中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

2013
Interim Report

Contents

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. Li Hua
Ms. Feng Guoying

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
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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

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Note	**US$'000**	US$'000
Revenues	4	**93,497**	107,214
Cost of operations		**(98,472)**	(94,416)
Gross (loss)/profit		**(4,975)**	12,798
Selling, administrative and general expenses		**(9,235)**	(8,750)
Other operating income, net	5	**4,160**	2,878
Operating (loss)/profit		**(10,050)**	6,926
Finance income, net	6	**11,870**	13,120
Share of profits of joint ventures		**396**	535
Profit before income tax		**2,216**	20,581
Income tax expense	7	**(604)**	(478)
Profit attributable to owners of the Company		**1,612**	20,103
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		**(104)**	25
Total comprehensive income for the period		**1,508**	20,128
Earnings per share			
– Basic and diluted	9	**US0.04 cent**	US0.50 cent

Unaudited Condensed Consolidated Balance Sheet

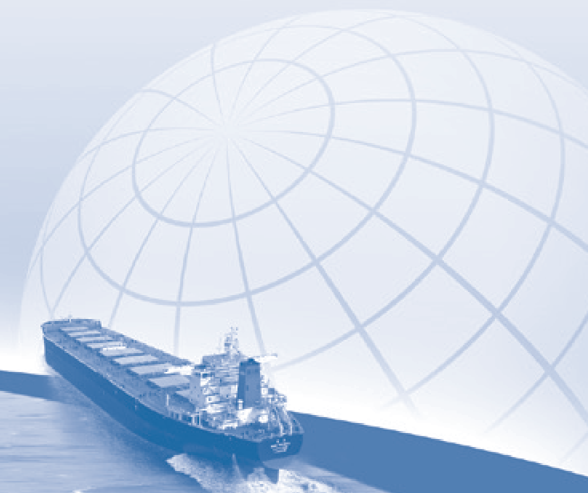
As at 30 June 2013

	Note	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,035,239**	1,061,331
Interests in joint ventures		**21,846**	21,450
Loans to joint ventures	17(b)	**9,750**	10,500
Finance lease receivable from a fellow subsidiary	17(e)	**87,417**	89,410
Held-to-maturity investment	17(f)	**45,599**	44,998
Available-for-sale financial asset		**16,595**	–
		1,216,446	1,227,689
Current assets			
Inventories		**3,179**	5,107
Loans to joint ventures	17(b)	**1,500**	1,500
Trade and other receivables	12	**60,644**	58,723
Finance lease receivable from a fellow subsidiary	17(e)	**6,207**	3,885
Cash and bank balances			
– Cash and cash equivalents		**84,885**	75,055
– Short-term bank deposits		**835,280**	841,777
		991,695	986,047
Total assets		**2,208,141**	2,213,736
EQUITY			
Capital and reserves			
Share capital	13	**51,239**	51,239
Reserves		**2,121,008**	2,124,635
		2,172,247	2,175,874
LIABILITIES			
Current liabilities			
Trade and other payables	14	**34,520**	35,828
Taxation payable		**1,374**	2,034
		35,894	37,862
Total equity and liabilities		**2,208,141**	2,213,736
Net current assets		**955,801**	948,185
Total assets less current liabilities		**2,172,247**	2,175,874

Unaudited Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2013

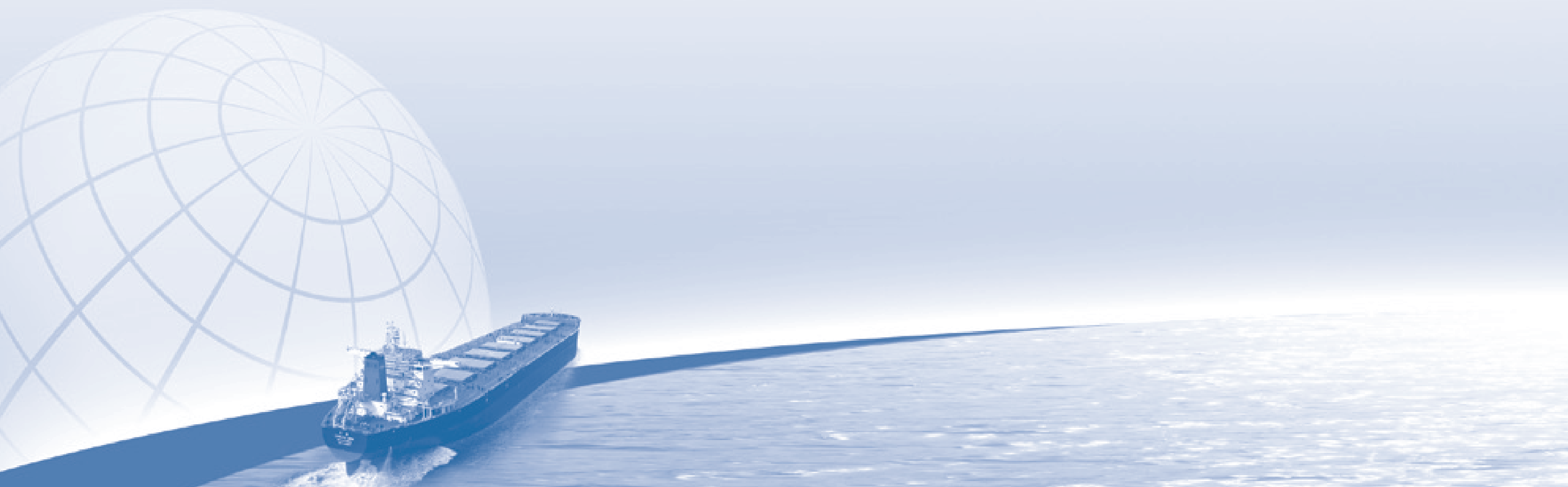
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Capital redemption reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total equity US$'000
At 1 January 2012	51,239	1,826,869	(450,507)	101	315	748,190	2,176,207
Comprehensive income							
Profit for the period	–	–	–	–	–	20,103	20,103
Other comprehensive income							
Translation differences	–	–	–	–	25	–	25
Total comprehensive income	–	–	–	–	25	20,103	20,128
Transaction with owners							
Dividend paid	–	–	–	–	–	(20,552)	(20,552)
At 30 June 2012	51,239	1,826,869	(450,507)	101	340	747,741	2,175,783
At 1 January 2013	**51,239**	**1,826,869**	**(450,507)**	**101**	**413**	**747,759**	**2,175,874**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,612**	**1,612**
Other comprehensive income							
Translation differences	**–**	**–**	**–**	**–**	**(104)**	**–**	**(104)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(104)**	**1,612**	**1,508**
Transaction with owners							
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(5,135)**	**(5,135)**
At 30 June 2013	**51,239**	**1,826,869**	**(450,507)**	**101**	**309**	**744,236**	**2,172,247**



Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Net cash from operating activities	**26,219**	25,885
Net cash used in investing activities	**(11,850)**	(1,244)
Net cash used in financing activities	**(5,135)**	(20,552)
Net increase in cash and cash equivalents	**9,234**	4,089
Cash and cash equivalents at 1 January	**75,055**	63,775
Effect of foreign exchange rate changes	**596**	(234)
Cash and cash equivalents at 30 June	**84,885**	67,630



Notes to the Interim Financial Information

1 GENERAL INFORMATION

Sinotrans Shipping Limited (the "Company") was incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is 21/F, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong. The Company and its subsidiaries (collectively the "Group") principally engage in dry bulk 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 SINORTRANS & CSC Holdings Co., Ltd. ("Sinotrans & CSC Group Company"), a state-owned enterprise established in the People's Republic of China (the "PRC").

This interim financial information was approved for issue by the Board of Directors on 8 August 2013.

This interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted in the preparation of the interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2012 except that the Group has adopted the following new standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning 1 January 2013.

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Amendment)	Employee Benefits
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS Amendments	2011 Annual Improvements

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The HKICPA has issued the following new standard and amendments to standards which are not effective for accounting period beginning 1 January 2013 but relevant to the Group and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 10, HKFRS 12 and HKFRS 27 (2011) (Amendment)	Investment Entities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

The Group has already commenced an assessment of the related impact of these new standard 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 financial information will be resulted.

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

3 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and practices are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial asset that is measured at fair value at 30 June 2013.

	Level 2 US$'000
Available-for-sale financial asset	
– Debt investment	16,595

The fair value of financial instrument that is not traded in an active market is determined by reference to a quoted price from a financial institution.

4 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues from operations of dry bulk shipping and container shipping totalling US$92,814,000 (six months ended 30 June 2012: US$106,546,000) and other shipping related businesses totalling US$683,000 (six months ended 30 June 2012: US$668,000) 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

– 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.

	Six months ended 30 June 2013			
	Dry bulk shipping US$'000	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Total revenues	**85,667**	**8,299**	**4,565**	**98,531**
Inter-segment revenues	**(157)**	**–**	**(3,882)**	**(4,039)**
Revenues from external customers	**85,510**	**8,299**	**683**	**94,492**
Segment results	**(10,991)**	**2,212**	**3,275**	**(5,504)**
Depreciation	**(26,853)**	**(1,947)**	**(105)**	**(28,905)**
Reversal of impairment loss	**–**	**377**	**–**	**377**
Additions to non-current assets	**3,789**	**593**	**42**	**4,424**

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Six months ended 30 June 2012			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	96,884	11,094	4,758	112,736
Inter-segment revenues	(340)	–	(4,090)	(4,430)
Revenues from external customers	96,544	11,094	668	108,306
Segment results	6,241	2,663	3,164	12,068
Depreciation	(25,634)	(2,418)	(110)	(28,162)
Additions to non-current assets	18,574	233	63	18,870

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

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

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Revenues from external customers for reportable segments	**94,492**	108,306
Revenues from external customers derived from joint ventures measured at proportionate consolidated basis	**(995)**	(1,092)
Total revenues per the condensed consolidated statement of comprehensive income	**93,497**	107,214

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 joint ventures on a proportionate consolidated basis. Corporate expenses and net finance income are not included in the segment results.

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Segment results for reportable segments	**(5,504)**	12,068
Corporate expenses	**(4,150)**	(4,607)
Finance income, net	**11,870**	13,120
Profit before income tax	**2,216**	20,581

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

	As at 30 June 2013			
	Dry bulk shipping US$'000	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**1,042,352**	**83,301**	**153,012**	**1,278,665**
Segment assets include:				
Interests in joint ventures	**18,843**	**–**	**3,003**	**21,846**
Loans to joint ventures	**11,250**	**–**	**–**	**11,250**
Segment liabilities	**23,086**	**971**	**7,313**	**31,370**

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

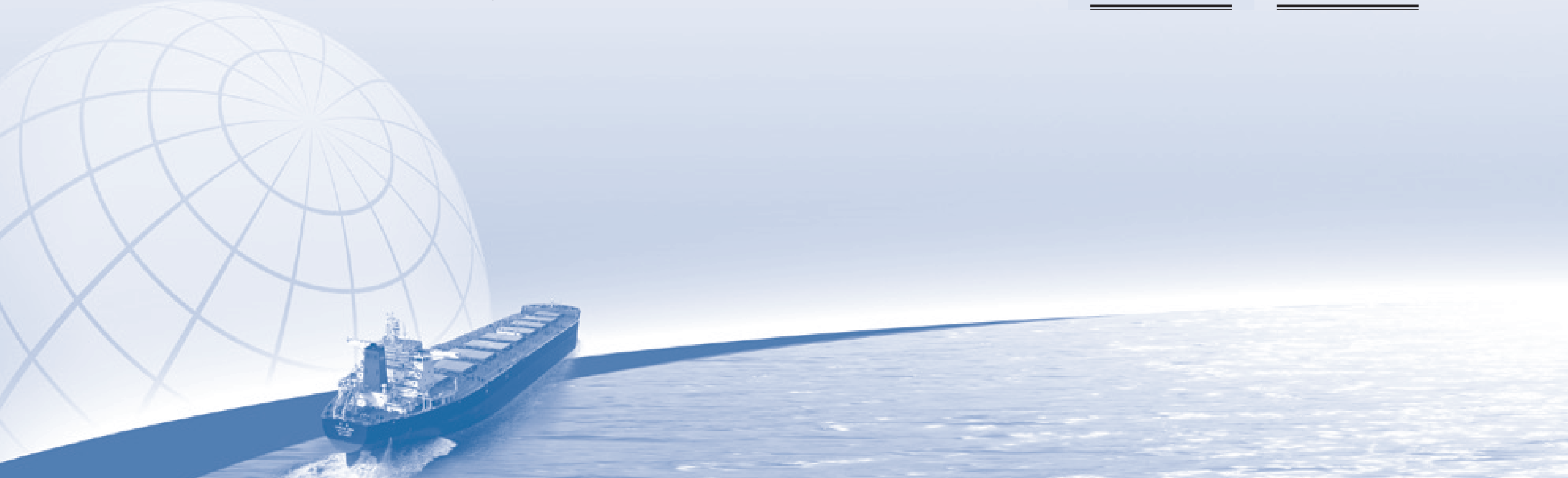
	As at 31 December 2012			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	1,065,545	87,551	102,748	1,255,844
Segment assets include:				
Interests in joint ventures	18,447	–	3,003	21,450
Loans to joint ventures	12,000	–	–	12,000
Segment liabilities	27,529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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Segment assets	**1,278,665**	1,255,844
Corporate assets	**929,476**	957,892
Total assets per the condensed consolidated balance sheet	**2,208,141**	2,213,736

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Segment liabilities	**31,370**	32,937
Corporate liabilities	**4,524**	4,925
Total liabilities per the condensed consolidated balance sheet	**35,894**	37,862



5 OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Finance lease income from a fellow subsidiary (note 17(e))	**2,795**	2,907
Gain on disposal of property, plant and equipment	**1,222**	378
Reversal of impairment loss (note 11)	**377**	–
Receivables written off	**(196)**	–
Provision for receivables impairment (note 12)	**(924)**	–
Interest income from joint ventures	**76**	100
Interest income from a fellow subsidiary	**–**	45
Exchange gain/(loss)	**810**	(552)
	4,160	2,878

6 FINANCE INCOME, NET

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Interest income on bank deposits	**9,891**	12,558
Interest income on held-to-maturity investment	**738**	730
Interest income from available-for-sale financial asset	**428**	–
Exchange gain/(loss) on held-to-maturity investment and available-for-sale financial asset	**813**	(168)
	11,870	13,120

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Current income tax		
– Hong Kong profits tax	**702**	513
– Overseas taxation	**(90)**	(35)
Over-provisions in prior years	**(8)**	–
Income tax expense	**604**	478

8 EMPLOYEE BENEFIT EXPENSE

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Wages and salaries	**3,755**	3,054
Pension costs – defined contribution plans	**134**	118
	3,889	3,172

9 EARNINGS PER SHARE

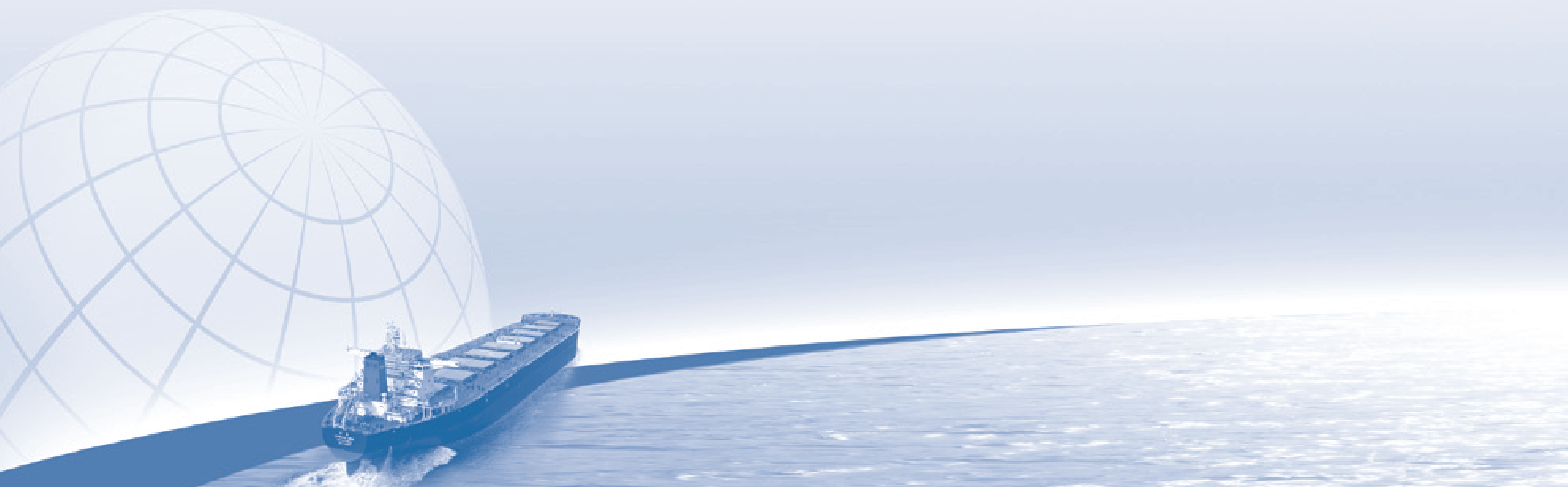
Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2013	2012
Profit attributable to owners of the Company (US$'000)	**1,612**	20,103
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cent per share)	**0.04**	0.50

As there were no diluted potential ordinary shares outstanding during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil), the diluted earnings per share is equal to basic earnings per share.

10 DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).



11 PROPERTY, PLANT AND EQUIPMENT

	2013 US$'000	2012 US$'000
Cost		
At 1 January	**1,477,156**	1,476,971
Translation differences	**(53)**	3
Additions	**4,424**	18,870
Disposals and write-offs	**(23,069)**	(19,750)
At 30 June	**1,458,458**	1,476,094
Accumulated depreciation and impairment		
At 1 January	**(415,823)**	(377,879)
Translation differences	**27**	(2)
Charge for the period	**(28,905)**	(28,162)
Reversal of impairment loss	**377**	–
Disposals and write-offs	**21,105**	17,847
At 30 June	**(423,219)**	(388,196)
Net book value		
At 30 June	**1,035,239**	1,087,898

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Trade receivables, net of provision		
– fellow subsidiaries	**6,083**	7,685
– third parties	**6,825**	8,166
	12,908	15,851
Prepayments, deposits and other receivables, net of provision	**40,499**	40,868
Amounts due from related parties	**7,237**	2,004
Total	**60,644**	58,723

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Within 6 months	**9,317**	11,614
7 – 12 months	**2,169**	2,427
1 – 2 years	**961**	1,802
2 – 3 years	**461**	8
Trade receivables, net of provision	**12,908**	15,851

13 SHARE CAPITAL

	Number of shares Ordinary shares of HK$0.1 each	**Nominal value US$'000**
Authorised:		
At 1 January and 30 June 2012 and 2013	50,000,000,000	641,026
Issued and fully paid:		
At 1 January and 30 June 2012 and 2013	3,992,100,000	51,239

14 TRADE AND OTHER PAYABLES

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Trade payables		
– fellow subsidiaries	**606**	420
– third parties	**11,703**	7,435
	12,309	7,855
Other payables and accruals	**21,615**	27,907
Amounts due to related parties	**596**	66
Total	**34,520**	35,828

14 TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Within 6 months	**11,885**	6,884
7 – 12 months	**117**	283
1 – 2 years	**100**	563
2 – 3 years	**23**	1
Over 3 years	**184**	124
Trade payables	**12,309**	7,855

15 CONTINGENT LIABILITIES

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

16 COMMITMENTS

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

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Authorised but not contracted for	**1,088**	434

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

At 30 June 2013, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Office premises		
– no later than one year	**214**	234
– later than one year and no later than five years	**345**	433
	559	667
Vessels		
– no later than one year	**3,275**	3,773
	3,834	4,440

16 COMMITMENTS (CONTINUED)

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

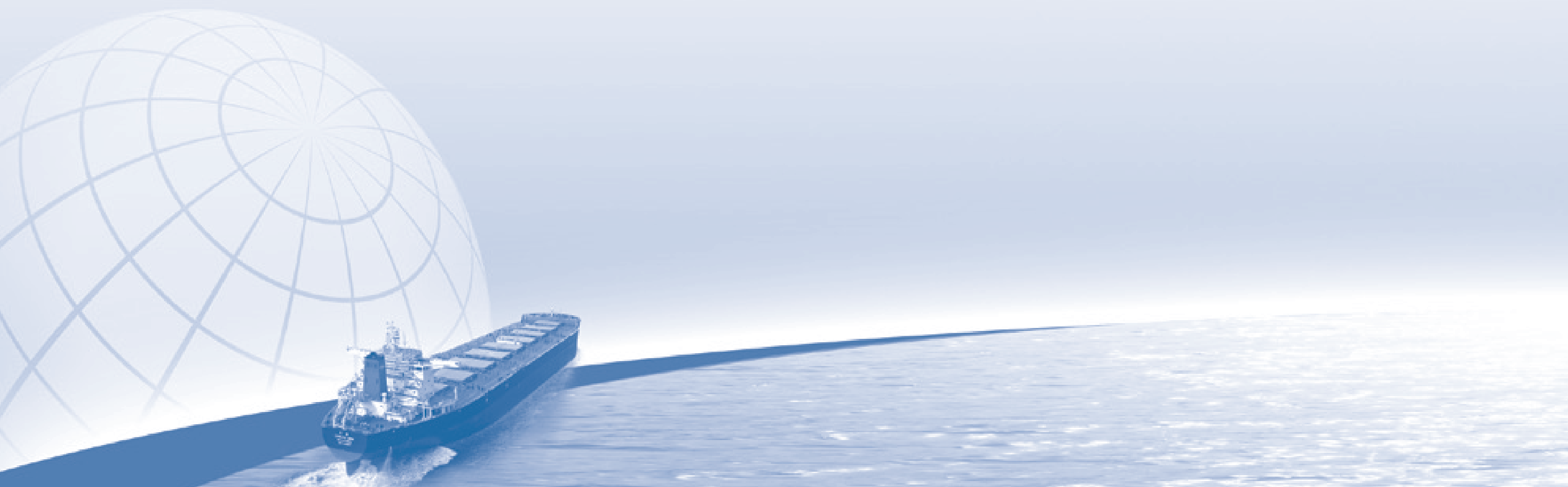
At 30 June 2013, the Group has the following future minimum lease receipts under non-cancellable operating leases in relation to chartering of vessels. These vessels chartering agreements have varying terms ranging from 1 to 33 months:

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Vessels		
– no later than one year	**41,161**	52,769
– later than one year and no later than five years	**8**	1,018
	41,169	53,787

17 RELATED PARTY TRANSACTIONS

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

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



17 RELATED PARTY TRANSACTIONS (CONTINUED)

Apart from the above-mentioned transactions with the state-owned enterprises, the following is a summary of significant related party transactions and balances during the period.

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

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Charterhire income from fellow subsidiaries	**21,072**	27,960
Charterhire expenses paid to a joint venture	**(1,915)**	(2,121)
Commission expenses to fellow subsidiaries	**(641)**	(882)
Expenses for hiring of crews and seafarers to a fellow subsidiary	**(5,501)**	(5,724)
Finance lease income from a fellow subsidiary (note e)	**2,795**	2,907
Interest income from joint ventures (note b)	**76**	100
Interest income on held-to-maturity investment issued by a fellow subsidiary (note f)	**738**	730
Rental expenses to fellow subsidiaries	**(581)**	(581)
Service fee paid to a related company	**(20)**	(350)
Service fee income from fellow subsidiaries	**89**	195

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

(b) At 30 June 2013, loans to joint ventures are secured by the vessels of the joint ventures and bear interest at 1% (31 December 2012: 1%) over London Interbank Offered Rate per annum. The loans are repayable by installments and are wholly repayable on or before 2020.

(c) Period ended balances arising from sales, purchases and other transactions with related parties were disclosed in notes 12 and 14.

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

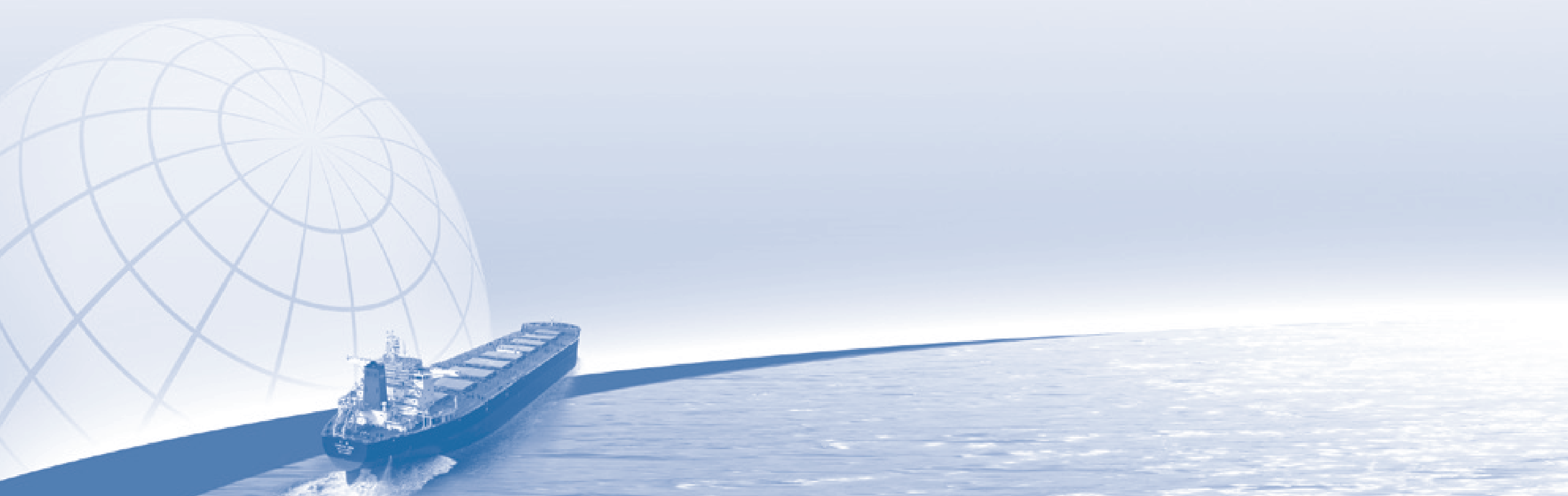
17 RELATED PARTY TRANSACTIONS (CONTINUED)

(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 has 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 oil tanker was delivered to the Charterer in May 2011. The Group has accounted for this transaction as finance lease.

(f) On 3 October 2011, the Group paid RMB280,000,000 for the subscription of a Renminbi-denominated guaranteed bond issued by a fellow subsidiary 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.

(g) Key management compensation

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Salaries, allowances, and benefits-in-kind	**425**	234
Contributions to pension plans	**18**	9
	443	243



Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF HISTORICAL OPERATING RESULTS

In 2013, the shipping market continued to struggle with lukewarm demand and flood of tonnage, dragging the global shipping industry into a prolonged period of gloom. The sluggish growth of the world economy had an adverse impact on international trade and seaborne demand, making it hard for the shipping market to absorb the influx of new tonnage in recent years. With charter hire and freight rate sliding further, the operating environment of the shipping market has been worsening. Dry bulk shipping companies around the world suffered from huge losses continuously and many of them even went bankrupt or closed down one after another. In the face of such severe market situations, our Group managed to mitigate the adverse impact brought by the flagging market by leveraging on our low-cost advantage, improving our business model and optimising our fleet structure on the basis of our sound and robust management. We also endeavoured to enhance our risk control and to improve our management. For the six months ended 30 June 2013, our Group recorded a profit attributable to owners of the Company of US$1.61 million (2012: US$20.10 million).

Revenues and cost of operations

For the six months ended 30 June 2013, revenues of our Group were US$93.50 million (2012: US$107.21 million). We set forth below the revenues contribution from each business segment for the six months ended 30 June 2013:

	Six months ended 30 June		
	2013	2012	
	US$'000	US$'000	% Change
Revenues from:			
– Dry bulk shipping[1]	**85,510**	96,544	(11.4%)
– Container shipping	**8,299**	11,094	(25.2%)
– Others	**683**	668	2.2%
	94,492	108,306	(12.8%)
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(995)**	(1,092)	(8.9%)
Revenues per the condensed consolidated statement of comprehensive income	**93,497**	107,214	(12.8%)

(1) Segment revenue includes revenues derived from joint ventures measured at proportionate consolidated basis. Segment revenue subtracted the revenues derived from joint ventures measured at proportionate consolidated basis to arrive at revenues per the condensed consolidated statement of comprehensive income.

Management Discussion and Analysis of Results of Operations and Financial Position

We set forth below the average daily charter hire rate/time charter equivalent ("TCE") rate for each segment of our charter hire business for the six months ended 30 June 2013:

	Six months ended 30 June		
	2013 US$	2012 US$	% Change
Dry bulk vessel (Self-owned)[2]	**8,872**	11,827	(25.0%)
Container vessel	**6,726**	6,427	4.7%

[2] Average daily TCE of ocean freight shipping 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.

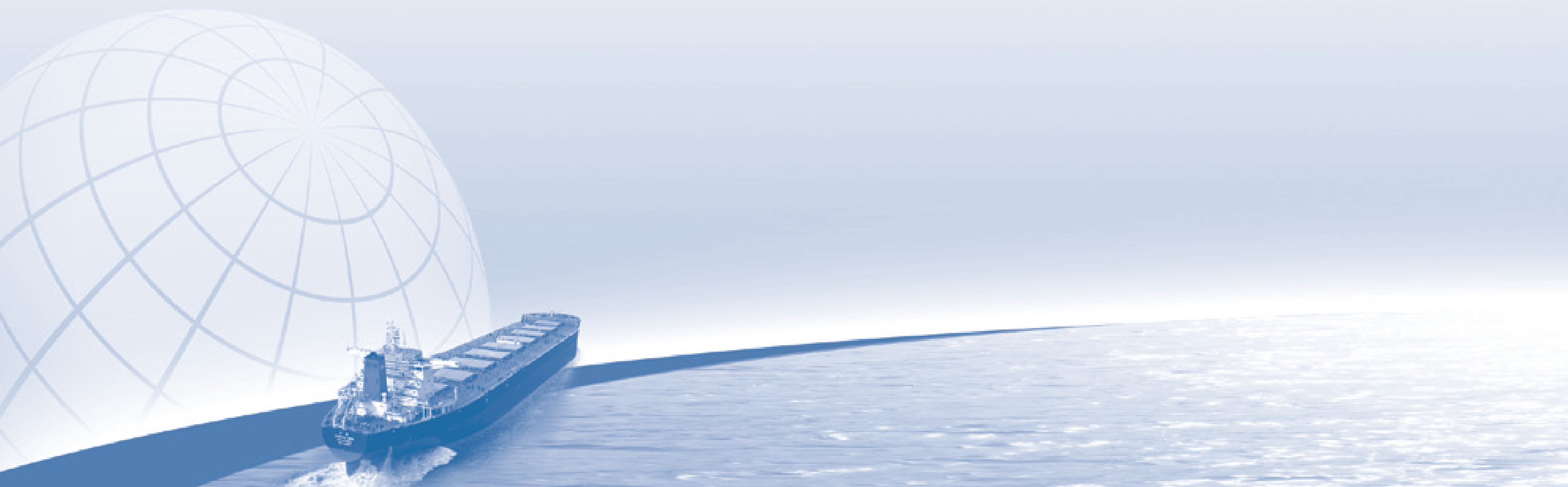
Dry bulk shipping

We set forth below the TCE earnings and cost of operation of dry bulk shipping for the six months ended 30 June 2013:

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Segment Revenue	**85,510**	96,544
Bunker consumed and port charges[3]	**(17,718)**	(10,187)
TCE earnings	**67,792**	86,357
Cost of operation[3]	**(74,377)**	(76,486)
Gross (loss)/profit[4]	**(6,585)**	9,871

[3] For analysis in this section, bunker consumed and port charges for the voyage charter shipping are taken out from the cost of operation and included in calculation of the TCE earnings above. The cost of operation includes cost of operation derived from joint ventures measured at proportionate consolidated basis.

[4] Segment results per the segment information can be substantially derived by gross (loss)/profit less "selling, administrative and general expenses" plus "other operating income, net".



Management Discussion and Analysis of Results of Operations and Financial Position

Revenue

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

Since the lacklustre world economic growth has dragged on in 2013, the growth of international trade and seaborne demand was directly held back. In spite of the sharp year-on-year decrease in newbuilding vessel delivery in the first half of this year, there was still a significant oversupply of tonnage due to the influx of new tonnage into the market in recent years, and such a supply glut has driven the charter hire and freight rate to slip further. The Baltic Dry Index ("BDI") continued to fluctuate at low levels with only 842 points on average for the first half of this year, marking a further slide of 10.7% as compared with the corresponding period last year and a new low.

In view of the current arduous shipping market, our Group has taken a more proactive and strategic approach to cope with the challenges. We have flexibly adjusted the timing of our fleet charter and optimised our business deployment to fully exploit the market trend. For the six months ended 30 June 2013, our Group recorded charter hire income of US$57.84 million (2012: US$81.98 million).

In the meantime, our Group has also implemented a more diversified strategy and expanded the scope of our voyage chartering business. Our ocean freight income for the six months ended 30 June 2013 amounted to US$27.67 million (2012: US$14.56 million) despite the low freight rates.

Cost of operations

The cost of operations decreased to US$74.38 million for the period ended 30 June 2013 (2012: US$76.49 million) mainly due to less operating lease expenses for charter-in vessels and an overall decrease in the cost of operations attributable to our effective cost control measures.

Container shipping

Revenue

Although the global container fleet has continued to grow in 2013, the overall performance of the container shipping market was similar to that of the same period last year, thanks to the modest recovery of the US and Japanese economy along with the relatively stable foreign trade in China. For the six months ended 30 June 2013, our revenue from container shipping amounted to US$8.30 million (2012: US$11.09 million), which was mainly due to our Group's timely disposal of 4* aged container vessels in the first half of 2013, resulting in fewer total operating days of our container vessel fleet as compared with the corresponding period in 2012.

* *One of which was delivered to the buyer in July 2013.*

Management Discussion and Analysis of Results of Operations and Financial Position

Cost of operations

The disposal of the aged container vessels lead to the decrease in total operating days. The cost of operations dropped by 16.4% from US$8.28 million to US$6.92 million.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs, travelling expenses and office rental, amounted to US$9.24 million (2012: US$8.75 million).

Other operating income, net

The net amount of the other operating income amounted US$4.16 million (2012: US$2.88 million). The increase was principally attributable to the gain on disposal of the aged container vessels.

Finance income, net

The finance income was mainly the interest income derived from bank deposits and the investments. The net amount of finance income decreased to US$11.87 million (2012: US$13.12 million) principally as a result of the drop of the bank deposit rate.

Share of profits of joint ventures

The share of profits of joint ventures, which were contributed by dry bulk shipping, reduced from US$0.54 million to US$0.40 million.

Income tax expense

Income tax was US$0.60 million (2012: US$0.48 million).

Liquidity and financial resources

Our cash has been principally used for investment, operating costs and working capital in the first half of 2013. We have financed our liquidity requirements primarily through internal generated cash.

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

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Current assets	**991,695**	986,047
Current liabilities	**35,894**	37,862
Liquidity ratio (Note)	**27.63**	26.04

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

Our liquidity ratios as at 30 June 2013 and 31 December 2012 were 27.63 and 26.04 respectively.

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 30 June 2013 and 31 December 2012.

Capital commitment

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

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Authorised but not contracted for	**1,088**	434

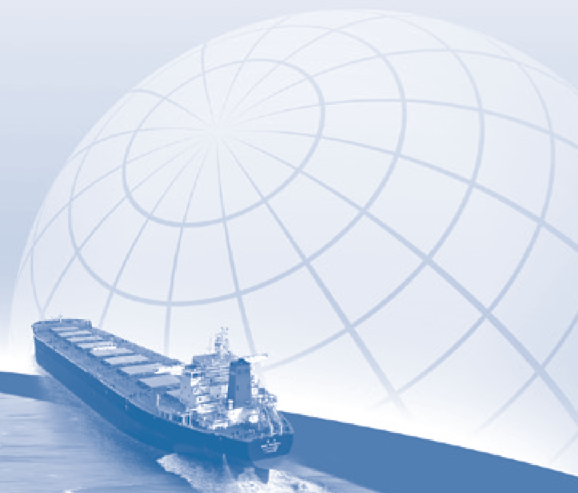
Capital expenditures

For the six months ended 30 June 2013, total capital expenditures were US$4.42 million (2012: US$18.87 million) which was attributable to the capital expenditures for dry docking in the first half of the year.

Foreign exchange risks

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

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the US dollar, management considers that there is no significant foreign exchange risk with respect to the Hong Kong dollar. As at 30 June 2013, 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$7.78 million (31 December 2012: US$4.59 million) lower/higher. As at 30 June 2013, 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$71,000 (31 December 2012: US$128,000) lower/higher.



Management Discussion and Analysis of Results of Operations and Financial Position

Contingencies

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 30 June 2013, our Group had a total of 121 shore-based employees working in our offices in Hong Kong, Canada and Singapore. Details of the remuneration, remuneration policies and development of our employees were generally the same as those disclosed in our 2012 Annual Report without any material changes.

FLEET DEVELOPMENT

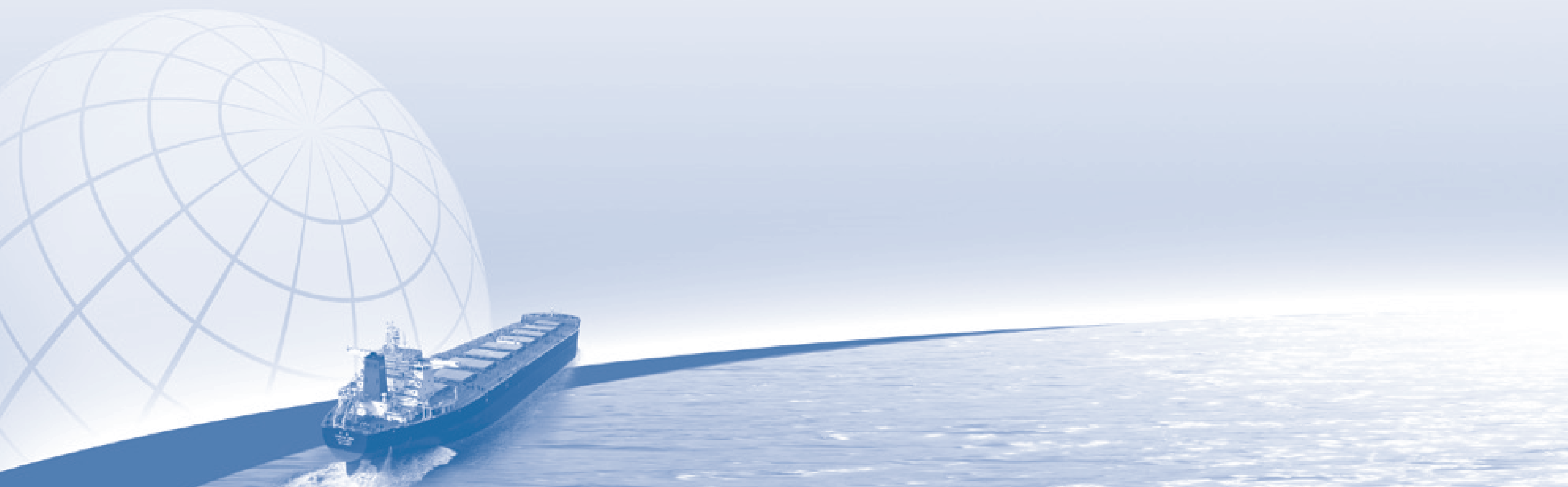
During the first half of 2013, our Group timely disposed of 4 aged container vessels to further optimise our fleet structure in terms of both ship type and age. Our Group presently owns 48 vessels with an aggregate capacity of 3.31 million DWT and an average age of approximately 9.6 years.

OUTLOOK

Looking forward to the second half of the year, the global shipping market will still be full of challenges. The gradual economic recovery of the US and Japan together with the constant growth of emerging economies will drive a gentle growth of seaborne demand. However, the supply glut generated from the rapidly growing dry bulk tonnage earlier will outpace the lackluster seaborne demand. The demand-supply equilibrium will not be restored in the short run. It is expected that the shipping market will remain relatively tough for the rest of the year. In the face of the current complicated international shipping market, our Group will adhere to our philosophy of maintaining sound and robust management and focus on securing our economic interests by monitoring market trend closely, adjusting our business strategy flexibly, enhancing our cost control and tapping into our own potential comprehensively. In order to lay a solid foundation for sustainable development, our Group will continue to optimise our fleet structure, reinforce safety and risk management, and enhance our overall corporate governance standard. Our Group believes that by leveraging on our advantages of solid financial position, low-cost structure and modern fleet, we will be able to maintain stable and healthy development and be well-positioned for market recovery.

AUDIT COMMITTEE

The audit committee of our Company has reviewed the interim financial information of our Group for the six months ended 30 June 2013. In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed a review of the interim financial information of our Group in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.



Interim Dividend

DIVIDEND

Our Board has resolved not to declare any interim dividend for the six months ended 30 June 2013 (2012: Nil).

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2013, none of the directors and chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered into the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the interests or short positions of the following persons (other than directors or chief executive of the Company) in the shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholders	Long Position/ Short Position	Capacity	Number of shares Held	As a % of Total Issued shares
Sinotrans & CSC 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

Notes:

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

Save as disclosed above, as at 30 June 2013, no other person (other than directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2013.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to high standards of corporate governance and has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules as the corporate governance code of the Company. The Company has complied with all the code provisions in effect as set out in the Code throughout the six months ended 30 June 2013.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2013.