中外運航運有限公司

SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)

Stock Code : 368

ANNUAL REPORT 2013

COMPANY PROFILE

Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. We own, manage and operate a modern dry bulk fleet and a container fleet on a worldwide scale. As at 31 December 2013, we owned a fleet of 52 vessels with an aggregate capacity of 3.72 million DWT and an average age of approximately 9.4 years. Our Group's fleet comprised 46 dry bulk vessels with an aggregate capacity of approximately 3.34 million DWT, 1 oil tanker with capacity of approximately 310,000 DWT, and 5 container vessels with an aggregate capacity of 4,437 TEU.

Dry bulk shipping is the core business of our Group. We owned a fleet of 46 dry bulk vessels, including 2 multi-purpose vessels, 10 Handysize dry bulk vessels, 9 Handymax dry bulk vessels, 19 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.

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FINANCIAL HIGHLIGHTS

	2013 US$'000	2012 US$'000	% Change
Results			
Revenues	**194,950**	222,178	(12.3%)
Profit attributable to owners of the Company	**4,317**	20,121	(78.5%)
Net profit margin	**2.2%**	9.1%	(75.8%)
Basic and diluted earnings per share	**US0.11 cents**	US0.50 cents	(78.5%)
Dividend	**–**	5,118	(100%)
Financial Position			
Total assets	**2,215,907**	2,213,736	0.1%
Total liabilities	**40,962**	37,862	8.2%
Shareholders' equity	**2,174,945**	2,175,874	–
Total cash and bank balances	**886,057**	916,832	(3.4%)

Chairman's Statement

DEAR SHAREHOLDERS,
I HEREBY PRESENT THE ANNUAL REPORT OF OUR GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 FOR YOUR REVIEW.

BUSINESS REVIEW

The international shipping market remained gloomy in 2013 as the supply and demand imbalance still weighed heavily on the sector. Growth momentum of the international trade and seaborne demand dwindled as the global economic growth remained sluggish and stayed in its low gear. Albeit a significant decrease in newbuilding vessel delivery from 2012, the market remained seriously oversupplied due to the influx of tonnage in recent years. With charter hire and freight rate hovering at low levels for consecutive years, the operating environment of the shipping industry became very challenging.

Starting on a sluggish note and gaining momentum later, the international dry bulk shipping market remained relatively bleak in 2013 as a whole. Suffering from serious oversupply of tonnage and continuously lacklustre demand, the shipping market further slumped and the Baltic Dry Index ("BDI") fell to a record low of 842 points on average in the first half of the year. Entering into the second half of the year, the market fundamentals improved as compared to the beginning of the year and gradually recovered from the recession in the course of volatility with the slowdown of newbuilding vessel delivery and rebound of demand for major commodities such as iron ore and coal. The yearly average BDI recorded 1,206 points, representing an increase of 31.1% over 2012 but a decrease of 22.1% over 2011. Although the BDI still lingers around its historically low level, the dry bulk shipping market has basically moved past the trough with a sign of rebound.

With regard to the international container shipping market, by virtue of the modest recovery of the US and Japanese economy along with the relatively stable foreign trade in China, capacity of the global container shipping, especially the regional trade routes, slowly picked up. Nevertheless, the container shipping market still remained over-supplied because of the relatively high level of newbuilding vessel delivery, which resulted in a slow-paced market upturn as a whole.

In light of a stagnant market, our Group, sticking to the principle of seeking gradual improvements with sustainable and stable operation, facilitated our business development in various aspects by enhancing flexibility in the timing of fleet chartering, leveraging on our network advantages and adopting a diversified operation strategy. Meanwhile, we enhanced our corporate governance standard with an emphasis on refined management, cost reduction and efficiency improvement. Furthermore, in response to challenges, we polished our risk control system with improved precautionary risk control measures. With a reliably sound business model, solid financial position and dedication of all our staff, our Group recorded revenue of US$194.95 million, profit attributable to the owners of the Company of US$4.32 million and earnings per share of US0.11 cents in 2013.

In 2013, in order to further optimise our fleet structure, our Group grabbed the chance to acquire 5 vessels of new type and sold 5 aged vessels, contributing to a net growth of tonnage of approximately 380,000 DWT. New impetus was added to the sustainable and healthy development of our fleet, enhancing our market competitiveness significantly. As at 31 December 2013, our Group owned a fleet of 52* vessels with an aggregate capacity of 3.72 million DWT and an average age of approximately 9.4 years. Our Group also successfully seized market opportunities to order the newbuildings of 8 Handymax dry bulk vessels and 2 Panamax drybulk vessels in early 2014. It is expected that the newbuilding vessels will be delivered to our Group successively in 2015. Our Group will continue to seize precious opportunities to restructure our fleet and spare no effort to shift to a large-sized, modern and low-carbon operated fleet.

CHAIRMAN'S STATEMENT

As at 31 December 2013, our Group owned 46* dry bulk vessels with an aggregate capacity of approximately 3.34 million DWT. Revenue from dry bulk shipping business amounted to US$180.02 million with a total of 15,023 operating days. Our Group also operated 5 container vessels with an aggregate capacity of 4,437 TEU. Revenue from container shipping amounted to US$15.58 million with a total of 2,249 operating days.

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 standardise the business process of the Company. It helps ensure healthy development of our fleet on our way to sustainable development.

OUTLOOK

The shipping market will undergo a slow and modest recovery in 2014. In view of the promising recovery of the developed economies, the global economy will gradually restore and the international trade and seaborne demand will maintain a steady growth. Meanwhile, with the growth of dry bulk tonnage dropping to a ten-year low, it is hoped that the supply and demand imbalance could be restored to a certain extent, despite the fact that oversupply pressure will remain in the short term. Overall, 2014 is expected to be a better year for the dry bulk shipping market than 2013, although the lingering uncertainties and potential risks would result in increasing market volatility. In the light of the current market situation, our Group will adhere to our philosophy of maintaining sound and robust management, adapt to the market movement and flexibly adjust our operation strategy. We will also focus on improving our comprehensive management capability and enhancing our risk control and cost control measures in order to respond to market challenges proactively. Meanwhile, we will seize opportunities to speed up the adjustment and optimisation of the fleet structure to lay a solid foundation for our sustainable development in the future.

ACKNOWLEDGEMENT

Revised development strategies and measures implemented by our Group in response to market changes over the past few years have established a solid foundation for the sustainable development of our business in the future. In light of the upcoming challenges, our Group believes that by taking advantage of our solid financial position, low-cost structure and modern fleet, we will be able to maintain a stable and healthy development and be well-positioned for market recovery. Last but not the least, I would like to take this opportunity to express my deepest gratitude to the support and trust of all shareholders, investors and customers over the past years and to the contribution made by all the staff last year.

Li Zhen
Chairman
10 March 2014

* Including 2 dry bulk vessels owned by joint ventures.

Business Review & Outlook

Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. We own, manage and operate a modern dry bulk fleet and a container fleet on a worldwide scale.

MARINE TRANSPORTATION BUSINESS

Dry bulk shipping

The shipping market still hovered at low level in 2013 with pressure from oversupply of tonnage persisting. Although the world economy picked up pace in general, a number of uncertainties and risks still remained. Economic growth of major developed economies slowed down while emerging economies experienced a declining growth coupled with an increasing growth divergence. The world economic recovery lacked in strength overall while the international trade and seaborne demand remained lackluster. Although the delivery of newbuilding dry bulk vessels decreased significantly from 2012, problem of oversupply of tonnage was still very challenging due to the influx of new tonnage in recent years, which resulted in a massive scale of global fleet. The BDI further fell to a record low of 842 points on average in the first half of the year. Entering into the second half of the year, the market gradually recovered from the recession thanks to the rebound of demand for major commodities such as iron ore and coal. The yearly average BDI recorded 1,206 points in 2013, representing an increase of 31.1% from 2012 but a decrease of 22.1% from 2011. Although the BDI still lingers around its historically low level, the dry bulk shipping market has basically moved past the trough with a sign of rebound.

In light of the continuously depressed market, our Group strived to respond proactively and promote our business development in various aspects by enhancing flexibility in the timing of fleet chartering, leveraging on our network advantages and adopting a diversified operation strategy for better economic benefits. Our Group generated charter hire income of US$130.19 million (2012: US$152.43 million) and ocean freight income of US$49.83 million (2012: US$49.05 million) in 2013 respectively.

As at 31 December 2013, the number of operating days of dry bulk vessel was fixed at approximately 33.5% for 2014, in which approximately 21.9% of Handysize dry bulk vessels, approximately 42.8% of Handymax dry bulk vessels, approximately 37.8% of Panamax dry bulk vessels and approximately 29.1% of Capesize dry bulk vessels.

In 2013, in order to further optimise our fleet structure, our Group grabbed the chance to acquire 5 dry bulk vessels of new type and sold 1 aged dry bulk vessel. As at 31 December 2013, our Group owned 46* vessels for our dry bulk fleet, including 2 multi-purpose vessels, 10 Handysize dry bulk vessels, 9 Handymax dry bulk vessels, 19 Panamax dry bulk vessels and 6 Capesize dry bulk vessels. Our Group also successfully seized market opportunities to order the newbuildings of 8 Handymax dry bulk vessels and 2 Panamax dry bulk vessels in early 2014. It is expected that the newbuilding vessels will be delivered to our Group successively in 2015, adding new impetus to the sustainable and healthy development of our fleet. Our Group will continue to seize favourable opportunities in the market to make progress in the optimisation of our fleet structure, further enhance our competitiveness in the shipping market, and improve the sustainability of our development.

* Including 2 dry bulk vessels owned by joint ventures.

BUSINESS REVIEW & OUTLOOK

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

	2013	2012
Number of vessels at the end of the year	**46**	42
Utilisation (1)		
Total number of operating days	**15,023**	14,364
Total number of off-hire days (other than because of repair and maintenance)	**69**	191
Total number of days that vessels are not utilised because of repair and maintenance	**265**	767
Fleet utilisation (2)	**97.8%**	93.7%

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 joint ventures in which our Group holds 50% equity interest).

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

In 2013, the total number of operating days of our dry bulk vessels increased by approximately 4.6% when compared to 2012, which was mainly because our Group took delivery of 5 secondhand dry bulk vessels during the year. With our fleet growing in scale, our Group achieved satisfactory results and guaranteed safety operation of our vessels through strengthening safety management and enhancing ship management level. The total number of off-hire days due to repair and maintenance in 2013 dropped significantly by approximately 65.4% when compared to 2012. The fleet utilisation rate rose significantly to 97.8%, representing a 4.1% increase from 2012.

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 2013, 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$14.63 million (2012: US$26.56 million) and US$5.44 million (2012: US$5.90 million) respectively.

Dry bulk shipping market remained gloomy in 2013 but the market fundamentals were basically established. The global economic recovery is gaining strength in 2014 while the modest recovery trend of the seaborne trade in 2013 will continue. In respect of the supply of tonnage, delivery of newbuilding vessels will further slow down and the supply and demand gap is expected to narrow significantly. However, the pressure from oversupply of tonnage will remain due to the massive scale of the existing fleet. It is expected that the supply and demand imbalance in the dry bulk shipping market would be restored to a certain extent in 2014 and the market would show a slow and modest recovery.

Container shipping

By virtue of the modest recovery of the US and Japanese economy along with the relatively stable foreign trade in China in 2013, capacity of the global container shipping market slowly picked up. Nevertheless, the container shipping market remained oversupplied because of the relatively high level of new vessel delivery and intensified market competition, which resulted in a slow-paced market upturn as a whole. In 2014, the major economies in the world, especially the developed economies, will continue to improve and provide support for the modest growth of container shipping demand. However, dragged by the steeply growing supply of new tonnage and pressure of concentrated delivery of large-sized vessels, the international container shipping market will still face challenges of oversupply and intensifying competition.

Our chartered container vessels mainly operate along trade routes in the Asia Pacific Region. In 2013, our Group seized market opportunities and sold 4 aged container vessels, further optimising our fleet structure. As at the end of 2013, our Group owned a total of 5 container vessels with an aggregate capacity of 4,437 TEU. The revenue from container shipping in 2013 amounted to US$15.58 million (2012: US$21.42 million), which was mainly because our Group disposed 4 container vessels in 2013, resulting in a decrease in the total number of operating days of our container vessel fleet.

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

	2013	2012
Number of vessels at the end of the year	**5**	9
Utilisation (1)		
Total number of operating days	**2,249**	3,366
Total number of off-hire days (other than because of repair and maintenance)	**2**	–
Total number of days that vessels are not utilised because of repair and maintenance	**49**	18
Fleet utilisation (2)	**97.8%**	99.5%

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 the 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, as well as 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 quality management standards and ISO 14001 environmental management standards.

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$1.26 million was achieved in 2013 (2012: US$1.25 million).

FLEET DEVELOPMENT

In 2013, our Group speeded up the restructuring of our fleet. During the year, our Group acquired 5 dry bulk vessels of new type with an additional capacity of approximately 430,000 DWT, including 1 Handymax dry bulk vessel and 4 Panamax dry bulk vessels, as a step to further expand our fleet size. In addition, our Group optimised the fleet structure by selling 5 aged vessels. As at 31 December 2013, our Group owned a fleet of 52* vessels with an aggregate capacity of 3.72 million DWT and an average age of approximately 9.4 years. In the beginning of 2014, our Group captured precious opportunities to order the newbuildings of 10 eco dry bulk vessels, which are expected to be delivered to our Group successively in 2015, adding new impetus to the sustainable and healthy development of our fleet. Through the replacement of old vessels with new additions, our fleet structure would be further optimised in terms of both ship type and age. The shift to a large-sized, modern and low-carbon operated fleet will allow us to further strengthen our leading position. Our Group will continue to seize favourable opportunities in the market to restructure our fleet and enhance the competitiveness of our fleet.

* Including 2 dry bulk vessels owned by joint ventures.

Name of Vessel	DWT/TEU (1)	Year Built	Age
Multi-purpose vessel			
Great Immensity	32,485	December 1999	14.0
Great Blossom	32,509	September 1999	14.2
Handysize dry bulk vessel			
Great Friendship	24,021	February 1999	14.8
Great Concord	24,159	March 1999	14.7
Great Harmony	24,159	May 1999	14.6
Great Gain	27,140	November 1998	15.1
Great Success	27,172	October 1998	15.2
Great Motion	27,338	September 1998	15.2
Great Creation (2)	27,383	July 1998	Sold
Trans Friendship II (3)	31,744	December 2010	3.1
Great Resource	31,775	May 2010	3.6
Great Reward	31,785	January 2011	3.0
Trans Friendship I (3)	31,809	August 2010	3.4

Name of Vessel	DWT/TEU [1]	Year Built	Age
Handymax dry bulk vessel			
Great Calm	45,215	August 1996	17.3
Great Happy	45,248	March 1997	16.7
Great Peace	45,259	March 1996	17.7
Great Prestige	46,193	April 1998	15.6
Great Eternity	46,194	February 1998	15.8
Great Scenery	47,760	August 2002	11.3
Great Legend	52,385	August 2006	7.3
Great Praise	52,434	May 2006	7.6
Great Amity [4]	56,050	September 2004	9.2
JLZ9130433 [5][6]	64,000	August 2015 [7]	–
JLZ9130434 [5][6]	64,000	September 2015 [7]	–
JLZ9130435 [5][6]	64,000	December 2015 [7]	–
JLZ9130436 [5][6]	64,000	December 2015 [7]	–
CX0657 [5][6]	64,000	August 2015 [7]	–
CX0658 [5][6]	64,000	October 2015 [7]	–
CX0659 [5][6]	64,000	December 2015 [7]	–
CX0660 [5][6]	64,000	December 2015 [7]	–
Panamax dry bulk vessel			
Great Luck	71,399	February 1998	15.8
Great Jade	73,192	October 1997	16.2
Great Bright	73,242	December 1997	16.0
Great Bless	73,251	August 1997	16.3
Great Glory	73,274	November 1997	16.1
Great Loyalty	73,659	September 1999	14.2
Great Prosperity	73,679	July 1999	14.4
Great Ambition	73,725	August 1999	14.3
Great Wisdom	74,293	March 2000	13.7
Great Intelligence	74,293	June 2000	13.5
Great Rich	75,523	January 2012	1.9
Great Wealth	75,569	September 2011	2.3
Great Mind	75,624	December 2011	2.1
Great Hope	75,630	February 2012	1.9
Great Talent	76,773	January 2005	8.9
Great Animation [8]	93,203	March 2011	2.7
Great Glen [9]	93,251	October 2009	4.2
Great Cheer [10]	93,297	April 2010	3.7
Great Aspiration [11]	93,412	January 2010	4.0
H2558 [5][6]	78,000	June 2015 [7]	–
H2559 [5][6]	78,000	September 2015 [7]	–

BUSINESS REVIEW & OUTLOOK

Name of Vessel	DWT/TEU [1]	Year Built	Age
Capesize dry bulk vessel			
Great Jin	175,868	March 2010	3.8
Great Qin	176,105	March 2010	3.8
Great Tang	180,246	January 2011	3.0
Great Zhou	180,334	July 2010	3.4
Great Song	180,387	March 2011	2.8
Great Han	180,443	October 2010	3.2
Oil tanker – VLCC			
Yangtze Friendship	310,444	March 2008	5.7
Container vessel			
Jin Teng [12]	338	June 1994	Sold
Jin Da [13]	338	September 1994	Sold
Trade Worlder [14]	385	April 1993	Sold
Trade Hope [15]	385	July 1993	Sold
Sinotrans Beijing	847	February 2008	5.9
Sinotrans Shenzhen	847	April 2008	5.7
Sinotrans Ningbo	847	May 2008	5.6
Sinotrans Xiamen	847	July 2008	5.4
Sinotrans Hong Kong	1,049	May 2006	7.6

Notes:

(1) Applies only to container vessels.

(2) Great Creation was sold and delivered to the buyer on 13 August 2013.

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

(4) Great Amity was delivered to our Group on 8 November 2013.

(5) Construction has been commissioned.

(6) Name of vessel not yet available.

(7) Expected date of delivery.

(8) Great Animation was delivered to our Group on 21 October 2013.

(9) Great Glen was delivered to our Group on 21 October 2013.

(10) Great Cheer was delivered to our Group on 21 October 2013.

(11) Great Aspiration was delivered to our Group on 21 October 2013.

(12) Jin Teng was sold and delivered to the buyer on 27 March 2013.

(13) Jin Da was sold and delivered to the buyer on 27 March 2013.

(14) Trade Worlder was sold and delivered to the buyer on 24 April 2013.

(15) Trade Hope was sold and delivered to the buyer on 9 July 2013.

EMPLOYEES

As at 31 December 2013, our Group had a total of 119 shore-based employees working in our offices in Hong Kong, Canada and Singapore. Among them 60 have a bachelor's degree or master's degree and 52 possess professional qualifications 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 that we can 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 characterised as prudence, devotion and commitment to creativity, standardisation and teamwork has provided our employees with a platform to develop their capabilities and to explore their potentials.

OUTLOOK

The shipping market will undergo a slow and modest recovery in 2014. In view of the promising recovery of the developed economies, the global economy will gradually restore and the international trade and seaborne demand will maintain a steady growth. Meanwhile, with the growth of dry bulk tonnage dropping to a ten-year low, it is hoped that the supply and demand imbalance could be restored to a certain extent, despite the fact that oversupply pressure will remain in the short term. Overall, 2014 is expected to be a better year for the dry bulk shipping market than 2013, although the lingering uncertainties and potential risks would result in increasing market volatility. In the light of the current market situation, our Group will adhere to our philosophy of maintaining sound and robust management, adapt to the market movement and flexibly adjust our operation strategy. We will also focus on improving our comprehensive management capability and enhancing our risk control and cost control measures in order to respond to market challenges proactively. Meanwhile, we will seize opportunities to speed up the adjustment and optimisation of the fleet structure to lay a solid foundation for our sustainable development in the future. Our Group believes that by taking advantage of our solid financial position, low-cost structure and modern fleet, we will be able to maintain a stable and healthy development and be well-positioned for the upcoming market recovery.

Financial Review

REVIEW OF HISTORICAL OPERATING RESULTS

The international shipping market remained gloomy in 2013 as the supply and demand imbalance still weighed heavily on the sector. Growth momentum of the international trade and seaborne demand dwindled as the global economic growth stayed in its low gear. Albeit a significant decrease of newbuilding vessel delivery from 2012, the market remained in significant oversupply due to the influx of tonnage in recent years. With charter hire and freight rate hovering at low levels for consecutive years, the operating environment of the shipping industry became very challenging. Our Group strived to respond to the continuously depressed market and managed to mitigate the adverse impacts of the market downturn by measures such as operations enhancement, fleet structure optimisation, management improvement and cost control. With sound and robust business models, solid financial position and dedication of all staff, our Group recorded profit attributable to owners of the Company for the year ended 31 December 2013 of US$4.32 million (2012: US$20.12 million).

Revenues and cost of operations

For the year ended 31 December 2013, revenues of our Group were US$194.95 million (2012: US$222.18 million).

We set forth below the revenues contribution from each business segment for the year ended 31 December 2013:

	2013 US$'000	2012 US$'000	% Change
Revenues from:			
– Dry bulk shipping (1)	**180,023**	201,475	(10.6%)
– Container shipping	**15,582**	21,417	(27.2%)
– Others	**1,287**	1,371	(6.1%)
	196,892	224,263	(12.2%)
Revenues derived from joint ventures measured at proportionate consolidated basis (1)	**(1,942)**	(2,085)	(6.9%)
Revenues per the consolidated statement of comprehensive income	**194,950**	222,178	(12.3%)

(1) Segment revenue includes revenue 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 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 2013:

	2013 US$	2012 US$	% Change
Dry bulk vessel (Self-owned)[2]	**9,345**	11,050	(15.4%)
Container vessel	**7,258**	6,360	14.1%

(2) Average daily TCE of ocean freight 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 year ended 31 December 2013:

	2013 US$'000	2012 US$'000
Segment revenue	**180,023**	201,475
Bunker consumed and port charges [3]	**(31,452)**	(30,333)
TCE earnings	**148,571**	171,142
Cost of operation [3]	**(153,057)**	(164,044)
Gross (loss)/profit [4]	**(4,486)**	7,098

(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 from gross (loss)/profit less "selling, administrative and general expenses" plus "other operating income/(expense), net".

FINANCIAL REVIEW

Revenue

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

Starting on a sluggish note and gaining momentum later, the international dry bulk shipping market remained relatively bleak in 2013 as a whole. Suffering from serious oversupply of tonnage and continuously lacklustre demand, the shipping market further slumped and the BDI fell to a record low of 842 points on average in the first half of the year. Entering into the second half of the year, the market fundamentals improved as compared to the beginning of the year and gradually recovered from the recession in the course of volatility with the slowdown of newbuilding vessel delivery and rebound of demand for major commodities such as iron ore and coal. The yearly average BDI recorded 1,206 points, representing a year-on-year increase of 31.1%. The market fundamentals were basically established.

In the face of such complicated and ever-changing market, our Group has taken a more proactive and strategic approach by flexibly adjusting the chartering timing of our fleet and optimising our business deployment on the basis of sound and robust operation. Our Group generated charter hire income of US$130.19 million for the year ended 31 December 2013 (2012: US$152.43 million).

Meanwhile, our Group has also adopted a more diversified development strategy for the promotion of our voyage chartering business. Our Group managed to generate ocean freight income of US$49.83 million for the year ended 31 December 2013 (2012: US$49.05 million) despite the low freight rates prevailing in the market.

Cost of operations

The cost of operations decreased to US$153.06 million for the year ended 31 December 2013 (2012: US$164.04 million) mainly due to an overall decrease in the cost of operations attributable to our effective cost control measures, disposal of an aged vessel and less operating lease expenses for charter-in vessels.

Container shipping

Revenue

By virtue of the modest recovery of the US and Japanese economy along with the relatively stable foreign trade in China in 2013, capacity of the global container shipping market, especially the regional trade routes, slowly picked up. Nevertheless, the container shipping market remained over-supplied because of the relatively high level of newbuilding vessel delivery, which resulted in a slow-paced market upturn as a whole. For the year ended 31 December 2013, revenue of our Group from container shipping was US$15.58 million (2012: US$21.42 million), which was mainly because our Group sold 4 aged container vessels in 2013, reducing the total number of operating days of our container vessel fleet when compared to 2012.

Cost of operations

The disposal of the aged container vessels lead to the decrease in total operating days. The cost of operations dropped by 25.9% from US$16.32 million to US$12.09 million.

Selling, administrative and general expenses

The selling, administrative and general expenses mainly comprised staff costs, travelling expense and office rental, amounted to US$20.81 million (2012: US$19.10 million).

Other operating income/expense, net

The net amount of the other operating income amounted to US$3.22 million (2012: other operating expense: US$0.88 million) mainly comprise finance lease income of US$5.53 million (2012: US$5.76 million), which was derived from the finance lease arrangement of a vessel. The finance lease income was partly offset by the impairment of receivables of US$2.57 million (2012: US$1.89 million).

Finance income

Our Group invested in bank deposits and debt instruments. The finance income decreased by 17.4% to US$22.92 million (2012: US$27.75 million) was mainly attributable to the drop of the bank deposit rate.

Share of profits of joint ventures

The share of profits of joint ventures, which were solely contributed by dry bulk shipping, was US$0.51 million (2012: US$0.90 million).

Income tax expense

Income tax for the year ended 31 December 2013 was US$0.88 million (2012: US$1.01 million).

Liquidity and financial resources

Our principal uses of cash have been, for payment for acquisition of vessels, operation costs and working capital for the year ended 31 December 2013. 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.

	2013 **US$'000**	2012 US$'000
Current assets	**950,425**	986,047
Current liabilities	**40,962**	37,862
Liquidity ratio *(Note)*	**23.20**	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 ratio as at 31 December 2013 was 23.20 (2012: 26.04).

FINANCIAL REVIEW

Gearing ratio

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

Capital commitments

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

	2013	2012
	US$'000	US$'000
Authorised but not contracted for	**264,800**	434
Contracted but not provided for	**–**	–
	264,800	434

Capital expenditures

For the year ended 31 December 2013, total capital expenditures were US$94.51 million (2012: US$25.33 million), which was mainly attributable to the capital expenditures for acquisition of vessels and dry docking during 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, Renminbi and Japanese Yen. 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, net investments in foreign operations and the investments in held-to-maturity investment and available-for-sale financial asset. 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 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$8.29 million (2012: US$4.59 million) lower/higher. As at 31 December 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$49,000 (2012: US$128,000) 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.

Report on Corporate Governance

CONTINUOUS IMPROVEMENT IN CORPORATE GOVERNANCE

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.

Our Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules as the corporate governance code of our Company. Our Company has complied with all the code provisions that are in force as set out in the Code throughout the year of 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for security transactions by the 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 2013.

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 Directors. 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.

As at 31 December 2013, the Board comprised eight Directors, of which two were executive Directors, two were non-executive Directors and four were independent non-executive Directors, whose names were as follows:

Chairman: Mr. Li Zhen (appointed on 23 November 2013);

Executive Directors: Mr. Li Hua (general manager of the Company) (appointed on 5 July 2013) and Ms. Feng Guoying;

Non-executive Directors: Mr. Li Zhen (appointed on 23 November 2013) and Mr. Tian Zhongshan (redesignated as a non-executive Director on 5 July 2013);

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. Members of the Executive Committee include:

Mr. Tian Zhongshan (resigned on 5 July 2013), 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 decisions on matters specifically set out in its scope of authority.

Our Company provides sufficient information to our Directors in a timely manner to ensure 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 the 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 of the Company.

During the year of 2013, six Board meetings were held. Apart from convening Board meetings, business of the Board was also transacted by convening Executive Committee meetings 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 Code.

The table below sets out the attendance of each Director in the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and annual general meeting in 2013:

	Attendance/No. of meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Li Hua	6/6				1/1
Ms. Feng Guoying	6/6				1/1
Non-executive Directors					
Mr. Li Zhen	1/1				
Mr. Tian Zhongshan	4/6				0/1
Mr. Zhao Huxiang (resigned on 23 November 2013)	5/5		1/1	1/1	1/1
Mr. Pan Deyuan (resigned on 23 November 2013)	5/5	2/2			1/1
Independent non-executive Directors					
Mr. Hu Hanxiang	6/6		1/1	1/1	1/1
Mr. Tsang Hing Lun	6/6	2/2	1/1		1/1
Mr. Lee Peter Yip Wah	6/6	2/2		1/1	1/1
Mr. Zhou Qifang	6/6	2/2		1/1	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.

BOARD DIVERSITY POLICY

On 8 August 2013, the Company adopted the board diversity policy, the summary of which, together with the measurable objectives set for the policy and the progress of implementation, is disclosed below.

SUMMARY OF THE POLICY

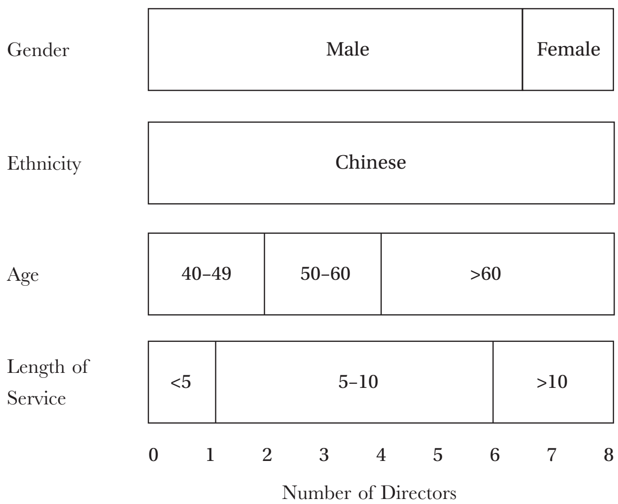
The Company recognises board diversity as the key element for the achievement of its strategic goals and sustainable development. In considering the composition and diversity of the Board, the Company takes into account a number of factors from various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All decisions regarding appointment of members of the Board will be based on the candidates' meritocracy having regard to a set of objective standards that take into account the benefits of board diversity.

MEASURABLE OBJECTIVES

Selection of candidates will be based on a set of diversity criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made with reference to the candidates' merits and contributions to the Board.

EXECUTION

As at the date of this report, the composition and main diversity features of the Board is summarized as follows:



TRAINING FOR DIRECTORS

On 23 May 2013, under the arrangement of the Company, all Directors except Mr. Tian Zhongshan had attended a training for directors provided by PricewaterhouseCoopers. The training covers various topics including the corporate governance code, inside information and risk management. Besides, the Company provides regular updates on the development of the Group's business and operations to all the Directors to ensure that they have appropriate understanding of the business and operations of the Group.

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 2013. Under the letters of appointment entered into between our Company and each of our independent non-executive Directors, each of our independent non-executive Directors is appointed for a term of one year with effect from November 2013. Nevertheless, each Director of our Company shall be subject to retirement and re-election in accordance with the Articles of Association.

On 5 July 2013, Mr. Tian Zhongshan resigned as an executive Director, General Manager and member of the Board Committee and was re-designated to be the non-executive Director while Mr. Li Hua was appointed as the General Manager in replacement of Mr. Tian Zhongshan. On 23 November 2013, Mr. Zhao Huxiang and Mr. Pan Deyuan resigned as non-executive Directors and members of the Board Committee while Mr. Li Zhen was appointed as the non-executive Director, Chairman of the Board, Chairman of the Nomination Committee and member of the Remuneration Committee in replacement of Mr. Zhao Huxiang.

CHAIRMAN AND GENERAL MANAGER

On 23 November 2013, Mr. Li Zhen was appointed as the Chairman of our Board in replacement of Mr. Zhao Huxiang whereas Mr. Li Hua was appointed as the General Manager of the Company in replacement of Mr. Tian Zhongshan. 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 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 procedures of our Company, monitoring the Board, ensuring that the Board is accountable to our Company and our shareholders and proposing and engaging the external auditor. The terms of reference of the Audit Committee (as amended on 12 March 2012) are available on our Company's website.

On 31 December 2013, the Audit Committee is chaired by Mr. Tsang Hing Lun and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang. Most of the members possess professional qualifications and experience in finance. All members of the Audit Committee are independent non-executive Directors.

The Audit Committee held two meetings in 2013. Details of the meetings are mainly as follows:

1. The first meeting was convened on 7 March 2013. The auditor explained the audit issues to the Audit Committee. The Audit Committee resolved to approve, among other things, the engagement of the external auditor of the Company for 2013, as well as the submission of the financial statements for the year of 2012 to the Board for approval.

2. The second meeting was convened on 8 August 2013. The auditor explained the review issues to the Audit Committee. The Audit Committee resolved to approve the submission of the unaudited condensed financial information for the first half of 2013 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 policies in respect to their remuneration packages and proposing them to the Board for approval. 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 several systems 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 the enhancement of personal value of our staff, corporate's value and shareholders' value.

On 31 December 2013, the Remuneration Committee is chaired by Mr. Hu Hanxiang and its members include Mr. Li Zhen and Mr. Tsang Hing Lun.

The Remuneration Committee held a meeting on 20 November 2013 and resolved to propose the director's fees and remuneration level of our independent non-executive Directors and executive Directors for the term commencing from 23 November 2013 and ending on 22 November 2014 and submit the same to the Board for approval.

For the year ended 31 December 2013, the remuneration of the members of the senior management by band is set out below:

Remuneration band (HK$)	Number of persons
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	2

Further particulars regarding the Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 12 to the consolidated financial statements.

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.

On 31 December 2013, the Nomination Committee is chaired by Mr. Li Zhen and its members include Mr. Lee Peter Yip Wah, Mr. Hu Hanxiang and Mr. Zhou Qifang.

The Nomination Committee held a meeting on 20 November 2013. After taking into account of the skills, knowledge and experiences of Directors, Board Diversity Policy and assessment of independence of the independent non-executive Directors based on the independence requirements of Rule 3.13 of Listing Rules, it recommended to the Board to nominate Mr. Li Zhen as the Chairman, non-executive Directors, Chairman of the Nomination Committee, member of the Remuneration Committee for the period of 23 November 2013 to 22 November 2016. It also recommended to nominate Mr. Tian Zhongshan as the non-executive Directors of the Company for the period of 23 November 2013 to 22 November 2016. It resolved to pass the re-appointment of the four independent non-executive Directors of the Company for the period of 23 November 2013 to 22 November 2014 for a term of one year and re-appointment letters and proposed to the Board for consideration.

INTERNAL AUDIT

Our internal audit department is established for the monitoring and assessment of the suitability, compliance and effectiveness of the Company's operating activities and internal control system by risk-based, independent, objective and systematic professional approaches. If any weakness is founded in the internal audit, a corrective and preventive measure is proposed to the management to ensure any weakness of the control system is corrected in a timely manner.

Our internal audit staff directly report to the Audit Committee and the management, execute the resolutions passed by the Audit Committee and play an advisory role in day-to-day operations. In 2013, 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 Quality Management Standard and ISO14001 Environmental Management Standard, strengthening the control of fleet operation.

EXTERNAL AUDITOR

PricewaterhouseCoopers was engaged as our Company's auditor for the year ended 31 December 2013.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2013 were as follows:

	US$'000
– Audit and review services	462
– Non-audit services (tax advisory and compliance services)	7
	469

There has been no change in the auditor of our Company for the past three fiscal years.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the Code:

(1) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(2) To review and monitor the training and continuous professional development of Directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct and compliance with manual applicable to employees and Directors; and

(5) To review the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

During the year, the Board reviewed the Corporate Governance Report and approve the adoption of Board Diversity Policy.

INTERNAL CONTROL

The Board is responsible for our Group's internal control system monitored by the Audit Committee, and for reviewing its effectiveness and reliability. The internal control system and the relevant policies are established by the Board with reference to the Code and the internal control and risk management guidelines of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 is carried out so as to protect the shareholders' interests and the Company's assets.

In order to enhance the Company's standards of risk management, the Board establishes a risk management office designated to organise 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 regarding such events, in result to develop risk management plan and improve the risk management structure. Risk management office is organised by the management, internal audit staff and work teams, and identifies the risk events effectively and timely. The Audit Committee reviews risk management system and liaises with the Board.

With reference to the Committee of Sponsoring Organizations of the Treadway Commissions framework, the Company has controlled and assessed the Company's operation regarding the elements in the framework; confirmed that integrity and ethical values and related behavior activities are implemented; risks are fully managed in the course of realising corporate goals; policies and procedures are established to assist the management's directives to be carried out; internal and external information are obtained and generated in a timely manner with a reliable information system; confirmed that the control is carried out effectively in the normal management activities.

In terms of customers' credit risk, regular monitoring was conducted and contingency plans were formulated to strive to minimise risk of incurring loss or bad debts due to downturn of the economy. Treasury management, loan and credit facilities and budget management are also controlled and reviewed. Areas under reviews include activities of the finance, operations and compliance, and also the activities of overseas subsidiaries in Canada and Singapore.

With the establishment of systems and rules, internal audit and external assessment, the Company maintains its focus on safety, quality and environmental protection to ensure the fleet complies with the requirements of ISM Code, ISO9001 Quality Management Standard and ISO14001 Environmental Management Standard. Targets for environmental work are uplifted and environmental measures are actively strengthened each year to raise awareness of environmental protection, occupational healthiness and safety of on-board and off-shore employees and thus the sustainable competitiveness.

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

The Company has mapped out employees' code of ethics to raise employees' awareness of occupational integrity and morality. Our Whistle Blowing Policy prescribes that all reports will be handled confidentially to indicate that the Company is in determination to prevent the violation of overall integrity and ethical behavior. In addition, it has 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.

In order to ensure the compliance with the Listing Rules and the disclosure requirements of inside information of Securities and Futures Ordinance, the Company set out the Guidance of Responsibility of Continuous Disclosure and instructed its staff the steps to disclose information properly so as to enable the reporting of the potential insider information/tradings to the responsible person to decide whether any announcement had to be made. It also establishes internal control system to ensure the secrets of the Company can be protected effectively.

CORPORATE GOVERNANCE RELATING TO THE DEED OF NON-COMPETITION

The Deed of Non-Competition entered into between the Company and SINOTRANS & CSC Group Company in November 2007 ensures that SINOTRANS & CSC Group Company will offer 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).

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 2013. 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 relevant companies' available vessels and the Group's available vessels and the analysis done by our Company's management team highlighting relevant companies' available vessels and the Group's available vessels which were of the same type and considered that there was not or 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 2013.

As such, our independent non-executive Directors considered that the Deed of Non-Competition had been complied with throughout the year of 2013.

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 auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" on page 52 of this annual report.

COMPANY SECRETARY

Mr. Huen Po Wah, 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. Although Mr. Huen is not a full-time employee of the Company, he is responsible for advising the Board on governance matters. The primary contact person of the Company with Mr. Huen is Mr. Yu Guangqun, the general manager of the Security and Legal Department of the Company. Mr. Huen has confirmed that he has taken no less than 15 hours of relevant professional training during 2013.

SHAREHOLDERS MEETINGS

The annual general meeting held on 24 May 2013 (Friday) 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 2012, 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. All resolutions proposed on the meeting were duly passed by the shareholders.

Our Company places strong emphasis on the functions of general meetings and all shareholders are encouraged to attend. We will strive to make it an effective channel of communications through which the Board and the investors of the Company may engage in direct dialogue and foster positive relations.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed under Appendix 14 of the Listing Rules.

1. Calling a general meeting upon the request of Shareholders

Shareholders may require the Directors to convene an extraordinary general meeting in accordance with the Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to 3 March 2014 and convene a general meeting pursuant to the Section 566 to 568 of the New Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("New Companies Ordinance") subsequent to 3 March 2014.

In accordance with Section 566 of the New Companies Ordinance, the Directors are required to call a general meeting if the Company has received requests to do so from Shareholders of the Company representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: Shareholder@sinotranship.com); and must be authenticated by the person or persons making it. In accordance with Section 567 of the New Companies Ordinance, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the New Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

2. Procedures to propose a resolution at Annual General Meeting

Shareholders may propose a resolution at annual general meeting in accordance with the requirement and procedures set out in the Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to 3 March 2014 and Section 615 and 616 of the New Companies Ordinance subsequent to 3 March 2014.

Section 615 of the New Companies Ordinance provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the Shareholders of the Company representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the attention of the Board) or in electronic form (by email: Shareholder@sinotranship.com); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the New Companies Ordinance provides that the Company that is required under Section 615 of the New Companies Ordinance to give notice of a resolution must send a copy of it at the Company's own expense to each Shareholder of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

The procedures for shareholders of the Company to propose a person for election as a Director are available on our Company's website.

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 on 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 of information and participation of the shareholders.

Our Company places strong emphases 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 the Security and Legal Department which is primarily responsible for investor relations. During the year, the representatives of our management participated in a number of meetings with investors through activities including company visits, conferences calls, luncheons and large investment conferences organised by investment banks. 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.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Security and Legal Department whose contact details are as follows:

Isabelle Y.N. Xiao
Security and Legal Department
Sinotrans Shipping Limited
21st Floor, Great Eagle Centre
23 Harbour Road,
Wanchai, Hong Kong
Email: ir@sinotranship.com
Tel No.: (852) 2828 5535
Fax No.: (852) 3753 3981

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Hua (李樺), born in April 1966, has been a Director and the deputy general manager of our Company since February 2003. He was appointed as the general manager of the Company in July 2013. Mr. Li is responsible for the overall management of the Company, especially the operation of chartering business, 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 degree at Murdoch University in January 2002. Mr. Li has over 24 years' experience in the shipping industry. Mr. Li joined China Business Marine Co., Ltd. (formerly known as "CBMC") in July 1989. From November 1999, Mr. Li served as the assistant to the general manager for Worlder Shipping Limited. Between 2001 and February 2003, Mr. Li served as the deputy general manager of Worlder Shipping Limited. Mr. Li was elected as a member of the executive committee of the International Association of Dry Cargo Shipowners in October 2013 and a member of the executive committee of Hong Kong Shipowners Association in December 2013.

Ms. Feng Guoying (馮幗英), born in March 1964, has been a Director and the deputy general manager of our Company since September 2004. Ms. Feng is responsible for oil tanker business, security affairs, internal audit and risk management of the Company. She graduated from Renmin University of China in 1986 and received a master's degree at Guanghua School of Management in Peking University in 2007. Ms. Feng has over 23 years of experience in the shipping industry. From December 1989 to March 1998, Ms. Feng served in various positions in Worlder Shipping Limited such as the deputy manager of business department. From March 1998 to December 2007, she served as the manager, assistant general manager, deputy general manager of CBMC as well as the director of Sinoecl Auto Liners Limited, Sinotrans-MOL Shipping Co., Ltd and Sinotrans Shipping (Shenzhen) Limited successively. From January 2003, she served as the assistant to general manager of our Company and was promoted to the position of deputy general manager of our Company in September 2004.

Non-executive Directors

Mr. Li Zhen (李甄), born in September 1963, was appointed as the chairman and a non-executive Director of our Company in November 2013. Mr. Li graduated from Dalian Maritime University (formerly known as Dalian Maritime Institute) in 1987 and obtained an EMBA degree in Cheung Kong Graduate School of Business. He holds the professional qualification of International Business Engineer. He has over 23 years of experience in the shipping industry. From August 1987 to May 1991, Mr. Li worked as an officer of Seamen's Union of All China Federation of Trade Unions. In June 1991, he joined China National Foreign Trade Transportation (Group) Corporation (renamed as SINOTRANS & CSC Holdings Co. Ltd. in March 2009) and served as the general manager of Laya Transportation Co., Ltd (Brazil) and a senior officer of China National Chartering Co., Ltd. (formerly known as China National Chartering Co.). He was promoted to the position of general manager of China National Chartering Co., Ltd. in May 2000. From March 2005 to August 2008, Mr. Li served as the assistant to the general manager of SINOTRANS & CSC Holdings Co. Ltd. Mr. Li is also an executive member of the China Shipowners Association.

Mr. Tian Zhongshan (田忠山), born in October 1968, has been our Director since January 2003. Mr. Tian graduated from the University of International Business and Economics in 1991 and obtained a master degree at the University of South Australia in 2006. He joined SINOTRANS & CSC Group in 1991 and has over 22 years of experience in the shipping industry. Mr. Tian worked at China National Chartering Co., Ltd. (formerly known as China National Chartering Co.) from January 1991 to March 2002. From April 2002 to December 2007, he served as the deputy general manager, legal representative and general manager of CBMC and the legal representative of Sinotrans Shipping (Shenzhen) Limited. In May 2003, Mr. Tian worked as the deputy general manager of our Company and was promoted to the position of general manager of our Company in March 2005. He was redesignated as a non-executive Director of the Company on 5 July 2013.

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 University 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 the honorary president. 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 to the position of 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 the division head of the Marine Transportation Division. From 1995 onwards, he took up various positions such as the 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 successively. 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 serves as a member of the Policy Consultation Group to Minister of Transport and the honored president of Association for Shippings Across the Taiwan Straits. Mr. Hu ceased to be an independent non-executive director of Tangshan Port Group Co., Ltd. upon expiration in March 2014.

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. He graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (1st Class Hons) in 1973. Mr. Tsang took up various senior management position in several publicly listed companies 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 the head of International Branches Division and the first vice president. After working in the UOB Group, Mr. Tsang acted as an executive director of the Hong Kong Stock Exchange in 1993, an executive director of China Champ Group in 1994 and the alternate chief executive officer and the deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. He is currently an independent non-executive director of Sino-Ocean Land Holdings Ltd., Nexteer Automotive Group Limited and China Rongsheng Heavy Industries Group Holdings Limited, all of which are listed on the Hong Kong Stock Exchange.

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 a certified solicitor in Hong Kong, United Kingdom and Singapore in 1971, 1974 and 1995 respectively. He was appointed as a China-appointed Attesting Officer in 1993. Mr. Lee possesses approximately 38 years of experience in management and company secretarial works. He is currently an independent non-executive director of China Merchants Holdings (International) Company Limited and a non-executive Director of SHK Hong Kong Industries Limited, both of which are listed on the Hong Kong Stock Exchange.

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 University in 1965. Mr. Zhou has over 49 years of experience in the shipping industry. From September 1965 to June 1990, he worked 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 under 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. From October 1997 to April 2000, Mr. Zhou served as a director and the vice president of China Merchants Group Limited and remained as its director and vice president between April 2000 and March 2004. From March 2004 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 an independent director of Shanghai International Port (Group) Co., Ltd., a company which is listed on the Shanghai Stock Exchange.

SENIOR MANAGEMENT

Mr. Xie Shaohua (謝少華), born in January 1971, has been the chief financial controller of our Company since August 2007 and 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 degrees at the University of International Business and Economics and The Chinese University of Hong Kong in 2003 and 2005 respectively. Mr. Xie has over 14 years of experience in the shipping industry. From November 1998 to October 2002, he worked in the finance department of SINOTRANS & CSC Group Company. From November 2002 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 currently the assistant general manager of our Company and the general manager of Sinotrans Shipping Management Limited. 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 operation department of Wah Tung Shipping Agency and was responsible for technical management of fleet operation. Mr. Lo has over 43 years of experience in the shipping industry. From October 2000 to June 2004, he was the manager of the operation department of Worlder Shipping Limited. From July 2004, Mr. Lo was appointed as the assistant general manager of our Company and was responsible for overseeing all ship management matters.

Mr. Li Shudong (李樹棟), born in July 1969, has been the assistant to the general manager of the Company and the deputy general manager of Sinotrans Shipping Management Limited since April 2011 and is responsible for safety and technical management. Mr. Li graduated from Dalian Maritime University in 1993 and has over 20 years of experience in the shipping industry. He joined CBMC in 1995 and joined Worlder Shipping Limited in 2001. In 2003, he joined the Company and took up several positions such as the deputy manager of technical department and the manager of business department. Mr. Li served as the general manager of Sinotrans Shipping (Shenzhen) Limited from 2005 to 2010 and was responsible for car carrier business.

Report of the Directors

The Board hereby presents its report and the audited financial statements of our Group for the year ended 31 December 2013.

BUSINESS OPERATIONS OF THE GROUP

Our Group is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. We own, manage and operate modern dry bulk fleet and container fleet on a worldwide scale. There is no material change in the nature of the principal business of the Group during the year.

An analysis of our Group's operating results for 2013 by business segments is set out in Note 6 to the consolidated financial statements.

SUBSIDIARIES AND JOINT VENTURES

Particulars of the principal subsidiaries and joint ventures of our Company are set out in Note 31 to the consolidated financial statements.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2013 are set out in the consolidated financial statements of this annual report on page 54.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: US0.13 cents per share).

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' eligibility to attend and vote at the 2014 annual general meeting, the register of members of our Company will be closed from Monday, 12 May 2014 to Friday, 16 May 2014 (both days inclusive), during which no transfer of shares of our Company will be effected. In order to be qualified 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 no later than 4:30 p.m. on Friday, 9 May 2014 for registration.

PROPERTY, PLANT AND EQUIPMENT

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

BANK LOANS

As at 31 December 2013, the Company and the Group did not have any bank loan.

MAJOR CUSTOMERS AND SUPPLIERS

In 2013, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for 30.2% and 24.9% of the Group's turnover and purchases, respectively.

The revenue generated from our largest customer accounted for 11.3% of our total revenue, while the purchases from our largest supplier accounted for 12.5% of our total purchases. During the year ended 31 December 2013, 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 had any interest in any of our five largest customers (except that SINOTRANS & CSC Group itself is 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 2013 are set out in Note 30 to the consolidated financial statements. Some of those transactions 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, 外運, and trademarks (the "Trademarks") registered in the name of SINOTRANS & CSC Group Company and/or its subsidiaries for its shipping business. On 1 December 2012, SINOTRANS & CSC Group Company and our Company renewed the trademark licence agreement, which is valid for three years, with a term commencing on 1 January 2013 and expiring on 31 December 2015.

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued share capital of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transaction will constitute continuing connected transactions for the Company under the Listing Rules.

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

Members of SINOTRANS & CSC Group have leased certain properties (the "Properties") to our Group as offices and staff quarters in Hong Kong. On 26 March 2012, SINOTRANS & CSC Group Company and our Company renewed the master tenancy agreement, which is valid for three years, with a term commencing on 1 January 2013 and expiring on 31 December 2015.

	Transaction amount (USD'000)	Annual Cap (USD'000)
Leasing of properties by SINOTRANS & CSC Group to our Group	1,160	1,237

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued share capital of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transaction will constitute continuing connected transactions for the Company under the Listing Rules.

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 expand the respective business of our Group or SINOTRANS & CSC Group. Our Company and SINOTRANS & CSC Group Company amended and supplemented the master services agreement on 26 March 2012 with regard to the provision and receipt of general services by our Group to/from members of SINOTRANS & CSC Group.

The renewed master services agreement is valid for three years, with a term commencing on 1 January 2013 and expiring on 31 December 2015. The general services provided 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) freight forwarding services; and

(e) corporate administrative services.

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

(a) shipping agency services;

(b) shipping broker services regarding dry bulk vessels and oil tankers;

(c) commercial management services regarding dry bulk vessels;

(d) construction of vessels;

(e) maintenance and repairing services;

(f) supervisory services regarding construction of vessels;

(g) crew management services;

(h) insurance broker services;

(i) refuelling services; and

(j) 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 because our Group and SINOTRANS & CSC Group will improve their competitiveness with their geographical advantages, creating a mutual benefit for both parties.

For the year ended 31 December 2013, the transaction amount and the annual caps of the above continuing connected transactions were as follows:

	Transaction amount (USD'000)	Annual cap (USD'000)
Provision of general services by the Group to SINOTRANS & CSC Group	565	5,591
Receipt of general services by the Group from SINOTRANS & CSC Group	11,859	321,640

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued share capital of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transaction will constitute continuing connected transactions for the Company under the Listing Rules.

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

Renewal of the master chartering agreement

According to the existing master chartering agreement, members of the Group shall lease dry bulk vessels and container vessels of our Group to members of SINOTRANS & CSC Group with a tenancy expiring on 31 December 2012. Given that the amounts payable by SINOTRANS & CSC Group to our Group were based on the market rate and that payments for the dry bulk vessels and container vessels leased to members of SINOTRANS & CSC Group have been settled in a timely manner, the Directors proposed to extend the lease. This will provide our Group with stable income, which is in the benefit of our Group as a whole. Therefore, our Company renewed the master chartering agreement with SINOTRANS & CSC Group on 26 March 2012 based on terms similar to the existing master chartering agreement (other than the chartering of vessels by our Group from members of SINOTRANS & CSC Group). Our Group will primarily charter dry bulk vessels from SINOTRANS & CSC Group in order to provide independent third parties with dry bulk shipping services.

General principles and terms

The renewed master chartering agreement is valid for three years from 1 January 2013 to 31 December 2015. According to the renewed master chartering agreement, (i) SINOTRANS & CSC Group will charter vessels from our group to provide shipping services or to underlease the vessels to other shipping companies for cargo shipping, and (ii) our Group will charter vessels from SINOTRANS & CSC Group in order to provide independent third parties with dry bulk vessels shipping services.

Rental fees, C/V/E fees and chartering commissions are determined with reference to the market price. The Company and SINOTRANS & CSC Group agreed in principle that the rental fees, C/V/E fees and chartering commissions paid by SINOTRANS & CSC Group and relevant members of our Group to each other are determined on a fair and reasonable basis and shall not be less favourable than those offered by independent third parties.

The Company has an option to renew the master chartering agreement, at any time within the twelve-month period or any other time as agreed by the Company and SINOTRANS & CSC Group before the expiry date of the renewed master chartering agreement, for a further period of three years, and for each exercise of a renewal option by the Company, SINOTRANS & CSC Group will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirement under the Listing Rules shall have been complied with by the Company.

Cap Amounts

Prior to the Listing Date, SINOTRANS & CSC Group chartered vessels from our group as carriers to provide cargo shipping services or to underlease the vessels to other shipping companies for cargo shipping. The master chartering agreement was amended and supplemented on 26 March 2012 in respect of the provision and receipt of general services by our Group to/from members of SINOTRANS & CSC Group. The renewed master chartering agreement is valid for three years from 1 January 2013 to 31 December 2015.

For the year ended 31 December 2013, the transaction amounts and annual caps of the above continuing connected transactions were as follows:

	Transaction amount (USD'000)	**Annual cap** (USD'000)
Chartering of vessels by the Group to SINOTRANS & CSC Group	40,432	84,474
Chartering of vessels by the Group to SINOTRANS & CSC Group – Address Commission	1,022	2,268
Chartering of vessels by SINOTRANS & CSC Group to the Group	–	58,500
Chartering of vessels by SINOTRANS & CSC Group to the Group – Address Commission	–	2,610

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued share capital of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the above continuing connected transaction will constitute continuing connected transactions for the Company under the Listing Rules.

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 on normal commercial terms pursuant to the terms of relevant transaction agreement and are fair and reasonable and in the interests of the Company and our shareholders as a whole.

For the purpose of Rule 14.38 of the Listing Rules, the Board engages the 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 2013 (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 HKICPA. The auditor reports that:

(1) nothing has come to their attention that causes them to believe that the Transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by our Group, nothing has come to their attention that causes them to believe that the Transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such Transactions; and

(4) with respect to the aggregate amount of each of the Transactions, nothing has come to their attention that causes them to believe that the Transactions have exceeded the maximum aggregate annual value disclosed.

DONATION

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

RESERVES

Details of movements in the reserves of our Group and our Company during the year are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2013 amounted to approximately US$76.53 million.

SHARE CAPITAL

Details of movements in the share capital of our Company are set out in Note 24 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the interests or short positions held by 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	Controlled Corporation Interest	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 of 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 2013, no other person (other than the Directors or chief executives of the Company) had any 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

As at 31 December 2013, 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 the Group for each of the five years ended 31 December 2013.

Consolidated statement of comprehensive income

	Year ended 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues	**194,950**	222,178	281,435	278,496	229,106
Cost of operations	**(195,587)**	(209,712)	(198,678)	(163,544)	(127,015)
Gross (loss)/profit	**(637)**	12,466	82,757	114,952	102,091
Selling, administrative and general expenses	**(20,810)**	(19,095)	(17,808)	(15,655)	(16,550)
Other operating income/(expense), net	**3,218**	(883)	6,655	17,068	1,247
Operating (loss)/profit	**(18,229)**	(7,512)	71,604	116,365	86,788
Finance income	**22,916**	27,745	18,627	13,411	21,508
Finance costs	**–**	–	–	–	(475)
Share of profits/(losses) of joint ventures	**510**	900	2,147	(1,481)	(1,255)
Profit before income tax	**5,197**	21,133	92,378	128,295	106,566
Income tax expense	**(880)**	(1,012)	(654)	(754)	(172)
Profit attributable to owners of the Company	**4,317**	20,121	91,724	127,541	106,394
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Currency translation differences	**(111)**	98	(41)	134	142
Total comprehensive income for the year	**4,206**	20,219	91,683	127,675	106,536
Earnings per share – Basic and diluted	**US0.11 cents**	US0.50 cents	US2.30 cents	US3.19 cents	US2.66 cents
Dividends	**–**	5,118	30,717	40,986	35,891

REPORT OF THE DIRECTORS

Consolidated Balance Sheet

	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	**1,086,506**	1,061,331	1,099,092	1,029,020	815,796
Interests in joint ventures	**21,960**	21,450	20,550	52,153	52,774
Loans to joint ventures	**9,000**	10,500	12,000	32,655	22,847
Bank deposits	**–**	–	–	–	400,000
Finance lease receivable from a fellow subsidiary	**85,283**	89,410	93,295	–	–
Held-to-maturity investment	**46,217**	44,998	44,438	–	–
Available-for-sale financial asset	**16,516**	–	–	–	–
	1,265,482	1,227,689	1,269,375	1,113,828	1,291,417
Current assets					
Inventories	**3,179**	5,107	1,650	–	–
Loans to joint ventures	**1,500**	1,500	1,500	5,192	3,692
Trade and other receivables	**53,214**	58,723	47,684	36,943	27,294
Finance lease receivable from a fellow subsidiary	**6,475**	3,885	3,684	–	–
Cash and bank balances					
– Cash and cash equivalents	**198,348**	75,055	63,775	146,182	238,381
– Short-term bank deposits	**687,709**	841,777	820,862	853,841	514,677
– Restricted cash	**–**	–	7,500	7,500	–
	950,425	986,047	946,655	1,049,658	784,044
Total assets	**2,215,907**	2,213,736	2,216,030	2,163,486	2,075,461
EQUITY					
Capital and reserves					
Share capital	**51,239**	51,239	51,239	51,239	51,239
Reserves	**2,123,706**	2,124,635	2,124,968	2,074,304	1,982,490
	2,174,945	2,175,874	2,176,207	2,125,543	2,033,729
LIABILITIES					
Current liabilities					
Trade and other payables	**40,494**	35,828	38,730	37,233	41,434
Taxation payable	**468**	2,034	1,093	710	298
	40,962	37,862	39,823	37,943	41,732
Total liabilities	**40,962**	37,862	39,823	37,943	41,732
Total equity and liabilities	**2,215,907**	2,213,736	2,216,030	2,163,486	2,075,461
Net current assets	**909,463**	948,185	906,832	1,011,715	742,312
Total assets less current liabilities	**2,174,945**	2,175,874	2,176,207	2,125,543	2,033,729

DIRECTORS

As at 31 December 2013, the composition of the Board was as follows:

Executive Directors:

Mr. Li Hua (General manager of the Company)
Ms. Feng Guoying

Non-executive Directors:

Mr. Li Zhen (Chairman of the Board)
Mr. Tian Zhongshan

Independent non-executive Directors:

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

Mr. Li Zhen, Mr. Hu Hanxiang, Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah and Mr. Zhou Qifang will resign at the forthcoming annual general meeting in compliance with Article 95 and 104(A) of the Articles of Association and, being eligible, will 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 of the Company are set out on pages 32 to 34 in this annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Each of our executive Directors and non-executive Directors has entered into their service contracts with our Company for a term of three years with effect from November 2013.

Under the 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 2013. For the twelve months ended November 2014, each of the independent non-executive Directors received an annual fee of HK$135,000. For the twelve months ended November 2013, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000.

No Director proposed for re-election at the annual general meeting has a service contract which is not determinable by the Company 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 consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2013, 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 recorded 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

As at 31 December 2013 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 2013, 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 acquisition of shares in or debentures of our Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2013, 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 resolution 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 (including executive or non-executive Directors but excluding independent non-executive Directors) of the Company 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) Exercise period of options

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) Amounts 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) 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 that may be issued under the Share Option Scheme is 400,000,000 shares, representing 10% of the total number of shares in issue immediately following the 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 2013.

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 are set out in 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 code adopted by our Company are set out in the Report on Corporate Governance in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Our Company has adopted the Model Code as the code of conduct regarding our Directors' security transactions. Upon specific enquiry made by the Company, all the Directors of the Company had confirmed that they had complied with the required standards set out in the Model Code throughout the year of 2013.

AUDIT COMMITTEE

Our Company has established an Audit Committee ("the Audit Committee") and prescribed its written terms of reference in accordance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The principal functions of the Audit Committee include the appointment of the external auditor, review and supervision of the Group's financial reporting process and internal controls as well as the provision of advices and recommendations to the Board. The terms of reference of the Audit Committee are available on our Company's website. As of 31 December 2013, the Audit Committee was chaired by Mr. Tsang Hing Lun and its members were Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

The Audit Committee has reviewed our Group's consolidated financial statements for the year ended 31 December 2013, including the accounting principles and policies adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2013, our Company had legal claims arising in the ordinary course of business. Our Directors consider that these cases will not have significant financial or operational impact on our Group.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Li Zhen
Chairman

Hong Kong, 10 March 2014

Independent Auditor's Report

TO THE SHAREHOLDERS OF SINOTRANS SHIPPING LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sinotrans Shipping Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 104, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 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, 10 March 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenues	6	**194,950**	222,178
Cost of operations	7	**(195,587)**	(209,712)
Gross (loss)/profit		**(637)**	12,466
Selling, administrative and general expenses	7	**(20,810)**	(19,095)
Other operating income/(expense), net	8	**3,218**	(883)
Operating loss		**(18,229)**	(7,512)
Finance income	9	**22,916**	27,745
Share of profits of joint ventures		**510**	900
Profit before income tax		**5,197**	21,133
Income tax expense	10	**(880)**	(1,012)
Profit attributable to owners of the Company	13	**4,317**	20,121
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(111)**	98
Total comprehensive income for the year		**4,206**	20,219
Earnings per share			
– Basic and diluted	14	**US0.11 cents**	US0.50 cents
Dividend	15	**–**	5,118

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,086,506	1,061,331
Interests in joint ventures	18	21,960	21,450
Loans to joint ventures	18	9,000	10,500
Finance lease receivable from a fellow subsidiary	19	85,283	89,410
Held-to-maturity investment	20	46,217	44,998
Available-for-sale financial asset	21	16,516	–
		1,265,482	1,227,689
Current assets			
Inventories		3,179	5,107
Loans to joint ventures	18	1,500	1,500
Trade and other receivables	22	53,214	58,723
Finance lease receivable from a fellow subsidiary	19	6,475	3,885
Cash and bank balances	23		
– Cash and cash equivalents		198,348	75,055
– Short-term bank deposits		687,709	841,777
		950,425	986,047
Total assets		2,215,907	2,213,736
EQUITY			
Capital and reserves			
Share capital	24	51,239	51,239
Reserves	25	2,123,706	2,124,635
		2,174,945	2,175,874
LIABILITIES			
Current liabilities			
Trade and other payables	26	40,494	35,828
Taxation payable		468	2,034
		40,962	37,862
Total equity and liabilities		2,215,907	2,213,736
Net current assets		909,463	948,185
Total assets less current liabilities		2,174,945	2,175,874

Li Zhen
Director

Li Hua
Director

Balance Sheet

As at 31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Subsidiaries	*16*	**–**	–
Property, plant and equipment	*17*	**388**	503
Held-to-maturity investment	*20*	**46,217**	44,998
Available-for-sale financial asset	*21*	**16,516**	–
		63,121	45,501
Current assets			
Trade and other receivables	*22*	**1,122,502**	1,028,487
Cash and bank balances	*23*		
– Cash and cash equivalents		**149,858**	44,611
– Short-term bank deposits		**642,488**	841,486
		1,914,848	1,914,584
Total assets		**1,977,969**	1,960,085
EQUITY			
Capital and reserves			
Share capital	*24*	**51,239**	51,239
Reserves	*25*	**1,903,502**	1,887,499
		1,954,741	1,938,738
LIABILITIES			
Current liabilities			
Trade and other payables	*26*	**23,189**	21,320
Taxation payable		**39**	27
		23,228	21,347
Total equity and liabilities		**1,977,969**	1,960,085
Net current assets		**1,891,620**	1,893,237
Total assets less current liabilities		**1,954,741**	1,938,738

Li Zhen
Director

Li Hua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 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 year	–	–	–	–	–	20,121	20,121
Other comprehensive income							
Currency translation differences	–	–	–	–	98	–	98
Total comprehensive income	–	–	–	–	98	20,121	20,219
Transaction with owners							
2011 final dividend paid	–	–	–	–	–	(20,552)	(20,552)
Total transaction with owners	–	–	–	–	–	(20,552)	(20,552)
At 31 December 2012	51,239	1,826,869	(450,507)	101	413	747,759	2,175,874
At 1 January 2013	51,239	1,826,869	(450,507)	101	413	747,759	2,175,874
Comprehensive income							
Profit for the year	–	–	–	–	–	4,317	4,317
Other comprehensive expense							
Currency translation differences	–	–	–	–	(111)	–	(111)
Total comprehensive (expense)/income	–	–	–	–	(111)	4,317	4,206
Transaction with owners							
2012 final dividend paid	–	–	–	–	–	(5,135)	(5,135)
Total transaction with owners	–	–	–	–	–	(5,135)	(5,135)
At 31 December 2013	51,239	1,826,869	(450,507)	101	302	746,941	2,174,945

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Cash flows from operating activities			
Cash generated from operations	*27*	**48,991**	30,242
Interest received		**24,903**	28,882
Income tax paid		**(2,446)**	(71)
Net cash generated from operating activities		**71,448**	59,053
Cash flows from investing activities			
Purchases of property, plant and equipment		**(97,147)**	(22,805)
Proceeds from disposals of property, plant and equipment		**10,264**	2,280
Repayment of loans to joint ventures		**1,500**	1,500
Repayment of finance lease receivable		**1,536**	3,684
Interest income from available-for-sales financial asset		**1,088**	–
Interest income from held-to-maturity investment		**1,499**	1,454
Purchase of available-for-sales financial asset		**(16,076)**	–
Decrease/(increase) in short-term bank deposits		**154,068**	(20,915)
Decrease in restricted cash		**–**	7,500
Net cash generated from/(used in) investing activities		**56,732**	(27,302)
Cash flows from financing activity			
Dividend paid		**(5,135)**	(20,552)
Net cash used in financing activity		**(5,135)**	(20,552)
Net increase in cash and cash equivalents		**123,045**	11,199
Cash and cash equivalents at beginning of year		**75,055**	63,775
Effect of foreign exchange rate changes		**248**	81
Cash and cash equivalents at end of year		**198,348**	75,055

Notes to the Consolidated 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 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. ("SINOTRANS & CSC Group Company"), a state-owned enterprise established in the People's Republic of China (the "PRC").

These consolidated financial statements were approved for issue by the Board of Directors on 10 March 2014.

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, except for the available-for-sale financial asset which is measured at fair value.

The preparation of consolidated 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 these consolidated financial statements are disclosed in note 5.

(ii) New and amended standards effective in 2013

The Group has adopted the following new and amended 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 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
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 and amended standards did not have significant effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

2 BASIS OF PREPARATION (Continued)

(iii) New and amended standards and interpretation to standard which are not yet effective

The HKICPA has issued the following new and amended standards and interpretation to standard which are not yet effective in 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
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 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
HKFRS Amendments	Annual Improvements to HKFRSs 2010–2012 Cycle	1 July 2014
HKFRS Amendments	Annual Improvements to HKFRSs 2011–2013 Cycle	1 July 2014
HK(IFRIC) – Int 21	Levies	1 January 2014

The Group has already commenced an assessment of the related impact of these new and amended standards and interpretation to standard 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 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated 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 profit or loss.

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 (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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)(i)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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"). These consolidated 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 profit or loss 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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. Freehold land is stated at cost less impairment losses and is not subject to depreciation. 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 profit or loss 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 the vessel and depreciated on a straight-line basis over the estimated period until the next dry docking.

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
Buildings on freehold land	20 years
Others (including leasehold improvements, furniture, fixtures and equipments and 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)(i)).

(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 profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 lessees 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 profit or loss on a straight-line basis over the lease periods.

(ii) Where the Group is the lessor (operating leases)

When asset is 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 asset is 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.

(g) Financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (note 3(i)) and 'cash and cash equivalents' (note 3(k)) in the balance sheet.

(ii) Held-to-maturity investment

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets (Continued)

(iii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivative financial asset that is either designated in this category or not classified in any of the other categories. It is included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial asset is subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale is recognised in other comprehensive income.

When securities classified as available-for-sale is sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

(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 expected amount to be realised from use as estimated by the management.

(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 (note 3(j)(ii)).

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

(i) Impairment of investments in subsidiaries, joint ventures 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 joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or the joint venture 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.

(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 profit or loss.

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 debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment (Continued)

(iii) Impairment of financial assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in note 3(j)(ii) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, 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 and its 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 consolidated 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Current and deferred income tax (Continued)

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 joint ventures, 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 consolidated 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue and income recognition (Continued)

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 dividend is 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 (the "Directors") that makes strategic decisions.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to market freight rate risk, 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) Market freight rate risk

The Group is exposed to market freight rate risk arising from its charter hire transactions. To manage the market freight rate risk, the Group seek to diversify its type of chartering through the use of different forms and length of charter hire arrangements.

(ii) Cash flow and fair value interest rate risk

The Group's significant interest bearing assets comprise cash and bank balances, loans to joint ventures, finance lease receivable, held-to-maturity investment and available-for-sale financial asset. 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$493,000 (2012: US$363,000).

(iii) 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 companies), loans to joint ventures, finance lease receivable, held-to-maturity investment and available-for-sale financial asset.

The Group's credit risk from its vessel chartering activities is considered minimal as it is normal shipping practice that substantial part of the charter hire income is prepaid by customers. Under time charters, charter hire is normally paid every 15 days in advance. 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 to joint ventures, amounts advanced to related companies and the issuers of the Group's held-to-maturity investment and available-for-sale financial asset by reviewing ageing analysis and financial information of these counterparties on a regular basis to minimise credit risk.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Cash flow forecasting is performed 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 (if any) 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, held-to-maturity investment and available-for-sale financial asset with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At 31 December 2013, the Group has cash and cash equivalents of US$198,348,000 (2012: US$75,055,000) that are expected to readily generate cash inflows for managing liquidity risk.

(v) 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, Renminbi and Japanese Yen. 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, net investments in foreign operations and the investments in held-to-maturity investment and available-for-sale financial asset. 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 2013, 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$8,293,000 (2012: US$4,588,000) lower/higher. As at 31 December 2013, 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$49,000 (2012: US$128,000) lower/higher.

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair value estimation

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).

	Group and Company Level 2	
	2013 US$'000	2012 US$'000
Available-for-sale financial asset		
– Debt security	**16,516**	–

(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 debt represents total borrowings less cash and bank balances. Total capital represents "equity" as shown in the consolidated balance sheet plus net debt. The Group's strategy is to maintain a gearing ratio below 50%.

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

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 results of operation of the vessels, reported sale and purchase prices, market demand and general market conditions and performs impairment assessments on its vessels. Based on management's review, impairment indication exists for certain vessels of the Group and impairment assessment for these vessels has been performed.

The recoverable amounts of the vessels have been determined based on the higher of fair value less costs to sell or value-in-use method. The fair values of the vessels were determined based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continuing use of the vessels (including the amounts to be received from the disposals of the vessels) and discount rate. All these items have been historically volatile and may impact the results of the impairment assessment.

Were the recoverable amounts of these vessels to lower by 10% from management's estimates, it is estimated that the provision for impairment losses would increase by US$1,060,000 (2012: US$4,691,000).

(b) Useful lives of vessels

Management determines the estimated useful lives and related depreciation expenses for the 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 with all other variables held constant, it is estimated that the carrying value of vessels would decrease by US$5,439,000 (2012: US$5,256,000) or increase by US$4,411,000 (2012: US$4,297,000) as at 31 December 2013.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(c) Residual values of vessels

Management determines the residual values for the vessels 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 with all other variables held constant, it is estimated that the carrying value of vessels would increase or decrease by US$1,336,000 (2012: US$1,406,000) as at 31 December 2013.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues of dry bulk shipping and container shipping totalling US$193,663,000 (2012: US$220,807,000) and other shipping related businesses totalling US$1,287,000 (2012: US$1,371,000).

(b) Segment information

The chief operating decision makers have been identified as the Directors (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 ship owning and the provision of 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 2013			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	**180,743**	**15,582**	**9,737**	**206,062**
Inter-segment revenues	**(720)**	**–**	**(8,450)**	**(9,170)**
Revenues from external customers	**180,023**	**15,582**	**1,287**	**196,892**
Segment results	**(17,854)**	**3,831**	**5,908**	**(8,115)**
Depreciation	**53,533**	**3,844**	**217**	**57,594**
Impairment losses of receivables	**2,569**	**–**	**–**	**2,569**
Additions to non-current assets	**93,498**	**908**	**107**	**94,513**

	Year ended 31 December 2012			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'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
Impairment losses of receivables	1,894	–	–	1,894
Additions to non-current assets	24,751	475	106	25,332

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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 joint ventures are measured at proportionate consolidated basis in the segment information.

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

	2013 US$'000	2012 US$'000
Revenues from external customers for reportable segments	**196,892**	224,263
Revenues from external customers derived from joint ventures measured at proportionate consolidated basis	**(1,942)**	(2,085)
Total revenues per the consolidated statement of comprehensive income	**194,950**	222,178

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 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:

	2013 US$'000	2012 US$'000
Segment results for reportable segments	**(8,115)**	3,527
Corporate income	**2,075**	484
Corporate expenses	**(11,679)**	(10,623)
Finance income	**22,916**	27,745
Profit before income tax	**5,197**	21,133

For the year ended 31 December 2013, the Group has one (2012: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$24,609,000 (2012: US$31,387,000) is attributable to the dry bulk shipping segment.

Segment assets and liabilities exclude corporate assets and liabilities (including corporate cash, held-to-maturity investment and available-for-sale financial asset), 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 2013			
	Dry bulk shipping US$'000	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**1,095,679**	**81,937**	**152,514**	**1,330,130**
Segment assets include:				
Interests in joint ventures	**18,961**	**–**	**2,999**	**21,960**
Loans to joint ventures	**10,500**	**–**	**–**	**10,500**
Segment liabilities	**24,753**	**828**	**9,120**	**34,701**

	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:

	2013 US$'000	2012 US$'000
Segment assets	**1,330,130**	1,255,844
Corporate assets	**885,777**	957,892
Total assets per the consolidated balance sheet	**2,215,907**	2,213,736

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2013 US$'000	2012 US$'000
Segment liabilities	**34,701**	32,937
Corporate liabilities	**6,261**	4,925
Total liabilities per the consolidated balance sheet	**40,962**	37,862

7 EXPENSES BY NATURE

	2013 US$'000	2012 US$'000
Depreciation *(note 17)*	**57,594**	56,046
Hiring of crews and seafarers	**37,224**	39,367
Inventories consumed	**29,663**	31,918
Spare parts, lubricants and materials expenses	**21,669**	25,415
Operating lease expenses		
– vessels	**13,682**	16,417
– office premises	**1,772**	1,720
Brokerage and commission	**8,604**	9,081
Port charges	**7,795**	8,133
Insurance premium	**6,763**	6,785
Repairs and maintenance expenses	**4,300**	6,688
Compensation to a fellow subsidiary *(note 30(a))*	**–**	2,000
Employee benefit expense *(note 11)*	**8,874**	8,227
Auditor's remuneration	**467**	467
Others	**17,990**	16,543
Total cost of operations and selling, administrative and general expenses	**216,397**	228,807

8 OTHER OPERATING INCOME/(EXPENSE), NET

	2013 US$'000	2012 US$'000
Finance lease income from a fellow subsidiary *(note 30(a))*	**5,532**	5,759
Impairment losses of vessels *(note 17)*	**–**	(5,154)
Impairment losses of receivables *(note 22)*	**(2,569)**	(1,894)
Write-off of trade and other receivables	**(215)**	–
Exchange gains/(losses)	**1,774**	(229)
(Loss)/gain on disposals of property, plant and equipment	**(1,451)**	377
Interest income from joint ventures *(note 30(a))*	**147**	192
Interest income from a fellow subsidiary *(note 30(a))*	**–**	66
	3,218	(883)

9 FINANCE INCOME

	2013 US$'000	2012 US$'000
Interest income on bank deposits	**18,667**	25,719
Interest income on held-to-maturity investment	**1,500**	1,466
Interest income from available-for-sale financial asset	**1,082**	–
Exchange gains on held-to-maturity investment and available-for-sale financial asset	**1,667**	560
	22,916	27,745

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013 US$'000	2012 US$'000
Current income tax		
– Hong Kong profits tax	996	1,015
– Overseas taxation	(95)	5
– Over-provisions in prior years	(21)	(8)
Income tax expense	880	1,012

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:

	2013 US$'000	2012 US$'000
Profit before income tax	5,197	21,133
Share of profits of joint ventures	(510)	(900)
	4,687	20,233
Tax calculated at 16.5% (2012: 16.5%)	773	3,338
Income not subject to tax	(32,383)	(37,434)
Expenses not deductible for tax purposes	32,558	35,119
Effect of differential tax rates of other countries	(47)	(3)
Over-provisions in prior years	(21)	(8)
Income tax expense	880	1,012

11 EMPLOYEE BENEFIT EXPENSE

	2013 US$'000	2012 US$'000
Wages and salaries	**8,596**	7,972
Pension costs – defined contribution plans	**278**	255
	8,874	8,227

12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

The remuneration of each director and chief executive 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 2013				
Executive directors				
Li Hua	–	256	6	262
Feng Guoying	–	233	6	239
	–	489	12	501
Non-executive directors				
Li Zhen[1]	–	–	–	–
Tian Zhongshan	–	148	4	152
Zhao Huxiang[2]	–	–	–	–
Pan Deyuan[2]	–	–	–	–
	–	148	4	152
[1] Appointed during the year 2013				
[2] Resigned during the year 2013				
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	637	16	721

12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' and chief executive's 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 2012				
Executive directors				
Tian Zhongshan	–	289	5	294
Li Hua	–	216	5	221
Feng Guoying	–	229	5	234
	–	734	15	749
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	734	15	817

No director waived or agreed to waive any emoluments during the year (2012: 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 (2012: Nil).

Mr. Li Hua is also the chief executive of the Company.

12 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2012: 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 2013 are as follows:

	2013 US$'000	2012 US$'000
Salaries, allowances and benefits-in-kind	607	428
Contributions to pension plans	17	9
	624	437

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
US$192,308 (HK$1,500,001) – US$256,410 (HK$2,000,000)	3	2

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$21,138,000 (2012: US$27,626,000).

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.

	2013	2012
Profit attributable to owners of the Company (US$'000)	**4,317**	20,121
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cents per share)	**0.11**	0.50

As there were no dilutive potential ordinary shares outstanding during the year (2012: Nil), the diluted earnings per share for the year is equal to basic earnings per share.

15 DIVIDEND

	2013 US$'000	2012 US$'000
Final dividend, Nil (2012: US0.13 cents per ordinary share)	**–**	5,118

On 10 March 2014, the Board did not recommend the payment of final dividend for the year ended 31 December 2013 (2012: US0.13 cents per ordinary share, totalling US$5,118,000).

16 SUBSIDIARIES

	Company	
	2013	2012
Unlisted shares, at cost	**US$6**	US$6

Particulars of the principal subsidiaries are set out in note 31(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 2012	1,424,554	50,469	392	1,556	1,476,971	1,200
Currency translation differences	–	–	14	12	26	–
Additions	12,080	13,146	–	106	25,332	101
Disposals and write-off	(25,168)	–	–	(7)	(25,175)	(4)
Transfer	63,375	(63,615)	240	–	–	–
At 31 December 2012	1,474,841	–	646	1,667	1,477,154	1,297
Currency translation differences	–	–	(42)	(20)	(62)	–
Additions	94,406	–	–	107	94,513	93
Disposals and write-off	(47,657)	–	–	(10)	(47,667)	(5)
At 31 December 2013	**1,521,590**	**–**	**604**	**1,744**	**1,523,938**	**1,385**
Accumulated depreciation and impairment						
At 1 January 2012	376,769	–	216	894	377,879	600
Currency translation differences	–	–	5	11	16	–
Depreciation charge for the year	55,813	–	8	225	56,046	197
Impairment losses	5,154	–	–	–	5,154	–
Disposals and write-off	(23,266)	–	–	(6)	(23,272)	(3)
At 31 December 2012	414,470	–	229	1,124	415,823	794
Currency translation differences	–	–	(15)	(18)	(33)	–
Depreciation charge for the year	57,354	–	12	228	57,594	206
Disposals and write-off	(35,945)	–	–	(7)	(35,952)	(3)
At 31 December 2013	**435,879**	**–**	**226**	**1,327**	**437,432**	**997**
Net book value						
At 31 December 2013	**1,085,711**	**–**	**378**	**417**	**1,086,506**	**388**
At 31 December 2012	1,060,371	–	417	543	1,061,331	503

Note: The freehold land is located outside Hong Kong.

18 INTERESTS IN JOINT VENTURES

	Group	
	2013	2012
	US$'000	US$'000
Share of net assets	**21,960**	21,450
Loans to joint ventures *(note a)*	**10,500**	12,000
Current portion of loans to joint ventures	**(1,500)**	(1,500)
	9,000	10,500
Unlisted investments, at cost	**128**	128

Notes:

(a) Loans to joint ventures are secured by the vessels of the joint ventures and bear interest at 1% (2012: secured and bear interest at 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 2013 was 1.25% (2012: 1.31%).

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

	2013	2012
	US$'000	US$'000
Assets		
Non-current assets	**26,580**	27,562
Current assets	**10,418**	7,550
Total assets	**36,998**	35,112
Liabilities		
Non-current liabilities	**(9,000)**	(10,500)
Current liabilities	**(6,038)**	(3,162)
Total liabilities	**(15,038)**	(13,662)
Net assets	**21,960**	21,450
Income	**3,873**	4,238
Expenses	**(3,360)**	(3,338)

(c) There are no contingent liabilities and capital commitments relating to the Group's interests in joint ventures and no contingent liabilities and capital commitments of the joint ventures themselves.

(d) Particulars of the Group's joint ventures are set out in note 31(ii).

19 FINANCE LEASE RECEIVABLE FROM A FELLOW SUBSIDIARY

	Group	
	2013	2012
	US$'000	US$'000
Non-current receivable		
Finance lease receivable from a fellow subsidiary – gross	**92,177**	101,595
Less: unearned finance lease income	**(6,894)**	(12,185)
Finance lease receivable from a fellow subsidiary – net *(note b)*	**85,283**	89,410
Current receivable		
Finance lease receivable from a fellow subsidiary – gross	**14,964**	9,417
Less: unearned finance lease income	**(8,489)**	(5,532)
Finance lease receivable from a fellow subsidiary – net *(note b)*	**6,475**	3,885
	91,758	93,295

Notes:

(a) At 31 December 2013, the Group leased out a vessel under a finance lease to a fellow subsidiary (note 30(d)). The effective interest rate on finance lease receivables was approximately 6.3% (2012: 6.3%).

(b) The gross receivable, unearned finance lease income and the net receivable from the finance lease as at 31 December 2013 are as follows:

	Group	
	2013	2012
	US$'000	US$'000
Gross receivable from finance lease		
Not later than one year	**14,964**	9,417
Later than one year but not later than two years	**9,417**	9,417
Later than two years but not later than five years	**82,760**	92,178
	107,141	111,012
Less: unearned future finance lease income	**(15,383)**	(17,717)
	91,758	93,295
Net receivable from finance lease		
Not later than one year	**6,475**	3,885
Later than one year but not later than two years	**4,383**	4,126
Later than two years but not later than five years	**80,900**	85,284
	91,758	93,295

20 HELD-TO-MATURITY INVESTMENT

	Group and Company	
	2013	2012
	US$'000	US$'000
Debt security listed overseas	**46,217**	44,998

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 AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2013	2012
	US$'000	US$'000
At 1 January	**–**	–
Addition	**16,076**	–
Currency translation differences	**440**	–
At 31 December	**16,516**	–

Available-for-sale financial asset is an unlisted debt security which bears interest at 8.0% (2012: Nil) per annum and is denominated in Renminbi.

The fair value of the available-for-sale financial asset that is not traded in an active market is determined by reference to a quoted price from a financial institution.

The maximum exposure to credit risk at the reporting date is its carrying value.

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Trade receivables, net of provision *(note a)*				
– fellow subsidiaries	**11,166**	7,685	**–**	–
– third parties	**3,443**	8,166	**–**	–
	14,609	15,851	**–**	–
Prepayments, deposits and other receivables, net of provision *(note b)*	**33,041**	40,868	**8,583**	11,543
Amounts due from related parties *(note c)*				
– subsidiaries	**–**	–	**1,113,919**	1,016,944
– fellow subsidiaries	**5,310**	1,900	**–**	–
– joint ventures	**254**	104	**–**	–
	5,564	2,004	**1,113,919**	1,016,944
	53,214	58,723	**1,122,502**	1,028,487

22 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) 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:

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Within 6 months	**10,874**	11,619	**–**	–
7–12 months	**3,189**	2,482	**–**	–
1–2 years	**864**	2,468	**–**	–
2–3 years	**1,409**	102	**–**	–
Over 3 years	**550**	520	**–**	–
Trade receivables	**16,886**	17,191	**–**	–
Less: impairment				
Within 6 months	**(6)**	(5)	**–**	–
7–12 months	**(897)**	(55)	**–**	–
1–2 years	**(236)**	(666)	**–**	–
2–3 years	**(588)**	(94)	**–**	–
Over 3 years	**(550)**	(520)	**–**	–
Provision for trade receivable impairment	**(2,277)**	(1,340)	**–**	–
Trade receivables, net of provision	**14,609**	15,851	**–**	–

As at 31 December 2013, trade receivables of US$3,564,000 (2012: US$3,893,000) were considered as impaired by management, of which amounts of US$2,277,000 (2012: US$1,340,000) were provided for. The individually impaired receivables mainly relate to balances under disputes with the charterers. It was assessed that a portion of the receivables is expected to be recovered.

Save as disclosed in the above, trade receivables are past due but not considered to be impaired as at 31 December 2013. These trade receivables relate to fellow subsidiaries and a number of independent customers for whom there is no history of default.

(b) As at 31 December 2013, other receivables of US$2,453,000 (2012: US$801,000) were considered as impaired by management, of which amounts of US$1,613,000 (2012: US$554,000) were provided for.

(c) 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.

(d) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the group's trade and other receivables are mainly denominated in USD and approximate their fair values.

Movements on the group's allowance for impairment of trade receivables are as follows:

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
At 1 January	**1,340**	–	**–**	–
Provision	**1,295**	1,340	**–**	–
Write-off	**(358)**	–	**–**	–
At 31 December	**2,277**	1,340	**–**	–

23 CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**198,348**	75,055	**149,858**	44,611
Short-term bank deposits	**687,709**	841,777	**642,488**	841,486
Cash and bank balances	**886,057**	916,832	**792,346**	886,097

Note:

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

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
US Dollar	**783,650**	868,573	**691,776**	838,788
Renminbi	**99,631**	46,770	**99,251**	46,712
Hong Kong Dollar	**2,037**	951	**1,224**	489
Japanese Yen	**74**	86	**57**	70
Others	**665**	452	**38**	38
Cash and bank balances	**886,057**	916,832	**792,346**	886,097

24 SHARE CAPITAL

	Number of shares Ordinary shares of HK$0.1 each	Nominal value US$'000
Authorised:		
At 1 January and 31 December 2012 and 2013	50,000,000,000	641,026
Issued and fully paid:		
At 1 January and 31 December 2012 and 2013	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 2013 and 2012.

25 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 2012	1,826,869	(450,507)	101	315	748,190	2,124,968
Profit for the year	–	–	–	–	20,121	20,121
Currency translation differences	–	–	–	98	–	98
2011 final dividend paid *(note 15)*	–	–	–	–	(20,552)	(20,552)
At 31 December 2012	1,826,869	(450,507)	101	413	747,759	2,124,635
Profit for the year	–	–	–	–	4,317	4,317
Currency translation differences	–	–	–	(111)	–	(111)
2012 final dividend paid *(note 15)*	–	–	–	–	(5,135)	(5,135)
At 31 December 2013	1,826,869	(450,507)	101	302	746,941	2,123,706

Company

	Share premium US$'000	Capital redemption reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2012	1,826,869	101	53,455	1,880,425
Profit for the year	–	–	27,626	27,626
2011 final dividend paid *(note 15)*	–	–	(20,552)	(20,552)
At 31 December 2012	1,826,869	101	60,529	1,887,499
Profit for the year			21,138	21,138
2012 final dividend paid *(note 15)*	–	–	(5,135)	(5,135)
At 31 December 2013	1,826,869	101	76,532	1,903,502

26 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Trade payables *(note a)*				
– fellow subsidiaries	**605**	420	**–**	–
– third parties	**14,769**	7,435	**51**	75
	15,374	7,855	**51**	75
Other payables and accruals	**24,790**	27,907	**6,172**	4,822
Amounts due to related parties *(note b)*				
– subsidiaries	**–**	–	**16,966**	16,420
– fellow subsidiaries	**297**	33	**–**	3
– joint ventures	**33**	33	**–**	–
	330	66	**16,966**	16,423
	40,494	35,828	**23,189**	21,320

Notes:

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

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Within 6 months	**15,004**	6,884	**51**	75
7–12 months	**131**	283	**–**	–
1–2 years	**97**	563	**–**	–
2–3 years	**69**	1	**–**	–
Over 3 years	**73**	124	**–**	–
Trade payables	**15,374**	7,855	**51**	75

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

27 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations

	2013 US$'000	2012 US$'000
Profit before income tax	5,197	21,133
Adjustments for:		
Depreciation	57,594	56,046
Finance lease income from a fellow subsidiary	(5,532)	(5,759)
Impairment losses of vessels	–	5,154
Impairment losses of receivables	2,569	1,894
Write-off of trade and other receivables	215	–
Loss/(gain) on disposals of property, plant and equipment	1,451	(377)
Exchanges gains on held-to-maturity investment and available-for-sales financial asset	(1,667)	–
Share of profits of joint ventures	(510)	(900)
Interest income	(21,396)	(27,443)
Changes in working capital:		
Inventories	1,928	(3,457)
Trade and other receivables (excluding amounts due from related parties)	3,515	(11,059)
Amounts due to related parties, net	(296)	563
Trade and other payables (excluding amounts due to related parties)	5,923	(5,553)
Cash generated from operations	48,991	30,242

28 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.

29 COMMITMENTS

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

	2013 US$'000	2012 US$'000
Authorised but not contracted for	**264,800**	434
Contracted but not provided for	**–**	–
	264,800	434

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

At 31 December 2013, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2013 US$'000	2012 US$'000
Office premises		
– no later than one year	**272**	234
– later than one year and no later than five years	**344**	433
	616	667
Vessels		
– no later than one year	**8,819**	3,773
	9,435	4,440

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

At 31 December 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 34 months (2012: 1 to 33 months):

	2013 US$'000	2012 US$'000
Vessels		
– no later than one year	**64,838**	52,769
– later than one year and no later than five years	**238**	1,018
	65,076	53,787

30 RELATED PARTY TRANSACTIONS

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

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

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

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

	2013 US$'000	2012 US$'000
Charterhire income from fellow subsidiaries	**40,376**	53,041
Compensation paid to a fellow subsidiary	**–**	2,000
Charterhire expenses paid to a joint venture	**3,883**	4,056
Commission expenses to fellow subsidiaries	**1,022**	1,689
Commercial management fee to a fellow subsidiary	**646**	240
Expenses for hiring of crews and seafarers to a fellow subsidiary	**11,029**	11,439
Finance lease income from a fellow subsidiary *(note d)*	**5,532**	5,759
Interest income on held-to-maturity investment	**1,500**	1,466
Interest income from joint ventures *(note 18(a))*	**147**	192
Interest income from a fellow subsidiary	**–**	66
Rental expenses to fellow subsidiaries	**1,160**	1,163
Service fee paid to fellow subsidiaries	**184**	536
Service fee income from fellow subsidiaries	**564**	559

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.

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Year end balances arising from sales, purchases and other transactions with related parties were disclosed in notes 22 and 26.

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

(e) Key management compensation

	2013 US$'000	2012 US$'000
Salaries, allowances, and benefits-in-kind	637	734
Contributions to pension plans	16	15
	653	749

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2013, the Company has interests in the following principal subsidiaries and joint ventures:

(i) List of principal subsidiaries

Name	Country of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
Best Aero Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
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

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
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 Calm Shipping Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
Great Concord Shipping S.A.	Panama	2 shares of US$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 Hope 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

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
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
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%	Owning 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
Holy Speed Limited	Hong Kong	2 shares of HK$1 each	100%	Owning and chartering of vessel
# Joy Top International Limited	British Virgin Islands	2 shares of US$1 each	100%	Investment holding

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
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
Merchant Bright Limited	Hong Kong	1 share of HK$1	100%	Owning and chartering of vessel
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
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 Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding

Directly held by the Company

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(ii) List of joint ventures

Name	Country of incorporation	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%	Inactive
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

32 EVENT AFTER BALANCE SHEET DATE

On 3 January 2014, 6 January 2014 and 13 February 2014, the Group entered into agreements with certain fellow subsidiaries and third parties to construct two dry bulk vessels of 78,000 DWT each and eight dry bulk vessels of 64,000 DWT each at an aggregate consideration of US$264,800,000. These vessels are estimated to deliver within the second half of 2015.

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.

"Address Commission"	a commission which is calculated at the prevailing market rate on the charter hire payable, which the charterer is entitled to deduct from the charter hire pursuant to the chartering agreement
"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
"C/V/E Fee"	the communications, victualling and entertainment fee paid to the relevant members of our Group by the charterer in respect of the chartering of each vessel pursuant to the chartering agreement
"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
"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
"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
"Handymax"	a dry bulk vessel with a capacity of between 40,000 DWT and 64,999 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 65,000 and 99,999 DWT
“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. Li Hua
Ms. Feng Guoying

AUDIT COMMITTEE

Mr. Tsang Hing Lun *(Chairman)*
Mr. Zhou Qifang
Mr. Lee Peter Yip Wah

REMUNERATION COMMITTEE

Mr. Hu Hanxiang *(Chairman)*
Mr. Li Zhen
Mr. Tsang Hing Lun

NOMINATION COMMITTEE

Mr. Li Zhen *(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.