SINOTRANS SHIPPING LIMITED

中 外 運 航 運 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 368)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Sinotrans Shipping Limited (the "Company") hereby announces the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 as follows:

FINANCIAL HIGHLIGHTS

	2012	2011	
	US$'000	*US$'000*	% Change
Results			
Revenues	**222,178**	281,435	(21.1%)
Profit attributable to owners of the Company	**20,121**	91,724	(78.1%)
Net profit margin	**9.1%**	32.6%	(72.1%)
Basic and diluted earnings per share	**US0.50 cents**	US2.30 cents	(78.1%)
Dividends	**5,118**[(1)]	30,717	(83.3%)
Financial Position			
Total assets	**2,213,736**	2,216,030	(0.1%)
Total liabilities	**37,862**	39,823	(4.9%)
Shareholders' equity	**2,175,874**	2,176,207	–
Total cash and bank balances	**916,832**	892,137	2.8%

(1) Including the proposed final dividend of HK1 cent per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012** **US$'000**	2011 US$'000
Revenues	*3*	**222,178**	281,435
Cost of operations	*4*	**(209,712)**	(198,678)
Gross profit		**12,466**	82,757
Selling, administrative and general expenses	*4*	**(19,095)**	(17,808)
Other operating (expense)/income, net	*5*	**(883)**	6,655
Operating (loss)/profit		**(7,512)**	71,604
Finance income	*6*	**27,745**	18,627
Share of profits of jointly controlled entities		**900**	2,147
Profit before income tax		**21,133**	92,378
Income tax expense	*7*	**(1,012)**	(654)
Profit attributable to owners of the Company		**20,121**	91,724
Other comprehensive income			
Translation differences		**98**	(41)
Total comprehensive income for the year		**20,219**	91,683
Earnings per share			
– Basic and diluted	*8*	**US0.50 cents**	US2.30 cents
Dividends	*9*	**5,118**	30,717

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,061,331**	1,099,092
Interests in jointly controlled entities		**21,450**	20,550
Loans to jointly controlled entities		**10,500**	12,000
Finance lease receivable from a fellow subsidiary		**89,410**	93,295
Held-to-maturity investment		**44,998**	44,438
		1,227,689	1,269,375
Current assets			
Inventories		**5,107**	1,650
Loans to jointly controlled entities		**1,500**	1,500
Trade and other receivables	10	**58,723**	47,684
Finance lease receivable from a fellow subsidiary		**3,885**	3,684
Cash and bank balances			
– Cash and cash equivalents		**75,055**	63,775
– Short-term bank deposits		**841,777**	820,862
– Restricted cash		**–**	7,500
		986,047	946,655
Total assets		**2,213,736**	2,216,030
EQUITY			
Capital and reserves			
Share capital		**51,239**	51,239
Reserves		**2,124,635**	2,124,968
		2,175,874	2,176,207
LIABILITIES			
Current liabilities			
Trade and other payables	11	**35,828**	38,730
Taxation payable		**2,034**	1,093
		37,862	39,823
Total equity and liabilities		**2,213,736**	2,216,030
Net current assets		**948,185**	906,832
Total assets less current liabilities		**2,175,874**	2,176,207

NOTES

1 GENERAL INFORMATION

Sinotrans Shipping Limited 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") since 23 November 2007. The Group principally engages in dry bulk vessel time chartering and dry bulk cargo voyage chartering, container vessel time chartering, shipping agency, ship management and oil tanker bareboat chartering under finance lease.

The parent company is SINOTRANS & CSC Holdings Co, Ltd, a stated–owned enterprise established in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

(i) These consolidated financial statements 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). These consolidated financial statements have been prepared under the historical cost convention.

(ii) Amendments to the standards effective in 2012

The Group has adopted the following amendments to the standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning 1 January 2012:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets

The adoption of the above amendments did not have significant effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

(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 2012 but relevant to the Group and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
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 Measurement	1 January 2013
HKFRS Amendments	2011 Annual Improvements	1 January 2013

The Group has already commenced an assessment of the related impact of these new standards and amendments on the Group. However, the Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the consolidated financial statements will be resulted.

3 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues from operations of dry bulk shipping, oil tanker shipping and container shipping totalling US$220,807,000 (2011: US$279,879,000) and other shipping related businesses totalling US$1,371,000 (2011: US$1,556,000) 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 chartering

– Oil tanker shipping — crude oil shipping services

– Container shipping — container vessel time chartering

– Others — shipping agency, ship management and oil tanker bareboat chartering 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.

	Year ended 31 December 2012				
	Dry bulk shipping	**Oil tanker shipping**	**Container shipping**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Total revenues	**202,607**	**–**	**21,417**	**11,206**	**235,230**
Inter-segment revenues	**(1,132)**	**–**	**–**	**(9,835)**	**(10,967)**
Revenues from external customers	**201,475**	**–**	**21,417**	**1,371**	**224,263**
Segment results	**(1,720)**	**–**	**(863)**	**6,110**	**3,527**
Depreciation	**51,094**	**–**	**4,740**	**212**	**56,046**
Impairment losses of vessels	**–**	**–**	**5,154**	**–**	**5,154**
Additions to non-current assets	**24,751**	**–**	**475**	**106**	**25,332**

	Year ended 31 December 2011				
	Dry bulk shipping	Oil tanker shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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

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.

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

	2012 *US$'000*	2011 *US$'000*
Revenues from external customers for reportable segments	**224,263**	287,588
Revenues from external customers derived by jointly controlled entities measured at proportionate consolidated basis	**(2,085)**	(6,153)
Total revenues per the consolidated statement of comprehensive income	**222,178**	281,435

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:

	2012 *US$'000*	2011 *US$'000*
Segment results for reportable segments	**3,527**	80,721
Corporate income	**484**	2,530
Corporate expenses	**(10,623)**	(9,500)
Finance income	**27,745**	18,627
Profit before income tax	**21,133**	92,378

For the year ended 31 December 2012, the Group has one (2011: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$31,387,000 (2011: US$33,092,000) 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.

	As at 31 December 2012				
	Dry bulk shipping ***US$'000***	**Oil tanker shipping** ***US$'000***	**Container shipping** ***US$'000***	**Others** ***US$'000***	**Total** ***US$'000***
Segment assets	**1,065,545**	**–**	**87,551**	**102,748**	**1,255,844**
Segment assets include:					
Interests in jointly controlled entities	**18,447**	**–**	**–**	**3,003**	**21,450**
Loans to jointly controlled entities	**12,000**	**–**	**–**	**–**	**12,000**
Segment liabilities	**27,529**	**–**	**503**	**4,905**	**32,937**

	As at 31 December 2011				
	Dry bulk shipping	Oil tanker shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*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

Reportable segment assets are reconciled to total assets as follows:

	2012	2011
	US$'000	*US$'000*
Segment assets	**1,255,844**	1,291,254
Corporate assets	**957,892**	924,776
Total assets per the consolidated balance sheet	**2,213,736**	2,216,030

Reportable segment liabilities are reconciled to total liabilities as follows:

	2012	2011
	US$'000	*US$'000*
Segment liabilities	**32,937**	35,269
Corporate liabilities	**4,925**	4,554
Total liabilities per the consolidated balance sheet	**37,862**	39,823

4 EXPENSES BY NATURE

	2012 *US$'000*	2011 *US$'000*
Depreciation	**56,046**	53,321
Hiring of crews and seafarers	**39,367**	33,893
Inventories consumed	**31,918**	22,306
Spare parts, lubricants and materials expenses	**25,415**	23,051
Operating lease expenses		
– vessels	**16,417**	30,500
– office premises	**1,720**	1,647
Brokerage and commission	**9,081**	11,462
Employee benefit expense	**8,227**	7,446
Port charges	**8,133**	7,916
Insurance premium	**6,785**	7,498
Repairs and maintenance expenses	**6,688**	4,729
Compensation to a fellow subsidiary	**2,000**	–
Auditor's remuneration	**467**	467
Others	**16,543**	12,250
Total cost of operations and selling, administrative and general expenses	**228,807**	216,486

5 OTHER OPERATING (EXPENSE)/INCOME, NET

	2012 *US$'000*	2011 *US$'000*
Finance lease income from a fellow subsidiary	**5,759**	3,657
Impairment losses of vessels	**(5,154)**	–
Impairment of receivables	**(1,894)**	–
Exchange (loss)/gain	**(229)**	2,643
Gain/(loss) on disposals of property, plant and equipment	**377**	(4)
Interest income from jointly controlled entities	**192**	269
Interest income from a fellow subsidiary	**66**	90
	(883)	6,655

6 FINANCE INCOME

	2012	2011
	US$'000	*US$'000*
Interest income on bank deposits	**25,719**	18,306
Interest income on held-to-maturity investment	**1,466**	321
Exchange gain on held-to-maturity investment	**560**	–
	27,745	18,627

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**1,015**	657
– Overseas taxation	**5**	19
– Over-provisions in prior years	**(8)**	(22)
Income tax expense	**1,012**	654

8 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.

	2012	2011
Profit attributable to owners of the Company (US$'000)	**20,121**	91,724
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cents per share)	**0.50**	2.30

As there were no dilutive potential ordinary shares outstanding during the year (2011: Nil), the diluted earnings per share for the year is equal to basic earnings per share.

9 DIVIDENDS

	2012 US$'000	2011 US$'000
Interim dividend, Nil (2011: US0.26 cents per ordinary share)	–	10,245
Final dividend, proposed of US0.13 cents (2011: US0.51 cents) per ordinary share	5,118	20,472
	5,118	30,717

On 7 March 2013, the Board proposed a final dividend of HK1 cent (equivalent to US0.13 cents) per ordinary share, totalling US$5,118,000 for the year ended 31 December 2012. The proposed dividend is not reflected as dividend payable in the consolidated financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of US$58,723,000 (2011: US$47,684,000) are trade receivables of US$15,851,000 (2011: US$9,600,000).

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

	2012 US$'000	2011 US$'000
Within 6 months	11,619	7,132
7–12 months	2,482	1,736
1–2 years	2,468	212
2–3 years	102	520
Over 3 years	520	–
Trade receivables	17,191	9,600
Less: impairment		
Within 6 months	(5)	–
7–12 months	(55)	–
1–2 years	(666)	–
2–3 years	(94)	–
Over 3 years	(520)	–
Provision for trade receivable impairment	(1,340)	–
Trade receivables, net of provision	15,851	9,600

11 TRADE AND OTHER PAYABLES

Included in trade and other payables of US$35,828,000 (2011: US$38,730,000) are trade payables of US$7,855,000 (2011: US$8,931,000). Ageing analysis of trade payables at the respective balance sheet dates are as follows:

	2012	2011
	US$'000	*US$'000*
Within 6 months	**6,884**	8,454
7–12 months	**283**	157
1–2 years	**563**	116
2–3 years	**1**	62
Over 3 years	**124**	142
Trade payables	**7,855**	8,931

REVIEW OF HISTORICAL OPERATING RESULTS

The recovery of international shipping market remained subdued in 2012. The unresolved European debt crisis and sluggish growth of developed countries such as the US and Japan met with slowing growth of emerging economies, resulting in lackluster global trade and seaborne demand growth. This was encountered by steadily high level of newbuilding vessel delivery, which put the market under tremendous supply pressure. The austere supply/demand imbalance dragged the shipping market into gloomy, particularly the dry bulk shipping sector. Charter hire and freight rate stayed under pressure and the global dry bulk shipping industry suffered huge losses. In the face of severe market situations, our Group managed to cope with challenges and alleviate the adverse impacts of the market downturn on us by leveraging on our low-cost advantage, insisting on our sound and robust management and enhancing our risk management. For the year ended 31 December 2012, our Group recorded profit attributable to owners of the Company of US$20.12 million (2011: US$91.72 million).

Revenues

For the year ended 31 December 2012, revenues of our Group was US$222.18 million (2011: US$281.44 million).

We set forth below the revenues contribution from each business segment for the year ended 31 December 2012:

	2012	2011	
	US$'000	*US$'000*	% Change
Revenues			
– Dry bulk shipping*	**201,475**	259,387	(22.3%)
– Oil tanker shipping*	**–**	3,634	N/A
– Container shipping	**21,417**	23,011	(6.9%)
– Others	**1,371**	1,556	(11.9%)
	224,263	287,588	(22.0%)
Revenues derived by jointly controlled entities measured at proportionate consolidated basis*	**(2,085)**	(6,153)	(66.1%)
Revenues per the consolidated statement of comprehensive income	**222,178**	281,435	(21.1%)

* Segment revenues includes revenues derived from jointly controlled entities measured at proportionate consolidated basis. Segment revenues 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 2012:

	2012	2011	
	US$	*US$*	% Change
Dry bulk vessel (Self-owned)	**11,050**	15,654	(29.4%)
Oil tanker** (Average daily TCE)	**N/A**	14,218	N/A
Container vessel	**6,360**	6,441	(1.3%)

** 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.

International dry bulk shipping market remained gloomy in 2012. Dragged by the weak international macroeconomic environment, the growth in global seaborne demand for major commodities such as iron ore and coal was trivial. Meanwhile, new tonnage kept pouring into the market, adding tremendous supply pressure to the market. The Baltic Dry Index ("BDI") has been crawling low since the end of 2011 and averaged just 920 points in 2012, not only representing a slump of 40.6% from 2011, but also hitting the bottom of the past two decades. Dry bulk shipping companies around the world were all facing an extraordinarily severe business environment.

Although the charter hire and freight rate slipped consistently in the market, our Group managed to generate charter hire income of US$152.43 million for the year ended 31 December 2012 (2011: US$208.88 million). This was because our Group monitored the market trend closely and applied flexible business strategy of long-term and short-term chartering for early business deployment. Besides, our newbuilding vessels came on stream successively and broadened our sources of income.

Our revenue from ocean freight income remained stable and amounted to US$49.05 million for the year ended 31 December 2012 (2011: US$50.51 million).

Oil tanker shipping

For the year ended 31 December 2012, revenue of our Group from oil tanker shipping was nil. This was because our Group has entered into a bareboat chartering arrangement for our very large crude oil carrier ("VLCC") since mid-May in 2011 and the charter hire revenue from this VLCC is accounted for as finance lease income of our Group instead of revenue from oil tanker shipping.

Container shipping

Hindered by the slow recovery of global economy and the spreading European debt crisis, the international container seaborne demand remained anaemic as a whole in 2012. Meanwhile, the continuous influx of new tonnage to the market worsened the supply/demand imbalance and weighed on the business environment of the international container shipping market. The feeder container shipping market in the Asian region remained bleak as well. For the year ended 31 December 2012, revenue of our Group from container shipping was US$21.42 million (2011: US$23.01 million), which was mainly because our Group judiciously sold an aged container vessel in May 2012, reducing the total number of operating days of our container vessel fleet when compared to 2011.

Cost of operations

Due to the expansion of our fleet size, the cost of operations increased by 5.6% to US$209.71 million (2011: US$198.68 million), of which:

Bunker consumed

Bunker consumed, comprising both fuel oil and diesel oil, increased from US$22.31 million to US$31.92 million due to the increasing consumption in the growth of the voyage charter shipping and the rise in bunker price.

Depreciation expenses for vessels

With the enlarged fleet size, the depreciation expenses for vessels rose by 5.1% to US$55.81 million (2011: US$53.12 million).

Expenses for hiring of crews and seafarers

Expenses for hiring of crews and seafarers grew by 16.2% to US$39.37 million (2011: US$33.89 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.

Spare parts, lubricants and materials expenses

Spare parts, lubricants and materials expenses amounted to US$25.42 million (2011: US$23.05 million), representing an increase of 10.3%. The increase was mainly attributable to the expansion of our fleet size.

Operating lease expenses for charter-in vessels

In the adverse market condition, our Group reduced the number of charter-in vessels. The operating lease expenses for charter-in vessels therefore dropped to US$16.42 million (2011: US$30.50 million).

Selling, administrative and general expenses

The selling, administrative and general expenses mainly comprised staff costs, travelling expense and office rental, amounted to US$19.10 million (2011: US$17.81 million). The increase was due to the expansion of our fleet size.

Other operating expense/income, net

The net amount of the other operating expense amounted to US$0.88 million (2011: other operating income, net US$6.66 million). In the year 2012, an impairment of trade and other receivables of US$1.89 million (2011: Nil) and aged container vessels of US$5.15 million (2011: Nil) were made. The impairment losses were partly offset by the finance lease income of US$5.76 million, which was derived from the finance lease arrangement of a vessel.

Finance income

The finance income increased by 49.0% to US$27.75 million (2011: US$18.63 million). Under effective fund management, the interest income derived from bank deposits and the investment return from bonds increased.

Share of profits of jointly controlled entities

After termination of the oil tanker business by a jointly controlled entity in mid-May of 2011, the share of profits of jointly controlled entities were solely contributed by dry bulk shipping. The share of profits of jointly controlled entities reduced to US$0.90 million (2011: US$2.15 million).

Income tax expense

Income tax for the year ended 31 December 2012 was US$1.01 million (2011: US$0.65 million).

Liquidity and financial resources

Our principal uses of cash have been, for payment for construction of new dry bulk vessels, operation costs and working capital for the year ended 31 December 2012. We have financed our liquidity requirements primarily through internally generated cash.

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

	2012 ***US$'000***	2011 *US$'000*
Current assets	**986,047**	946,655
Current liabilities	**37,862**	39,823
Liquidity ratio *(Note)*	**26.04**	23.77

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 2012 was 26.04 (2011: 23.77). The increase in liquidity ratio was primarily due to the net cash from operating and financing activities.

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 31 December 2012 and 2011.

Capital Commitments

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

	2012	2011
	US$'000	*US$'000*
Authorised but not contracted for	**434**	713
Contracted but not provided for	**–**	12,520
	434	13,233

Capital expenditures

Capital expenditures principally comprise expenditures for additions to property, plant and equipment, including primarily vessels. For the year ended 31 December 2012, total capital expenditures were US$25.33 million (2011: US$223.42 million), which was mainly attributable to the capital expenditures for construction of dry bulk vessels 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 2012, 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$128,000 (2011: US$238,000) lower/higher. As at 31 December 2012, 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$4.59 million (2011: US$3.93 million) lower/higher.

Contingent liabilities

Our 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 our Group.

EMPLOYEES

As at 31 December 2012, our Group had a total of 125 shore-based employees working in our offices in Hong Kong, Canada and Singapore. Details of employees' remuneration, our remuneration policy and staff development were substantially the same as those disclosed in the 2011 Annual Report, with no material changes.

FLEET DEVELOPMENT

During 2012, our Group took delivery of 2 newbuilding dry bulk vessels and judiciously sold 1 aged container vessel, further optimising our fleet structure. As at 31 December 2012, our Group owned 52 vessels with an aggregate capacity of 3.34 million DWT and an average age of approximately 9.7 years.

OUTLOOK

In 2013, stagnant recovery of developed countries with downside risks remaining will be coupled with possible slowdown in economic growth of emerging economies such as China, thus the global economy will remain challenging. However, as different countries are likely to carry out new economic stimulus policies, the global seaborne trade demand will maintain a moderate growth. Meanwhile, although the oversupply pressure will remain significant in 2013, the supply/demand imbalance of the shipping market will be easing gradually in the future years taken into account of the slowing tonnage growth. It is expected that possibility of further softening of the dry bulk shipping market will be trivial but the market will remain gloomy in 2013 as a whole. In response to the current complicated situations faced by international shipping market, our Group will adhere to our philosophy of sound and robust management just as ever by strengthening market research to facilitate early deployment, conducting comprehensive control over costs and risks and improving our management expertise steadily in order to cope with market challenges proactively. In addition, we will further optimise our fleet structure so as to achieve sustainable development. Our Group believes that by leveraging on our advantages of solid financial position, low-cost structure and modern fleet, we will continue to achieve high ambitions and head towards a bright future.

FINAL DIVIDEND AND BOOK CLOSURE

The Board has proposed a final dividend for the year ended 31 December 2012 of HK1 cent (equivalent to US0.13 cents) per share and, if such dividend is approved by the shareholders at the 2013 Annual General Meeting of the Company, it is expected to be paid on or before 10 June 2013 to those shareholders whose names appear on the Company's register of members after the close of business at 4:30 p.m. on 30 May 2013.

In order to qualify for the proposed final dividend, all 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 30 May 2013.

To ascertain shareholders' eligibility to attend and vote at the 2013 Annual General Meeting, the register of members of the Company will be closed from 20 May 2013 to 24 May 2013 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify to attend and vote at the meeting, 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 16 May 2013.

REVIEW OF AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of our Group for the year ended 31 December 2012.

CORPORATE GOVERNANCE

Our Group has complied with all code provisions, as set out in Appendix 14 of the Listing Rules (Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012)) throughout the year ended 31 December 2012.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

We have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by our Directors.

Our Board confirms that, having made specific enquiry of all Directors, all our Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's listed securities.

DIRECTORS

As at the date of this announcement, our Executive Directors are Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying; our Non-Executive Directors are Mr. Zhao Huxiang and Mr. Pan Deyuan; and our Independent Non-Executive Directors are Mr. Tsang Hing Lun, Mr. Hu Hanxiang, Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

By Order of the Board
Sinotrans Shipping Limited
Tian Zhongshan
Executive Director

Hong Kong, 7 March 2013