the gain on disposal of dry bulk vessels of US$16.53 million recorded in year 2010.

Finance income

The finance income increased by 38.9% to US$18.63 million (2010: US$13.41 million). Under effective fund management, the interest income derived from bank deposits increased.

Share of profits/losses of jointly controlled entities

The share of profits of jointly controlled entities of US$2.15 million (2010: share of losses of US$1.48 million) was similar to year 2010 after excluding the share of impairment loss for the oil tanker of US$3.70 million in year 2010. The growth of profit from dry bulk shipping business was offset by the termination of the oil tanker business.

Income tax expense

Income tax for the year ended 31 December 2011 was US$654,000 (2010: US$754,000). Our effective income tax rate was 0.7% (2010: 0.6%).

Liquidity and financial resources

Our principal uses of cash have been, for payment for construction of new dry bulk vessels, acquisition of a second hand oil tanker, operation costs and working capital for the year ended 31 December 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.

	2011	2010
	US$'000	US$'000
Current assets	**946,655**	1,049,658
Current liabilities	**39,823**	37,943
Liquidity ratio *(Note)*	**23.77**	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 ratio as at 31 December 2011 was 23.77 (2010: 27.66). The decrease in liquidity ratio was primarily due to the net cash used in investing activities.

Gearing ratio

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

Capital Commitments

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

	2011	2010
	US$'000	US$'000
Authorised but not contracted for	**713**	1,018
Contracted but not provided for	**12,520**	225,670
	13,233	226,688

Capital expenditures

Capital expenditures principally comprise expenditures for additions to property, plant and equipment, including primarily vessels. For the year ended 31 December 2011, total capital expenditures were US$223.42 million (2010: 332.70 million), which was mainly attributable to the capital expenditures for construction of dry bulk vessels, acquisition of a second hand oil tanker and dry docking for the year.

Foreign exchange risk

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 31 December 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$238,000 (2010: US$276,000) lower/higher. As at 31 December 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$3,929,000 (2010: US$101,000) lower/higher.

Contingencies

The contingencies of our Group were set out in note 27 to the financial statements.

Report on Corporate Governance

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 (the "Articles of Association") and other relevant laws and regulations as amended from time to time and taking into account the characteristics and requirements of our Company.

In 2011, 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 all the provisions of the CG Code then in place throughout the year of 2011.

As Appendix 14 of the Listing Rules has been amended and most of such amendments will be effective on 1 April 2012, the Board of the Company has approved the adoption of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules as our corporate governance code on 12 March 2012.

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 ("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 2011.

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 and 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 advices on the stable and disciplined operation and long-term development of our Company.

Report on Corporate Governance

As at 31 December 2011, 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 amendment to the memorandum of association of our Company and Articles of Association.

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 consists of:

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 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 to the Company.

During the year of 2011, six Board meetings were held. Apart from convening Board meetings, business of the Board was also transacted by convening Executive Committee meeting or by obtaining consent of the Board through the circulation of written resolutions. Our Company had prepared and properly kept detailed minutes for the matters discussed in the Board meetings, and such minutes were 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 2011:

	Attendance/No. of meetings held			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Tian Zhongshan	6/6			
Mr. Li Hua	5/6			
Ms. Feng Guoying	6/6			
Non-executive Directors				
Mr. Zhao Huxiang	4/6		0/1	0/1
Mr. Pan Deyuan	4/6	2/2		
Independent non-executive Directors				
Mr. Hu Hanxiang	5/6		1/1	1/1
Mr. Tsang Hing Lun	6/6	2/2	1/1	
Mr. Lee Peter Yip Wah	6/6	2/2		1/1
Mr. Zhou Qifang	6/6	2/2		1/1

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

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 November 2010. 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 November 2011. Nevertheless, each Director of our Company shall be subject to retirement and re-election in accordance with the Articles of Association.

During the year of 2011, there was no change in the executive Directors, non-executive Directors and independent non-executive Directors.

Report on Corporate Governance

CHAIRMAN AND GENERAL MANAGER

During the year of 2011, 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 procedure 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 (as amended on 12 March 2012) 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 2011. Details of the meetings are as follows:

1. The first meeting was convened on 10 March 2011. Auditors explained the audit issues to the Audit Committee. The Audit Committee resolved to approve, among other things, the engagement of the external auditors of the Company for 2011, as well as the submission of the financial statements for the year of 2010 to the Board for approval.

2. The second meeting was convened on 25 August 2011. Auditors explained the audit issues to the Audit Committee. The Audit Committee resolved to approve the submission of the unaudited condensed financial information for the first half of 2011 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 and determining their remuneration packages. The terms of reference of the Remuneration Committee (as amended on 12 March 2012) are available on our Company's website.

With the assistance of the Remuneration Committee, our Company has established a system to determine the remuneration policies of our staff, integrately taking into account the staff's performance, our Company's requirements and the external benchmarks with an aim of attracting, retaining and motivating the staff needed to run our Company successfully as well as enhancing personal value of our staff, corporate's 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 25 August 2011 and resolved to propose the directors' fees of Independent Non-executive Directors and Executive Directors for the term commencing from 23 November 2011 and ending on 22 November 2012 and submit 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 (as amended on 12 March 2012) 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 25 August 2011 and resolved to approve the re-appointment of our four independent non-executive Directors for a term of one year from 23 November 2011 to 22 November 2012 and the re-appointment letters and submit 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 risk-based, independent, objective, systematic professional approaches.

Our internal audit department directly reports to the Audit Committee and the management to execute the resolutions passed by the Audit Committee and play an advisory role in day-to-day operations. In 2011, the representative of internal audit department attended meetings of the Audit Committee and reported to the Audit Committee on the work of internal audit.

In addition, our Company has carried out internal and external audit on the fleet operation to ensure that the fleet complies with the requirements of ISM Code, ISO9001 and ISO14001, strengthening the control of fleet operation.

EXTERNAL AUDITORS

PricewaterhouseCoopers was engaged as our Company's external auditors for the year ended 31 December 2011.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2011 were as follows:

	US$'000
– Audit services	**462**
– Non-audit services	**30**
	492

There has been no change in the auditors of our Company for the past three fiscal 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 are 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 is in a clear line of authority and the proper segregation of duties for every department are carried out so as to protect the shareholders' interests and the Company's assets.

In order to enhance our Company's standards of risk management, the Board establishes a risk management office designated to organize and implement comprehensive risk management processes, including establishment of a data base of risk events. Annual assessment on possibility, extent of impact and urgency of managerial improvement are taken of such events, in order to develop risk management plan and improve the risk management structure.

During the year, with reference to the US Committee of Sponsoring Organizations of the Treadway Commission (COSO), our Company formulated an evaluation of Company's operation with components of enterprise risk management-integrated framework. As for acquisition, disposal and newbuilding projects of vessels, relevant procedures were reviewed. It is confirmed that the projects are analyzed on their feasibility and effectively approved. In terms of customers' credit risk, regular monitoring were conducted and contingency plans were formulated to strive to minimize risk of incurring loss or bad debts due to downturn of the economy. By monitoring and reviewing treasury management, loan and credit facility and budget management covering overseas subsidiaries in Canada and Singapore, extents of risk were evaluated and corrective and preventive measures were proposed to the management.

With systems and rules establishment, internal audit and external assessment, our Company maintains safety, quality and environmental protection to ensure the fleet complies with the requirements of ISM Code, ISO9001 and ISO14001. Targets for environmental work are uplifted and environmental measures are actively strengthened each year to raise awareness of environment, occupational healthiness and safety of employees and thus the sustainable competitiveness.

For the internal control over accounting and financial reporting functions, our Company establishes a reliable accounting system and employs staff with requisite knowledge and experiences. On-job training and training from professional institutions are provided to staff at the same time. Training budget is formulated by our Company every year.

Our Company has mapped out employees' code of ethics to raise employees aware of occupational integrity and morality. In 2011, our Company invited Hong Kong Independent Commission Against Corruption's Community Relations Department to provide a seminar with a topic of "Prevention of Bribery" to our staff. In addition, it had assessed the risk of corrupt practices (fraud) and reviewed control measures against events of corruption and fraud to eliminate the opportunities of improper use of assets.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

The Deed of Non-Competition entered into between our Company and SINOTRANS & CSC Group Company in November 2007 ensures that SINOTRANS & CSC 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 & CSC 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 & CSC Group Company was not aware that there existed any such opportunity during the year of 2011. In respect of the Chartering Opportunity, our independent non-executive Directors had reviewed the monthly reports prepared by our Company's management team containing details of the latest position of the relevant Companies' available vessels and the Group's available vessels and the analysis done by our Company's management team and considered that there was not and was not likely to be any competition between the vessels available for chartering from companies relating to Sinotrans & CSC Group and the vessels available for chartering from our Group in 2011.

As such, our independent non-executive Directors considered that the Deed of Non-Competition had been complied with throughout the year of 2011.

Report on Corporate Governance

DIRECTORS RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of our Group in accordance with statutory requirements and applicable accounting standards. The Board also ensures 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 46 of this annual report.

SHAREHOLDERS MEETINGS

The annual general meeting (the "AGM") held on 29 April 2011 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 2010; to consider re-election of retiring Directors and to authorise the Board to determine the Directors' remuneration, to consider the re-appointment of auditor and determine its remuneration; and to approve the resolutions on the general mandates to repurchase shares and to issue shares and to approve the charter agreement entered into between the Company and Ji Sheng Marine Limited, a wholly-owned subsidiary of Nanjing Tanker Corporation, and the transactions contemplated thereunder. All resolutions for shareholders' approval had 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. During the year, the representatives of our management participated in a number of meetings with investors through activities including company visits, conferences calls, luncheons, large investment conferences organized by investment banks and non-deal road show events. These various ways of communications have enabled the investors to have a better understanding of the Company's policy, operations and strategies of development, and thus enhanced transparency and investor's recognitions of the 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 and Senior Management

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 & CSC Group in 1991 and has over 20 years of experience in the shipping industry. Mr. Tian served at China National Chartering Limited 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, and the legal representative and general manager of CBMC. 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 22 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 21 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 served as the director of Sinoecl Auto Liners Limited, Sinotrans-MOL Shipping Co., Ltd and Sinotrans Shipping (Shenzhen) Limited.

Directors and Senior Management

Non-executive Directors

Mr. Zhao Huxiang (趙滬湘), born in November 1955, was appointed as our non-executive 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 32 years of experience in the shipping industry. He worked as an officer in the Marine Shipping Bureau of the Ministry of Communications, as deputy general manager and general manager in Hoi Tung Marine Machinery Supplier Limited, as managing director and vice chairman in China Merchants Holding (International) Co., Ltd. and as assistant to president, director and vice president in China Merchants Group Limited. He served as director and president in China National Foreign Trade Transportation (Group) Corporation in December 2005, as vice chairman and president in SINOTRANS & CSC Group in December 2008, and has been appointed the chairman thereof since January 2011. 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. 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 non-executive director in August 2007. Mr. Pan graduated from Jilin Financial Institute in 1982. Mr. Pan has over 12 years of experience in the shipping industry. 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. From October 1997 to January 2003, Mr. Pan served as a director and vice president of SINOTRANS & CSC 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 & CSC Group Company and served as a director of SINOTRANS & CSC Group Company from February 2005 to October 2006. As from March 2005 to August 2009, Mr. Pan was appointed as the vice president of SINOTRANS & CSC Group Company, overseeing SINOTRANS & CSC Group's finance and strategic formulation. Mr. Pan served as the Directors of Taikang Life Insurance Company Limited from March 2006 to June 2011. He now serves as a director of SINOTRANS SHIPPING (HOLDINGS) LIMITED, which is the holding company of the Company. Since April 2011, he has been appointed as an independent non-executive director of China Railway Materials Company Limited.

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 in 1966. In July 2000, Mr. Hu served as the president of Association for Shippings Across the Taiwan Straits. He resigned from this position in November 2010 and was appointed as honorary president afterwards. From 2000 onwards, 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 respectively. Mr. Hu was the independent non-executive director of China Shipping Container Lines Co., Ltd., China Merchants Energy Shipping Co., Ltd. and Ningbo Marine Company Limited. He currently served as a member of the Policy Consultation Group to Minister of Transport, the Deputy Head of Central Leading Group for Taiwan Affairs and the independent non-executive director of Tangshan Port Group Co., Ltd., which is listed on the Shanghai Stock Exchange.

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. and 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, an executive director of China Champ Group in 1994, and as the alternate chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. He is an independent non-executive director of Beijing Media Corporation Limited, China Rongsheng Heavy Industries Group Holdings Limited, as well as Sino-Ocean Land Holdings Ltd. and all these companies are listed on the Hong Kong Stock Exchange. He was also appointed as an independent non-executive director of China GreenTech Corporation Limited, a company with its shares listed on the NASDAQ Exchange, in October 2011.

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 was formerly a practising solicitor. Mr. Lee was the former senior partner of 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 over 36 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 SHK Hong Kong Industries Limited, and both are companies listed on the Hong Kong Stock Exchange.

Directors and Senior Management

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 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. China Ocean Shipping Company was restructured and renamed as China Ocean Shipping (Group) Company in 1992. Between July 1992 and July 1997, Mr. Zhou was promoted to the position of vice president of China Ocean Shipping (Group) Company. Between July 1997 and April 2000, Mr. Zhou worked as the general manager of Shekou Industrial Zone Co., Ltd. Since October 1997 up to April 2000, Mr. Zhou served as the director and vice president of China Merchants Group Limited, 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 and the chairman of China LNG Shipping (Holdings) Limited. From December 2004 to March 2007, he was appointed as a director of China Merchants Energy Shipping Co. Ltd. He is currently the independent director of Shanghai International Port (Group) Co., Ltd., a company 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 12 years of experience in the shipping industry. From November 1998 to October 2002, he served in the finance department of SINOTRANS & CSC 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 Pre-Sea Deck Cadet Training School of Island Navigation Corp., H.K. 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 41 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.

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 30 years of experience in company management and secretarial fields. For many years, he has provided professional services to various listed companies.

Report of the Directors

The Board hereby presents its report and the audited financial statements of our Group for the year ended 31 December 2011.

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 and dry bulk voyage charter, container vessel time chartering, crude oil shipping services, shipping agency, ship management services and vessel leasing under finance lease. 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 2011 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 2011 are set out in the financial statements of this annual report on page 47.

DIVIDEND

The Board recommends the payment of a final dividend of HK4 cents per share for the year ended 31 December 2011. If the dividend distribution is approved by the shareholders at annual general meeting to be held on 17 May 2012 ("AGM"), the above-mentioned dividend is expected to be distributed on or before 8 June 2012 to those shareholders whose names appear on the register of members of our Company after the close of business at 4:30 p.m. on Wednesday, 23 May 2012.

In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the 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 Wednesday, 23 May 2012 for registration.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' eligibility to attend and vote at the AGM, the register of members of our Company will be closed from Monday, 14 May 2012 to Thursday, 17 May 2012 (both days inclusive), during which no transfer of shares of our Company will be effected.

In order to qualify to attend and vote at the AGM, all share transfer documents, accompanied by the relevant share certificates, must be lodged with 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 Friday, 11 May 2012, for registration.

PROPERTY, PLANT AND EQUIPMENT

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

BANK LOANS

For the year ended 31 December 2011, our Company and our Group did not have any bank loans.

MAJOR CUSTOMERS AND SUPPLIERS

In 2011, sales to the five largest customers and purchases from the five largest suppliers of our Group accounted for 34.3% and 23.1% of our Group's turnover and purchases, respectively.

The revenue from our largest customer accounted for 11.8% of our total revenue, while purchase from our largest supplier accounted for 9.4% of our total purchases. During the year ended 31 December 2011, none of our Directors or any of their associates, or any of our shareholders who, to the knowledge of the Board, owned more than 5% of our shares and had any interest in any of our five largest customers (except for SINOTRANS & CSC 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 2011 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

Licensing of trademarks by SINOTRANS & CSC Group Company to Our Company

Prior to the Listing Date, members of our Group have been using the SINOTRANS & CSC, SINOTRANS, 中國外運長航, 中外運, and trademarks registered in the name of SINOTRANS & CSC Group Company and/or its subsidiaries for its shipping business (the "Trademarks"). On 9 November 2007, SINOTRANS & CSC Group Company and our Company entered into the trademark licence agreement, which was renewed on 28 December 2009. The renewed trademark licence agreement is valid for three years, with a term commencing on 1 January 2010 and expiring on 31 December 2012.

B. Connected and continuing connected transactions exempted from compliance with independent shareholders' approval under Rule 14A.32 and Rule 14A.34 of the Listing Rules, but subject to reporting, announcement and annual review requirements

Leasing of properties by SINOTRANS & CSC Group to our Group

Prior to the Listing Date, members of SINOTRANS & CSC Group have leased certain properties (the "Property") to our Group to be used as office and staff quarters in Hong Kong pursuant to two tenancy agreements. On 9 November 2007, SINOTRANS & CSC 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. The master tenancy agreement was renewed on 8 April 2009, with a validity of three years, which commencing on 1 January 2010 and expiring on 31 December 2012.

For the year ended 31 December 2011, the transaction amount and the annual cap of the above continuing connected transaction was as follows:

	Transaction Amount (US$'000)	**Annual Cap** (US$'000)
Leasing of properties by SINOTRANS & CSC Group to our Group	1,148	1,174

In addition, on 18 June 2010, our Company made payment of US$7,500,000 (equivalent to HK$58,395,750) to Bank of China (Hong Kong) Limited to issue a bank guarantee to the P&I Club as counter security for a Letter of Undertaking. Sinotrans (Germany) GmbH undertook to indemnify and reimburse our Company pursuant to the terms of the Letter of Undertaking. Sinotrans (Germany) GmbH is a wholly-owned subsidiary of SINOTRANS & CSC Group Company, the controlling shareholder of the Company. Accordingly, Sinotrans (Germany) GmbH is a connected person of the Company pursuant to the Listing Rules. Details of above mentioned provision of financial assistance by the Company to Sinotrans (Germany) GmbH was disclosed in the announcement dated 18 June 2010.

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

1. Provision and receipt of general services by our Group to/from SINOTRANS & CSC Group

Prior to the Listing Date, members of our Group have been providing and receiving general services to/from SINOTRANS & CSC Group to promote the respective business of our Group or SINOTRANS & CSC Group. SINOTRANS & CSC Group Company and our Company entered into the master services agreement on 9 November 2007 with regard to the provision and receipt of general services by our Group to/from members of SINOTRANS & CSC Group. The agreement was supplemented and revised on 8 April 2009 and was renewed with the similar terms and conditions of the master services agreement.

The renewed master services agreement is valid for three years, with a term commencing on 1 January 2010 and expiring on 31 December 2012. Provision of general services by our Group to SINOTRANS & CSC Group pursuant to the renewed master services agreement include:

(a) shipping agency services;

(b) consultancy services;

(c) ship management services;

(d) air freight forwarding services; and

(e) corporate administrative services.

Receipt of general services by our Group from SINOTRANS & CSC Group pursuant to the renewed master services agreement include:

(a) shipping agency services;

(b) shipping broker services regarding oil tankers;

(c) commercial management services regarding oil tankers and dry bulk vessels;

(d) construction of vessels;

(e) supervisory services regarding construction of vessels;

(f) crew management services; and

(g) vessels inspection services.

Our Group will provide certain services to SINOTRANS & CSC Group and receive the same type of services from SINOTRANS & CSC Group at the same time. The reason is that our Group and SINOTRANS & CSC Group will utilise the geographical advantages of each other to increase their respective competitiveness, which is reciprocal to each other.

For the year ended 31 December 2011, 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 & CSC Group	544	4,574
Receipt of general services by the Group from SINOTRANS & CSC Group	11,202	96,898

2. *Chartering of vessels by our Group to SINOTRANS & CSC Group*

On 9 November 2007, our Company and SINOTRANS & CSC Group Company entered into the master chartering agreement, which was supplemented and revised on 8 April 2009, and was renewed with the similar terms and conditions stipulated in the master chartering agreement. The renewed master chartering agreement is valid for three years, with a term commencing on 1 January 2010 and expiring on 31 December 2012. According to the renewed master chartering agreement, SINOTRANS & CSC Group will charter vessels from our Group to provide services of cargo shipping as a carrier or to underlease the vessels to other shipping companies for cargo shipping.

For the year ended 31 December 2011, 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 & CSC Group	54,186	169,560
Chartering of vessels by the Group to SINOTRANS & CSC Group – Address Commission	1,559	8,258

The charter hire income of chartering vessels by our Group to SINOTRANS & CSC Group and the annual amount of C/V/E fee in the three years ended 31 December 2012, are expected not to exceed US$145,080,000, US$169,560,000 and US$180,360,000, respectively. The annual amount of commissions of chartering vessels from our Group to SINOTRANS & CSC Group in the three years ended 31 December 2012 are expected not to exceed US$6,998,000, US$8,258,000 and US$8,798,000, respectively.

Our Directors (including independent non-executive Directors) consider that the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, upon 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 engages the external auditor of our Company, PricewaterhouseCoopers, to perform 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 2011 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor reports that, in respect of the Transactions, nothing has come to the auditor's attention that causes the auditor to believe that the following statements are untrue or inaccurate:

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

(2) for transactions involving the provision of goods or services by our Group, the Transactions were, in all material respects, in accordance with the pricing policies of the Company;

(3) the Transactions were entered into, in all material respects, in accordance with the relevant terms governing such Transactions; and

(4) with respect to the aggregate amount of each of the Transactions, the Transactions have not exceeded the maximum aggregate annual value disclosed.

DONATION

Our Group did not make any charitable and other donations during the year.

RESERVES

Details of movements in reserves of our Group and our Company during the year are set out in Note 24 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2011 amounted to approximately US$53.46 million.

SHARE CAPITAL

Details of movements in the share capital of our Company are set out in Note 23 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2011, 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 & CSC Group Company (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%

Note:

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

Save as disclosed above, as at 31 December 2011, 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 our Company which were recorded in the register kept by our Company pursuant to section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2011, there was no purchase, sale or redemption of any of our shares by our Company or any of 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 our Group for each of the five years ended 31 December 2011.

Consolidated statement of comprehensive income

	Year ended 31 December				
	2011	2010	2009	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues	**281,435**	278,496	229,106	455,972	302,217
Cost of operations	**(198,678)**	(163,544)	(127,015)	(182,647)	(154,447)
Gross profit	**82,757**	114,952	102,091	273,325	147,770
Selling, administrative and general expenses	**(17,808)**	(15,655)	(16,550)	(18,961)	(13,945)
Other operating income, net	**6,655**	17,068	1,247	31,185	685
Operating profit	**71,604**	116,365	86,788	285,549	134,510
Finance income	**18,627**	13,411	21,508	44,607	11,128
Finance costs	**–**	–	(475)	(6,304)	(7,999)
Share of profits/(losses) of jointly controlled entities	**2,147**	(1,481)	(1,255)	23,575	3,452
Profit before income tax	**92,378**	128,295	106,566	347,427	141,091
Income tax expense	**(654)**	(754)	(172)	(293)	(202)
Profit attributable to owners of the Company	**91,724**	127,541	106,394	347,134	140,889
Other comprehensive income					
Translation differences	**(41)**	134	142	(148)	119
Total comprehensive income for the year	**91,683**	127,675	106,536	346,986	141,008
Earnings per share					
– Basic and diluted	**US2.30 cents**	US3.19 cents	US2.66 cents	US8.68 cents	US5.13 cents
Dividends	**30,717**	40,986	35,891	112,763	252,301

Consolidated Balance Sheet

	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	**1,099,092**	1,029,020	815,796	661,570	548,724
Interests in jointly controlled entities	**20,550**	52,153	52,774	54,029	30,454
Loans to jointly controlled entities	**12,000**	32,655	22,847	26,539	4,140
Bank deposits	**–**	–	400,000	–	–
Finance lease receivable from a fellow subsidiary	**93,295**	–	–	–	–
Held-to-maturity investment	**44,438**	–	–	–	–
	1,269,375	1,113,828	1,291,417	742,138	583,318
Current assets					
Inventories	**1,650**	–	–	703	2,931
Loans to a jointly controlled entities	**1,500**	5,192	3,692	3,692	2,080
Trade and other receivables	**47,684**	36,943	27,294	32,478	28,603
Finance lease receivable from a fellow subsidiary	**3,684**	–	–	–	–
Cash and bank balances					
– Cash and cash equivalents	**63,775**	146,182	238,381	260,483	1,370,421
– Short-term bank deposits	**820,862**	853,841	514,677	1,109,329	1,612
– Restricted cash	**7,500**	7,500	–	–	–
	946,655	1,049,658	784,044	1,406,685	1,405,647
Total assets	**2,216,030**	2,163,486	2,075,461	2,148,823	1,988,965
EQUITY					
Capital and reserves					
Share capital	**51,239**	51,239	51,239	51,239	51,340
Reserves	**2,124,968**	2,074,304	1,982,490	1,947,672	1,655,203
	2,176,207	2,125,543	2,033,729	1,998,911	1,706,543
LIABILITIES					
Non-current liabilities					
Borrowings	**–**	–	–	107,200	167,026
Deferred tax liabilities	**–**	–	–	28	27
	–	–	–	107,228	167,053
Current liabilities					
Trade and other payables	**38,730**	37,233	41,434	42,396	42,468
Taxation payable	**1,093**	710	298	288	202
Borrowings	**–**	–	–	–	72,699
	39,823	37,943	41,732	42,684	115,369
Total liabilities	**39,823**	37,943	41,732	149,912	282,422
Total equity and liabilities	**2,216,030**	2,163,486	2,075,461	2,148,823	1,988,965
Net current assets	**906,832**	1,011,715	742,312	1,364,001	1,290,278
Total assets less current liabilities	**2,176,207**	2,125,543	2,033,729	2,106,139	1,873,596

DIRECTORS

As at 31 December 2011, the composition of the Board was 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

According to Article 104(A) of the Articles of Association, Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying shall retire from office at the forthcoming AGM and being eligible to offer themselves for re-election.

We have received, from each of our independent non-executive Directors, a written confirmation of his 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 to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 27 to 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Each of our executive Directors and non-executive Directors has renewed their service contracts with our Company for a term of three years with effect from November 2010.

Under the renewed letter of appointment entered into between our Company and each of the independent non-executive Directors, each independent non-executive Director is appointed for a term of one year with effect from November 2011. For the twelve months ended November 2011, each of the independent non-executive Directors was entitled to an annual fee of HK$135,000; for the twelve months ended November 2012, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000.

No director proposed for re-election at AGM 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 2011, 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 as set out in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 December 2011 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 any of our subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2011, none of our Company, any of our subsidiaries, our ultimate holding company or any of 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 2011, 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"). 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 Director of the Company (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 member 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 of achieving the following objectives: (i) to motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and (ii) to 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 and 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 twelve-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 scheme 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 had been granted under the Share Option Scheme and no other share option scheme was adopted by the Company as at 31 December 2011.

CONTRACTS WITH SINOTRANS & CSC GROUP COMPANY

SINOTRANS & CSC Group Company is the controlling shareholder of our Company, with which our Company has entered into various agreements for regulating the on-going business relationship between our Group and SINOTRANS & CSC Group Company. These agreements are the master services agreement, master lease agreement, trademark licence agreement, master management agreement and master chartering agreement, details of which please refer to the section headed "Connected Transactions".

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, our Directors acknowledged that, based on publicly available information and to the knowledge of our Directors, our Company had maintained 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 had confirmed that they had complied with the required standards set out in the Model Code throughout the year of 2011.

AUDIT COMMITTEE

Our Company has established an 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 2011, 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 2011, including the accounting principles and practices adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2011, 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
12 March 2012

Independent Auditor's Report

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 47 to 93, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, 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 information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 2011, 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, 12 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Revenues	6	**281,435**	278,496
Cost of operations	7	**(198,678)**	(163,544)
Gross profit		**82,757**	114,952
Selling, administrative and general expenses	7	**(17,808)**	(15,655)
Other operating income, net	8	**6,655**	17,068
Operating profit		**71,604**	116,365
Finance income	9	**18,627**	13,411
Share of profits/(losses) of jointly controlled entities		**2,147**	(1,481)
Profit before income tax		**92,378**	128,295
Income tax expense	10	**(654)**	(754)
Profit attributable to owners of the Company	13	**91,724**	127,541
Other comprehensive income			
Translation differences		**(41)**	134
Total comprehensive income for the year		**91,683**	127,675
Earnings per share			
– Basic and diluted	14	**US2.30 cents**	US3.19 cents
Dividends	15	**30,717**	40,986

Consolidated Balance Sheet

As At 31 December 2011

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,099,092**	1,029,020
Interests in jointly controlled entities	18	**20,550**	52,153
Loans to jointly controlled entities	18	**12,000**	32,655
Finance lease receivable from a fellow subsidiary	19	**93,295**	–
Held-to-maturity investment	20	**44,438**	–
		1,269,375	1,113,828
Current assets			
Inventories		**1,650**	–
Loans to jointly controlled entities	18	**1,500**	5,192
Trade and other receivables	21	**47,684**	36,943
Finance lease receivable from a fellow subsidiary	19	**3,684**	–
Cash and bank balances	22		
– Cash and cash equivalents		**63,775**	146,182
– Short-term bank deposits		**820,862**	853,841
– Restricted cash		**7,500**	7,500
		946,655	1,049,658
Total assets		**2,216,030**	2,163,486
EQUITY			
Capital and reserves			
Share capital	23	**51,239**	51,239
Reserves	24	**2,124,968**	2,074,304
		2,176,207	2,125,543
LIABILITIES			
Current liabilities			
Trade and other payables	25	**38,730**	37,233
Taxation payable		**1,093**	710
		39,823	37,943
Total equity and liabilities		**2,216,030**	2,163,486
Net current assets		**906,832**	1,011,715
Total assets less current liabilities		**2,176,207**	2,125,543

Zhao Huxiang
Director

Tian Zhongshan
Director

Balance Sheet

As At 31 December 2011

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Subsidiaries	16	**–**	–
Property, plant and equipment	17	**600**	500
Held-to-maturity investment	20	**44,438**	–
		45,038	500
Current assets			
Trade and other receivables	21	**1,046,461**	1,022,080
Cash and bank balances	22		
– Cash and cash equivalents		**36,987**	112,249
– Short-term bank deposits		**816,543**	804,870
– Restricted cash		**7,500**	7,500
		1,907,491	1,946,699
Total assets		**1,952,529**	1,947,199
EQUITY			
Capital and reserves			
Share capital	23	**51,239**	51,239
Reserves	24	**1,880,425**	1,875,246
		1,931,664	1,926,485
LIABILITIES			
Current liabilities			
Trade and other payables	25	**20,865**	20,714
Total equity and liabilities		**1,952,529**	1,947,199
Net current assets		**1,886,626**	1,925,985
Total assets less current liabilities		**1,931,664**	1,926,485

Zhao Huxiang
Director

Tian Zhongshan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 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 2010	51,239	1,826,869	(450,507)	101	222	605,805	2,033,729
Comprehensive income							
Profit for the year	–	–	–	–	–	127,541	127,541
Other comprehensive income							
Translation differences	–	–	–	–	134	–	134
Total comprehensive income	–	–	–	–	134	127,541	127,675
Transactions with owners							
2009 final dividend paid	–	–	–	–	–	(25,583)	(25,583)
2010 interim dividend paid	–	–	–	–	–	(10,278)	(10,278)
Total transactions with owners	–	–	–	–	–	(35,861)	(35,861)
At 31 December 2010	51,239	1,826,869	(450,507)	101	356	697,485	2,125,543
At 1 January 2011	**51,239**	**1,826,869**	**(450,507)**	**101**	**356**	**697,485**	**2,125,543**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**91,724**	**91,724**
Other comprehensive income							
Translation differences	**–**	**–**	**–**	**–**	**(41)**	**–**	**(41)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(41)**	**91,724**	**91,683**
Transactions with owners							
2010 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(30,774)**	**(30,774)**
2011 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**(10,245)**	**(10,245)**
Total transactions with owners	**–**	**–**	**–**	**–**	**–**	**(41,019)**	**(41,019)**
At 31 December 2011	**51,239**	**1,826,869**	**(450,507)**	**101**	**315**	**748,190**	**2,176,207**

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	**113,196**	131,354
Interest received		**19,840**	10,694
Income tax paid		**(271)**	(342)
Net cash from operating activities		**132,765**	141,706
Cash flows from investing activities			
Purchases of property, plant and equipment		**(224,041)**	(334,786)
Proceeds from disposal of property, plant and equipment	26(b)	**19**	94,357
Repayment of loans to jointly controlled entities		**24,347**	6,192
Loans granted to jointly controlled entities		**–**	(17,500)
Repayment of finance lease receivable		**3,021**	–
Purchase of held-to-maturity investment		**(44,438)**	–
Dividend received from a jointly controlled entity		**33,750**	–
Decrease in short-term bank deposits		**32,979**	53,336
Net cash used in investing activities		**(174,363)**	(198,401)
Cash flows from financing activities			
Dividends paid		**(41,019)**	(35,861)
Net cash used in financing activities		**(41,019)**	(35,861)
Net decrease in cash and cash equivalents		**(82,617)**	(92,556)
Cash and cash equivalents at beginning of year		**146,182**	238,381
Effect of foreign exchange rate changes		**210**	357
Cash and cash equivalents at end of year		**63,775**	146,182

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 shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 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").

These financial statements were approved for issue by the Board of Directors on 12 March 2012.

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 financial statements are disclosed in note 5.

(ii) Standards, interpretations and amendments effective in 2011

The Group has adopted the following revised standard, interpretation and amendments to the standards issued by HKICPA which are relevant to its operations and mandatory for the year beginning 1 January 2011:

HKFRSs Amendments	Improvement to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Classification of Rights Issues
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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

2 BASIS OF PREPARATION (CONTINUED)

(ii) Standards, interpretations and amendments effective in 2011 (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.

(iii) Standards and amendments which are not yet effective

The HKICPA has issued the following new or revised standards and amendments to the standards which are not yet effective in 2011 but relevant to the Group and have not been early adopted:

		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
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Associates and Joint Ventures	1 January 2013
HKFRS 7 Amendment	Disclosures – Transfer of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
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 assessed the impact of these new or revised standards and amendments. The adoption of these new or revised standards and amendments does not have significant impact on the Group's financial statements except for certain changes in presentation and disclosures and measurements of certain lines in the financial statements.

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 financial statements of the Group 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, as prescribed in Accounting Guideline 5 ("AG 5"), Merger Accounting for Common Control Combinations, issued by the HKICPA.

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 statement of comprehensive income 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 AG 5 (note 3(a)(i)), the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired at the acquisition date is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(iv) Gaining or losing control or significant influence

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(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(j)). 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 statement of comprehensive income 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 translation

(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 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 at 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 statement of comprehensive income 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 statement of comprehensive income 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 in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in jointly controlled entities that do not result in the Group losing joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(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.

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

Vessels, buildings and other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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 statement of comprehensive income 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 dry docking. Costs incurred on subsequent dry docking 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 dry docking.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

(ii) Vessels, freehold land and buildings and other property, plant and equipment (Continued)

Freehold land is stated at cost less impairment losses and is not subject to depreciation. 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 (note 3(j)).

(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 statement of comprehensive income.

(f) Leases

Leases where substantially all the risks and rewards of ownership of assets are retained by the lessors are classified as operating leases. Leases that substantially transfer to the leasees all the risks and rewards of ownership of assets are classified 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 statement of comprehensive income 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.

(iii) Where the Group is the lessor (finance leases)

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Held-to-maturity investment

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

(h) Inventories

Inventories represent bunkers on board of vessels, which are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

(j) Impairment

(i) 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.

Impairment testing of the investments in subsidiaries or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or the jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (Continued)

(ii) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors' credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

(l) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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 to 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) 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 of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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 when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

The Group recognises revenue on the following basis:

(i) Revenue from charter hire

Income from time charter 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.

(iv) Finance lease income

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

(r) Dividend distribution

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

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company that makes strategic decisions.

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 cash and bank balances, loans to jointly controlled entities, finance lease receivable and held-to-maturity investment. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

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$433,000 (2010: US$722,000).

(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), loans to jointly controlled entities, finance lease receivable and held-to-maturity investment. 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 ten 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 finance lease receivable, loans and amounts advanced to related companies and jointly controlled entities by reviewing ageing analysis and financial information of related companies and jointly controlled entities on a regular basis to minimise credit risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group Finance. The Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and capital commitments at all times. Such forecasting takes into consideration of the Group's future business plans and strategy to monitor any debt financing requirement.

Surplus cash held by the operating entities over balance required for working capital management are managed centrally by the Group Finance and the surplus cash would be invested in interest bearing bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At 31 December 2011, the Group has cash and cash equivalents of US$63,775,000 (2010: US$146,182,000) that are expected to readily generate cash inflows for managing liquidity risk.

The Group's financial liabilities, including trade payables and amounts due to related parties, due within 12 months equal their carrying balances as the impact of discounting is not significant.

(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, Japanese Yen and Renminbi. The 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. 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.

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 31 December 2011, if US dollar had strengthened/weakened by 5% against Japanese Yen with all other variables unchanged, the Group's profit before income tax would have been US$238,000 (2010: US$276,000) lower/higher. As at 31 December 2011, if US dollar had strengthened/weakened by 5% against Renminbi with all other variables unchanged, the Group's profit before income tax would have been US$3,929,000 (2010: US$101,000) lower/higher.

(b) Fair value estimation

The carrying values of cash and bank balances, trade receivables and payables, loans to jointly controlled entities, finance lease receivable and held-to-maturity investment 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 rates in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings or repay borrowings if necessary.

The Group monitors its capital on the basis of the gearing ratio, which represents ratio of comparing net debt to total capital. Net debts represent total borrowings less cash and bank balances. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group's strategy was to maintain a gearing ratio below 50%.

Gearing ratios is not presented as the Group had net cash (in excess of debt) as at 31 December 2011 and 2010.

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 and performs impairment assessments on its vessels. Management will base on their best estimates to recognise impairment loss, if any.

(b) Useful lives of vessels

Management determines the estimated useful lives and related depreciation expenses for the vessels. Management estimates useful lives 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 the carrying value of vessels would decrease by US$5,011,000 (2010: US$4,454,000) or increase by US$4,089,000 (2010: US$3,514,000) in the future periods.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(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 the carrying value of vessels would increase or decrease by US$1,259,000 (2010: US$697,000) in the future periods.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues from operations of dry bulk shipping, oil tanker shipping and container shipping totalling US$279,879,000 (2010: US$276,995,000) and other shipping related businesses totalling US$1,556,000 (2010: US$1,501,000) 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, 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.

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Year ended 31 December 2011				
	Dry bulk shipping US$'000	**Oil tanker shipping US$'000**	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Total revenues	**260,633**	**3,634**	**23,011**	**11,506**	**298,784**
Inter-segment revenues	**(1,246)**	**–**	**–**	**(9,950)**	**(11,196)**
Revenues from external customers	**259,387**	**3,634**	**23,011**	**1,556**	**287,588**
Segment results	**72,899**	**202**	**3,520**	**4,100**	**80,721**
Depreciation	**46,383**	**–**	**6,759**	**179**	**53,321**
Additions to non-current assets	**122,164**	**–**	**883**	**100,374**	**223,421**

	Year ended 31 December 2010				
	Dry bulk shipping US$'000	Oil tanker shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	260,240	12,650	20,332	10,893	304,115
Inter-segment revenues	(1,879)	–	–	(9,392)	(11,271)
Revenues from external customers	258,361	12,650	20,332	1,501	292,844
Segment results	121,691	(2,323)	3,408	599	123,375
Depreciation	37,599	–	5,496	143	43,238
Additions to non-current assets	331,727	–	734	242	332,703

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.

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	2011 **US$'000**	2010 US$'000
Revenues from external customers for reportable segments	**287,588**	292,844
Revenues from external customers derived by jointly controlled entities measured at proportional basis	**(6,153)**	(14,348)
Total revenues per the consolidated statement of comprehensive income	**281,435**	278,496

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 income, corporate expenses and finance income are not included in the segment results.

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

	2011 **US$'000**	2010 US$'000
Segment results for reportable segments	**80,721**	123,375
Corporate income	**2,530**	–
Corporate expenses	**(9,500)**	(8,491)
Finance income	**18,627**	13,411
Profit before income tax	**92,378**	128,295

For the year ended 31 December 2011, the Group has one customer with revenue exceeding 10% of the Group's total revenue (2010: Nil). Revenue from this customer amounting to US$33,092,000 (2010: US$11,067,000) is attributable to the dry bulk shipping segment.

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 consolidated balance sheet.

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	As at 31 December 2011				
	Dry bulk shipping US$'000	**Oil tanker shipping US$'000**	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**1,088,459**	**3,270**	**96,112**	**103,413**	**1,291,254**
Segment assets include:					
Interests in jointly controlled entities	**17,547**	**3,003**	**–**	**–**	**20,550**
Loans to jointly controlled entities	**13,500**	**–**	**–**	**–**	**13,500**
Segment liabilities	**29,426**	**15**	**1,204**	**4,624**	**35,269**

	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

Reportable segment assets are reconciled to total assets as follows:

	2011 US$'000	2010 US$'000
Segment assets	**1,291,254**	1,175,722
Corporate assets	**924,776**	987,764
Total assets per the consolidated balance sheet	**2,216,030**	2,163,486

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011 US$'000	2010 US$'000
Segment liabilities	**35,269**	32,105
Corporate liabilities	**4,554**	5,838
Total liabilities per the consolidated balance sheet	**39,823**	37,943

7 EXPENSES BY NATURE

	2011 US$'000	2010 US$'000
Auditor's remuneration	**467**	465
Brokerage and commission	**11,462**	10,966
Inventories consumed	**22,306**	9,943
Depreciation (note 17)	**53,321**	43,238
Employee benefit expense (note 11)	**7,446**	6,955
Hiring of crews and seafarers	**33,893**	28,283
Insurance premium	**7,498**	6,736
Exchange gain	**–**	(820)
Operating lease expenses		
– vessels	**30,500**	26,335
– office premises	**1,647**	1,473
Port charges	**7,916**	4,568
Repairs and maintenance expenses	**4,729**	2,953
Others	**35,301**	38,104
Total cost of operations and selling, administrative and general expenses	**216,486**	179,199

8 OTHER OPERATING INCOME, NET

	2011 US$'000	2010 US$'000
Finance lease income from a fellow subsidiary	**3,657**	–
(Loss)/gain on disposal of property, plant and equipment	**(4)**	16,533
Interest income from jointly controlled entities	**269**	487
Interest income from a fellow subsidiary	**90**	48
Exchange gain	**2,643**	–
	6,655	17,068

9 FINANCE INCOME

	2011 US$'000	2010 US$'000
Interest income on bank deposits	**18,306**	13,411
Interest income on held-to-maturity investment	**321**	–
	18,627	13,411

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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.

	2011 US$'000	2010 US$'000
Current income tax		
– Hong Kong profits tax	**657**	644
– Overseas taxation	**19**	125
– Over-provisions in prior years	**(22)**	(15)
Income tax expense	**654**	754

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

	2011 US$'000	2010 US$'000
Profit before income tax	**92,378**	128,295
Share of (profits)/losses of jointly controlled entities	**(2,147)**	1,481
	90,231	129,776
Tax calculated at 16.5% (2010: 16.5%)	**14,888**	21,413
Income not subject to tax	**(46,228)**	(47,107)
Expenses not deductible for tax purposes	**32,012**	26,415
Effect of differential tax rates of other countries	**4**	48
Over-provisions in prior years	**(22)**	(15)
Income tax expense	**654**	754

11 EMPLOYEE BENEFIT EXPENSE

	2011 US$'000	2010 US$'000
Wages and salaries	**7,231**	6,758
Pension costs-defined contribution plans	**215**	197
	7,446	6,955

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 2011				
Executive directors				
Tian Zhongshan	–	294	3	297
Li Hua	–	209	5	214
Feng Guoying	–	220	5	225
	–	723	13	736
Non-executive directors				
Zhao Huxiang	–	–	–	–
Pan Deyuan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Hu Hanxiang	17	–	–	17
Tsang Hing Lun	17	–	–	17
Lee Peter Yip Wah	17	–	–	17
Zhou Qifang	17	–	–	17
	68	–	–	68
	68	723	13	804

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 2010				
Executive directors				
Tian Zhongshan	–	208	2	210
Li Hua	–	188	4	192
Feng Guoying	–	196	4	200
	–	592	10	602
Non-executive directors				
Zhao Huxiang	–	–	–	–
Pan Deyuan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Hu Hanxiang	15	–	–	15
Tsang Hing Lun	15	–	–	15
Lee Peter Yip Wah	15	–	–	15
Zhou Qifang	15	–	–	15
	60	–	–	60
	60	592	10	662

No director waived or agreed to waive any emoluments during the year (2010: Nil). 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 (2010: Nil).

12 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2010: three) 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 2011 are as follows:

	2011 **US$'000**	2010 US$'000
Salaries, allowances and benefits-in-kind	**398**	339
Contributions to pension plans	**9**	8
	407	347

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
US$128,205 (HK$1,000,001) – US$192,308 (HK$1,500,000)	**1**	2
US$192,308 (HK$1,500,001) – US$256,410 (HK$2,000,000)	**1**	–

13 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of US$46,198,000 (2010: US$12,850,000).

14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit attributable to owners of the Company (US$'000)	**91,724**	127,541
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cents per share)	**2.30**	3.19

As there were no dilutive potential ordinary shares outstanding during the year (2010: Nil), the diluted earnings per share for the year is equal to basic earnings per share.

15 DIVIDENDS

	2011 **US$'000**	2010 US$'000
Interim, paid of US0.26 cents (2010: US0.26 cents) per ordinary share	**10,245**	10,278
Final, proposed of US0.51 cents (2010: US0.77 cents) per ordinary share	**20,472**	30,708
	30,717	40,986

On 12 March 2012, the Board proposed a final dividend of HK4 cents (equivalent to US0.51 cents) per share, totalling US$20,472,000 for the year ended 31 December 2011. 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 2012.

16 SUBSIDIARIES

	Company	
	2011	2010
Unlisted shares, at cost	**US$6**	US$6

Particulars of the principal 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 2010	842,202	276,667	379	1,213	1,120,461	824
Translation differences	–	–	22	27	49	–
Additions	18,633	313,814	–	256	332,703	242
Disposals and write-off	(93,537)	–	–	(96)	(93,633)	(71)
Transfer	416,170	(416,170)	–	–	–	–
At 31 December 2010	1,183,468	174,311	401	1,400	1,359,580	995
Translation differences	–	–	(9)	(7)	(16)	–
Additions	107,128	116,014	–	279	223,421	274
Derecognition under finance lease	(100,000)	–	–	–	(100,000)	–
Disposals and write-off	(5,898)	–	–	(116)	(6,014)	(69)
Transfer	239,856	(239,856)	–	–	–	–
At 31 December 2011	**1,424,554**	**50,469**	**392**	**1,556**	**1,476,971**	**1,200**
Accumulated depreciation						
At 1 January 2010	303,788	–	201	676	304,665	430
Translation differences	–	–	12	19	31	–
Charge for the year	43,052	–	4	182	43,238	130
Disposals and write-off	(17,289)	–	–	(85)	(17,374)	(65)
At 31 December 2010	329,551	–	217	792	330,560	495
Translation differences	–	–	(5)	(6)	(11)	–
Charge for the year	53,116	–	4	201	53,321	165
Disposals and write-off	(5,898)	–	–	(93)	(5,991)	(60)
At 31 December 2011	**376,769**	**–**	**216**	**894**	**377,879**	**600**
Net book value						
At 31 December 2011	**1,047,785**	**50,469**	**176**	**662**	**1,099,092**	**600**
At 31 December 2010	853,917	174,311	184	608	1,029,020	500

Note: The freehold land is located outside Hong Kong.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011	2010
	US$'000	US$'000
Share of net assets	**20,550**	52,153
Loans to jointly controlled entities (note a)	**13,500**	37,847
Current portion of loans to jointly controlled entities	**(1,500)**	(5,192)
	12,000	32,655
Unlisted investments, at cost	**128**	128

Notes:

(a) Loans to jointly controlled entities are secured by the vessels of the jointly controlled entities and bear interest at 1% (2010: secured and bear interest at 0.6% to 1%) over London Interbank Offered Rate ("LIBOR") per annum. The loans are repayable by installments and are wholly repayable on or before 2020. Effective interest rate as at 31 December 2011 was 1.58% (2010: 1.06%).

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

	2011	2010
	US$'000	US$'000
Assets		
Non-current assets	**28,891**	80,249
Current assets	**6,377**	31,479
Total assets	**35,268**	111,728
Liabilities		
Non-current liabilities	**12,000**	32,655
Current liabilities	**2,718**	26,920
Total liabilities	**14,718**	59,575
Net assets	**20,550**	52,153

	2011	2010
	US$'000	US$'000
Income	**8,910**	14,368
Expenses	**6,763**	15,849

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

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

19 FINANCE LEASE RECEIVABLE FROM A FELLOW SUBSIDIARY

	Group	
	2011	2010
	US$'000	US$'000
Non-current receivable		
Finance lease receivable from a fellow subsidiary – gross	**111,012**	–
Less: unearned finance lease income	**(17,717)**	–
Finance lease receivable from a fellow subsidiary – net (note b)	**93,295**	–
Current receivable		
Finance lease receivable from a fellow subsidiary – gross	**9,443**	–
Less: unearned finance lease income	**(5,759)**	–
Finance lease receivable from a fellow subsidiary – net (note b)	**3,684**	–
	96,979	–

Notes:

(a) At 31 December 2011, the Group leased out a vessel under a finance lease (note 29(e)). The effective interest rate on finance lease receivables was approximately 6.3% (2010: Nil).

(b) The gross receivable, unearned finance lease income and the net receivable from a finance lease as at 31 December 2011 are as follows:

	Group	
	2011	2010
	US$'000	US$'000
Gross receivable from finance lease		
Not later than one year	**9,443**	–
Later than one year but not later than two years	**9,417**	–
Later than two years but not later than five years	**101,595**	–
	120,455	–
Less: unearned future finance lease income	**(23,476)**	–
	96,979	–
Net receivable from finance lease		
Not later than one year	**3,684**	–
Later than one year but not later than two years	**3,885**	–
Later than two years but not later than five years	**89,410**	–
	96,979	–

20 HELD-TO-MATURITY INVESTMENT

	Group and Company	
	2011	2010
	US$'000	US$'000
Debt security listed overseas	**44,438**	–

On 3 October 2011, the Company paid RMB280,000,000 for the subscription of a Renminbi-denominated guaranteed bond issued by Sinotrans Shipping Inc., a fellow subsidiary of the Group at par value. The bond is for a three-year period with maturity date of 11 October 2014, and bears interest at a fixed rate of 3.3% per annum. The bond is guaranteed by Sinotrans Shipping (Holdings) Limited, the immediate holding company of the Company, and has been listed on the interbank bond market in Singapore.

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables (note a)				
– fellow subsidiaries	**3,768**	8,614	**–**	–
– third parties	**5,832**	3,360	**–**	–
	9,600	11,974	**–**	–
Prepayments, deposits and other receivables	**35,165**	23,608	**8,806**	6,075
Amounts due from related parties (note b)				
– subsidiaries	**–**	–	**1,037,655**	1,016,005
– fellow subsidiaries	**2,302**	449	**–**	–
– jointly controlled entities	**617**	853	**–**	–
– other related companies	**–**	59	**–**	–
	2,919	1,361	**1,037,655**	1,016,005
Total	**47,684**	36,943	**1,046,461**	1,022,080

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	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Within 6 months	**7,132**	10,946	**–**	–
7-12 months	**1,736**	104	**–**	–
1-2 years	**212**	877	**–**	–
2-3 years	**520**	47	**–**	–
	9,600	11,974	**–**	–

Trade receivables are past due but not considered to be impaired. These trade receivables relate to fellow subsidiaries and 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. These balances are neither past due nor impaired and there is no history of default.

22 CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**63,775**	146,182	**36,987**	112,249
Short-term bank deposits	**820,862**	853,841	**816,543**	804,870
	884,637	1,000,023	**853,530**	917,119
Restricted cash (note 27)	**7,500**	7,500	**7,500**	7,500
Cash and bank balances	**892,137**	1,007,523	**861,030**	924,619

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

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
US Dollar	**852,644**	1,002,275	**826,331**	922,474
Renminbi	**34,337**	2,131	**34,154**	1,823
Hong Kong Dollar	**1,231**	693	**430**	209
Japanese Yen	**3,417**	2,005	**78**	74
Others	**508**	419	**37**	39
Cash and bank balances	**892,137**	1,007,523	**861,030**	924,619

23 SHARE CAPITAL

	Number of shares Ordinary shares of HK$0.1 each	**Nominal value US$'000**
Authorised:		
At 1 January, 31 December 2010 and 2011	50,000,000,000	641,026
Issued and fully paid:		
At 1 January, 31 December 2010 and 2011	3,992,100,000	51,239

The Company adopted a share option scheme on 31 October 2007. Under the terms of the share option scheme, the Directors 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 2011.

24 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 2010	1,826,869	(450,507)	101	222	605,805	1,982,490
Profit for the year	–	–	–	–	127,541	127,541
Translation differences	–	–	–	134	–	134
2009 final dividend paid	–	–	–	–	(25,583)	(25,583)
2010 interim dividend paid (note 15)	–	–	–	–	(10,278)	(10,278)
At 31 December 2010	1,826,869	(450,507)	101	356	697,485	2,074,304
Profit for the year	–	–	–	–	91,724	91,724
Translation differences	–	–	–	(41)	–	(41)
2010 final dividend paid	–	–	–	–	(30,774)	(30,774)
2011 interim dividend paid (note 15)	–	–	–	–	(10,245)	(10,245)
At 31 December 2011	1,826,869	(450,507)	101	315	748,190	2,124,968

Company

	Share premium US$'000	Capital redemption reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2010	1,826,869	101	71,287	1,898,257
Profit for the year	–	–	12,850	12,850
2009 final dividend paid	–	–	(25,583)	(25,583)
2010 interim dividend paid (note 15)	–	–	(10,278)	(10,278)
At 31 December 2010	1,826,869	101	48,276	1,875,246
Profit for the year	–	–	46,198	46,198
2010 final dividend paid	–	–	(30,774)	(30,774)
2011 interim dividend paid (note 15)	–	–	(10,245)	(10,245)
At 31 December 2011	1,826,869	101	53,455	1,880,425

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Trade payables (note a)				
– fellow subsidiaries	**1,519**	878	**146**	–
– third parties	**7,342**	10,335	**60**	90
– a jointly controlled entity	**70**	779	**–**	–
	8,931	11,992	**206**	90
Other payables and accruals	**29,304**	24,515	**4,261**	4,610
Amounts due to related parties (note b)				
– subsidiaries	**–**	–	**16,398**	16,014
– fellow subsidiaries	**245**	409	**–**	–
– jointly controlled entities	**–**	317	**–**	–
– related company	**250**	–	**–**	–
	495	726	**16,398**	16,014
Total	**38,730**	37,233	**20,865**	20,714

Notes:

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

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Within 6 months	**8,454**	11,611	**206**	90
7-12 months	**157**	104	**–**	–
1-2 years	**116**	88	**–**	–
2-3 years	**62**	91	**–**	–
Over 3 years	**142**	98	**–**	–
	8,931	11,992	**206**	90

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

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2011 **US$'000**	2010 US$'000
Profit before income tax	**92,378**	128,295
Adjustments for:		
Depreciation	**53,321**	43,238
Loss/(gain) on disposal of property, plant and equipment	**4**	(16,533)
Share of (profits)/losses of jointly controlled entities	**(2,147)**	1,481
Interest income	**(18,986)**	(13,946)
Finance lease income from a fellow subsidiary	**(3,657)**	–
Changes in working capital:		
Inventories	**(1,650)**	–
Trade and other receivables (excluding amounts due from related parties)	**(6,789)**	(4,886)
Amounts due to related parties, net	**(1,380)**	(9,695)
Trade and other payables (excluding amounts due to related parties)	**2,102**	3,400
Cash generated from operations	**113,196**	131,354

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2011 **US$'000**	2010 US$'000
Net book value (note 17)	**23**	76,259
(Loss)/gain on disposal of property, plant and equipment	**(4)**	16,533
Unrealised gain on disposal of property, plant and equipment to a jointly controlled entity	**–**	1,565
Proceeds from disposal of property, plant and equipment	**19**	94,357

27 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 by 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, costs, 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 to 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.

28 COMMITMENTS

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

	2011 US$'000	2010 US$'000
Authorised but not contracted for	**713**	1,018
Contracted but not provided for	**12,520**	225,670
	13,233	226,688

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

At 31 December 2011, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2011 US$'000	2010 US$'000
Office premises		
– no later than one year	**293**	200
– later than one year and no later than five years	**46**	127
	339	327
Vessels		
– no later than one year	**5,754**	7,953
	6,093	8,280

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

At 31 December 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:

	2011 US$'000	2010 US$'000
Vessels		
– no later than one year	**131,203**	126,845
– later than one year and no later than five years	**31,973**	70,189
	163,176	197,034

29 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 significantly influenced by the PRC Government ("state-owned enterprises"), together with the 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 charter-hire 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 year.

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

	2011 **US$'000**	2010 US$'000
Charter-hire income from fellow subsidiaries	**53,927**	29,143
Charter-hire expenses paid to a jointly controlled entity	**5,398**	330
Commission expenses to fellow subsidiaries	**1,559**	472
Commercial management fee to a fellow subsidiary	**200**	400
Expenses for hiring of crews and seafarers to a fellow subsidiary	**9,811**	7,791
Finance lease income from a fellow subsidiary	**3,657**	–
Interest income from jointly controlled entities (note 18(a))	**269**	487
Rental expenses to fellow subsidiaries	**1,148**	1,016
Service fee paid to a related company	**208**	531

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) Year end balances arising from sales, purchases and other transactions with related parties were disclosed in notes 21 and 25.

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

(d) 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 year.

(e) 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 a finance lease.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) During the year, the Group has subscribed a guaranteed bond of RMB280,000,000 issued by a fellow subsidiary (note 20).

(g) Key management compensation

	2011 **US$'000**	2010 US$'000
Salaries, allowances, and benefits-in-kind	**723**	592
Contributions to pension plans	**13**	10
	736	602

30 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

At 31 December 2011, 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**
Bloom World Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Bright Sincere Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
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
Effort Plus Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Flying Speed Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Grand Sea Shipping Limited	Hong Kong	1 share of HK$1	100%	Vessel leasing
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%	Inactive
Great Concord Shipping S.A.	Panama	2 shares of US$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 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 Han Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Great Immensity Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
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 Jin Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Great Legend Shipping Limited	Hong Kong	1 share of HK$1	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 Luck Shipping Inc.	Panama	2 shares of US$1 each	100%	Chartering of vessels
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

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 Mind Shipping Limited	Hong Kong	1 share of HK$1	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 Praise Shipping Limited	Hong Kong	1 share of HK$1	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 Qin Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Great Resource Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Great Reward Shipping Limited	Hong Kong	1 share of HK$1	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 Song Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Great Talent Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Great Tang Shipping Limited	Hong Kong	1 share of HK$1	100%	Owing and chartering of vessel
Great Wisdom Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
Great Zhou Shipping Limited	Hong Kong	1 share of HK$1	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

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
# Joy Top International Limited	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
King Strategy Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
Marine Harvest Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Inactive
Marine Peace Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Marine Peace Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Inactive
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%	Chartering of vessels
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

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 Fast Shipping Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
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%	Investment holding
Friendship One Shipping Limited	Hong Kong	2 shares of HK$1 each	50%	Owning and chartering of vessel
Friendship Two Shipping Limited	Hong Kong	2 shares of HK$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 our prospectus.

"Board"	the board of Directors of our Company
"Chartering Opportunity"	a business opportunity 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 & CSC 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
"Prospectus"	the Company's prospectus dated 12 November 2007
"Relevant Services"	self-owned dry bulk vessels time chartering, self-owned container vessels time chartering, and crude oil shipping
"SINOTRANS & CSC Group"	SINOTRANS & CSC Group Company and its subsidiaries (but excluding our Group)
"SINOTRANS & CSC Group Company"	SINOTRANS & CSC Holdings Co., Ltd., formerly known as 中國對外貿易運輸(集團)總公司, is a PRC state-owned enterprise formed in 1950, and the ultimate controlling shareholder of our Company. It was renamed as the present name in March 2009.
"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.

"Baltic Dry Index" or "BDI"	the BDI is published every London working day by the Baltic Exchange, which collates information for Handysize, Supramax, Panamax and Capesize vessels to create this leading freight market indicator
"Baltic Dirty Tanker Index" or "BDTI"	the BDTI is published every London working day by the Baltic Exchange, which collates information for crude oil tankers to create this leading freight market indicator
"Capesize"	a dry bulk vessel with a capacity of over 100,000 DWT
"charterer"	a person, firm or company hiring a vessel for the carriage of goods or other purposes
"classification societies"	independent societies which certify that a vessel has been built and is maintained in accordance with the rules of such society and in compliance with the applicable rules and regulations of the vessel's Flag State and the international conventions of which that Flag State is a signatory
"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
"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 period of time
"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
"hire"	a sum of money to be paid to the shipowner by a charterer under a time charter for the use of a vessel
"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)
"Panamax"	a dry bulk vessel with a capacity of between 60,000 and 99,999 DWT
"P&I Association"	a mutual association providing P&I insurance coverage
"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
"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
"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
"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, *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
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

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 LTD.
(Incorporated in Hong Kong with limited liability)

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