中外運航運有限公司

SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)

Stock Code : 368

2014
INTERIM REPORT

Contents

Corporate Information

REGISTERED OFFICE
21st Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

EXECUTIVE DIRECTORS
Mr. Li Hua *(Chief Executive)*
Ms. Feng Guoying

NON-EXECUTIVE DIRECTORS
Mr. Li Zhen *(Chairman)*
Mr. Tian Zhongshan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Hu Hanxiang (resigned on 5 August 2014)
Mr. Tsang Hing Lun
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang

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. Zhou Qifang *(Chairman)* (appointed on 5 August 2014)
Mr. Li Zhen
Mr. Tsang Hing Lun
Mr. Hu Hanxiang (resigned on 5 August 2014)

NOMINATION COMMITTEE
Mr. Li Zhen *(Chairman)*
Mr. Lee Peter Yip Wah
Mr. Hu Hanxiang (resigned on 5 August 2014)
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
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Industrial and Commercial Bank of China (Asia) Limited
ICBC Tower
122-126 Queen's Road Central
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The Hongkong and Shanghai Banking Corp. Ltd.,
Sun Hung Kai Centre Branch
115-117 & 127-133 Sun Hung Kai Centre
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AUDITOR
PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

LEGAL ADVISERS TO OUR COMPANY
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	NOTE	Six months ended 30 June 2014 US$'000	2013 US$'000
Revenues	4	**112,734**	93,497
Cost of operations		**(97,113)**	(98,472)
Gross profit/(loss)		**15,621**	(4,975)
Selling, administrative and general expenses		**(9,022)**	(9,235)
Other operating (expenses)/income, net	5	**(5,106)**	4,160
Operating profit/(loss)		**1,493**	(10,050)
Finance income, net	6	**8,423**	11,870
Share of profits of joint ventures		**566**	396
Profit before income tax		**10,482**	2,216
Income tax expense	7	**(470)**	(604)
Profit attributable to owners of the Company		**10,012**	1,612
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**14**	(104)
Total comprehensive income for the period		**10,026**	1,508
Earnings per share			
– Basic and diluted	9	**US0.25 cents**	US0.04 cents

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2014

	NOTE	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,100,472**	1,086,506
Interests in joint ventures		**22,526**	21,960
Loans to joint ventures	17(b)	**8,250**	9,000
Finance lease receivable from a fellow subsidiary	17(c)	**83,478**	85,283
Held-to-maturity investment	17(d)	**45,512**	46,217
Available-for-sale financial asset		**16,254**	16,516
		1,276,492	1,265,482
Current assets			
Inventories		**5,372**	3,179
Loans to joint ventures	17(b)	**1,500**	1,500
Trade and other receivables	12	**62,269**	53,214
Finance lease receivable from a fellow subsidiary	17(c)	**4,253**	6,475
Cash and bank balances			
– Cash and cash equivalents		**101,372**	198,348
– Short-term bank deposits		**762,063**	687,709
		936,829	950,425
Total assets		**2,213,321**	2,215,907
EQUITY			
Capital and reserves			
Share capital*	13	**1,878,209**	1,878,209
Reserves		**306,762**	296,736
		2,184,971	2,174,945
LIABILITIES			
Current liabilities			
Trade and other payables	14	**27,349**	40,494
Taxation payable		**1,001**	468
		28,350	40,962
Total equity and liabilities		**2,213,321**	2,215,907
Net current assets		**908,479**	909,463
Total assets less current liabilities		**2,184,971**	2,174,945

* Share capital as at 31 December 2013 includes the balance on the share premium account and capital redemption reserve created under the sections 48B and 49H of the predecessor Companies Ordinance (Cap. 32) totalling US$1,826,970,000, which under the Hong Kong Companies Ordinance (Cap. 622) effective on 3 March 2014 have been included in share capital. Also see note 13(c).

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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 2013	51,239	1,826,869	(450,507)	101	413	747,759	2,175,874
Comprehensive income							
Profit for the period	–	–	–	–	–	1,612	1,612
Other comprehensive loss							
Currency translation differences	–	–	–	–	(104)	–	(104)
Total comprehensive income	–	–	–	–	(104)	1,612	1,508
Transaction with owners							
Dividend paid	–	–	–	–	–	(5,135)	(5,135)
At 30 June 2013	51,239	1,826,869	(450,507)	101	309	744,236	2,172,247
At 1 January 2014	**51,239**	**1,826,869**	**(450,507)**	**101**	**302**	**746,941**	**2,174,945**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**10,012**	**10,012**
Other comprehensive income							
Currency translation differences	**–**	**–**	**–**	**–**	**14**	**–**	**14**
Total comprehensive income	**–**	**–**	**–**	**–**	**14**	**10,012**	**10,026**
Transaction with owners							
Transition to no-par value regime on 3 March 2014 (note 13c)	**1,826,970**	**(1,826,869)**	**–**	**(101)**	**–**	**–**	**–**
At 30 June 2014	**1,878,209**	**–**	**(450,507)**	**–**	**316**	**756,953**	**2,184,971**

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Net cash from operating activities	**27,447**	26,219
Net cash used in investing activities	**(122,909)**	(11,850)
Net cash used in financing activities	**–**	(5,135)
Net (decrease)/increase in cash and cash equivalents	**(95,462)**	9,234
Cash and cash equivalents at 1 January	**198,348**	75,055
Effect of foreign exchange rate changes	**(1,514)**	596
Cash and cash equivalents at 30 June	**101,372**	84,885

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Sinotrans Shipping Limited (the "Company") was incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is 21/F, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong. The Company and its subsidiaries (collectively the "Group") principally engage in dry bulk vessel time chartering and dry bulk cargo voyage chartering, container vessel time chartering, shipping agency, ship management and oil tanker bareboat chartering under finance lease.

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

This interim financial information was approved for issue by the Board of Directors on 4 August 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted in the preparation of the interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2013 except that the Group has adopted the following amended standards and interpretation to standard issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning on 1 January 2014.

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non Financial Assets
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HK(IFRIC) – Int 21	Levies

The adoption of the above amendments and interpretation to standard did not have significant effect on the interim financial information or result in any significant changes in the Group's significant accounting policies.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The HKICPA has issued the following new standards and amendments to standards which are not effective for accounting period beginning on 1 January 2014 but relevant to the Group and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 7 and HKFRS 9 (Amendment)	Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures	To be determined
HKFRS 9	Financial Instruments	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS Amendments	Annual Improvements to HKFRSs 2010–2012 Cycle	1 July 2014
HKFRS Amendments	Annual Improvements to HKFRSs 2011–2013 Cycle	1 July 2014

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

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

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements for the year ended 31 December 2013.

3 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and practices are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's financial asset that is measured at fair value:

	Level 2	
	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Available-for-sale financial asset		
– Debt security	**16,254**	16,516

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

4 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Turnover represents revenues of dry bulk shipping and container shipping totalling US$112,255,000 (six months ended 30 June 2013: US$92,814,000) and other shipping related businesses totalling US$479,000 (six months ended 30 June 2013: US$683,000).

(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.

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

	Six months ended 30 June 2014			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	106,632	7,094	3,074	116,800
Inter-segment revenues	(475)	–	(2,595)	(3,070)
Revenues from external customers	106,157	7,094	479	113,730
Segment results	2,492	2,449	2,693	7,634
Depreciation	27,064	1,886	96	29,046
Additions to non-current assets	56,597	–	1,745	58,342

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

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Revenues from external customers for reportable segments	**113,730**	94,492
Revenues from external customers derived from joint ventures measured at proportionate consolidated basis	**(996)**	(995)
Total revenues per the condensed consolidated statement of comprehensive income	**112,734**	93,497

The Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. This measurement includes the results from the Group's joint ventures on a proportionate consolidated basis. Corporate expenses and net finance income are not included in the segment results.

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Segment results for reportable segments	**7,634**	(5,504)
Corporate expenses	**(5,575)**	(4,150)
Finance income, net	**8,423**	11,870
Profit before income tax	**10,482**	2,216

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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 condensed consolidated balance sheet.

	As at 30 June 2014			
	Dry bulk shipping US$'000	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**1,112,638**	**80,827**	**162,129**	**1,355,594**
Segment assets include:				
Interests in joint ventures	**19,529**	**–**	**2,997**	**22,526**
Loans to joint ventures	**9,750**	**–**	**–**	**9,750**
Segment liabilities	**15,656**	**54**	**8,078**	**23,788**

	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

4 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Segment assets	1,355,594	1,330,130
Corporate assets	857,727	885,777
Total assets per the condensed consolidated balance sheet	2,213,321	2,215,907

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Segment liabilities	23,788	34,701
Corporate liabilities	4,562	6,261
Total liabilities per the condensed consolidated balance sheet	28,350	40,962

Notes to the Interim Financial Information

5 OTHER OPERATING (EXPENSES)/INCOME, NET

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Finance lease income from a fellow subsidiary (note 17(c))	**2,677**	2,795
(Loss)/gain on disposals of property, plant and equipment	**(7,185)**	1,222
Reversal of impairment loss (note 11)	**–**	377
Write-off of trade and other receivables	**–**	(196)
Reversal of/(provision for) impairment losses of receivables	**53**	(924)
Interest income from joint ventures (note 17(b))	**62**	76
Exchange (losses)/gains	**(713)**	810
	(5,106)	4,160

6 FINANCE INCOME, NET

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Interest income on bank deposits	**8,021**	9,891
Interest income on held-to-maturity investment (note 17(d))	**748**	738
Interest income from available-for-sale financial asset	**641**	428
Exchange (losses)/gains on held-to-maturity investment and available-for-sale financial asset	**(987)**	813
	8,423	11,870

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Current income tax		
Hong Kong profits tax	**442**	702
Overseas taxation	**28**	(90)
Over-provisions in prior year	**–**	(8)
Income tax expense	**470**	604

8 EMPLOYEE BENEFIT EXPENSE

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Wages and salaries	**3,229**	3,755
Pension costs – defined contribution plans	**145**	134
	3,374	3,889

9 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
Profit attributable to owners of the Company (US$'000)	**10,012**	1,612
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings per share (US cent per share)	**0.25**	0.04

As there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil), the diluted earnings per share is equal to basic earnings per share.

Notes to the Interim Financial Information

10 DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

11 PROPERTY, PLANT AND EQUIPMENT

	2014 US$'000	2013 US$'000
Cost		
At 1 January	**1,523,938**	1,477,156
Currency translation differences	**(1)**	(53)
Additions	**58,342**	4,424
Disposals and write-offs	**(39,131)**	(23,069)
At 30 June	**1,543,148**	1,458,458
Accumulated depreciation and impairment		
At 1 January	**(437,432)**	(415,823)
Currency translation differences	**–**	27
Charge for the period	**(29,046)**	(28,905)
Reversal of impairment loss	**–**	377
Disposals and write-offs	**23,802**	21,105
At 30 June	**(442,676)**	(423,219)
Net book value		
At 30 June	**1,100,472**	1,035,239

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Trade receivables, net of provision		
– fellow subsidiaries	**5,829**	11,166
– third parties	**6,033**	3,443
	11,862	14,609
Prepayments, deposits and other receivables, net of provision	**47,894**	33,041
Amounts due from related parties	**2,513**	5,564
Total	**62,269**	53,214

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Within 6 months	**10,423**	10,868
7–12 months	**1,150**	2,292
1–2 years	**289**	628
2–3 years	**–**	821
Trade receivables, net of provision	**11,862**	14,609

Notes to the Interim Financial Information

13 SHARE CAPITAL

	As at 30 June 2014		As at 31 December 2013	
	Number of shares ('000)	**Nominal value US$'000**	Number of shares ('000)	Nominal value US$'000
Authorised: (note a)				
Ordinary shares of HK$0.1 each (note b)	**N/A**	**N/A**	50,000,000	641,026

	2014		2013	
	Number of shares ('000)	**US$'000**	Number of shares ('000)	US$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**3,992,100**	**51,239**	3,992,100	51,239
Transition to no-par value regime on 3 March 2014 (note c)	**–**	**1,826,970**	–	–
At 30 June/31 December	**3,992,100**	**1,878,209**	3,992,100	51,239
Share premium (note c)		**–**		1,826,869
Capital redemption reserve (note c)		**–**		101
Share capital (note c) as at 30 June/share capital, share premium and capital redemption reserves as at 31 December		**1,878,209**		1,878,209

Notes:

(a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium and capital redemption reserve created under the sections 48B and 49H of the predecessor Companies Ordinance (Cap. 32), have become part of the Company's share capital.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Trade payables		
– fellow subsidiaries	845	605
– third parties	10,412	14,769
	11,257	15,374
Other payables and accruals	16,044	24,790
Amounts due to related parties	48	330
Total	27,349	40,494

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Within 6 months	10,441	15,004
7–12 months	89	131
1–2 years	550	97
2–3 years	80	69
Over 3 years	97	73
Trade payables	11,257	15,374

15 CONTINGENT LIABILITIES

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

Notes to the Interim Financial Information

16 COMMITMENTS

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Authorised but not contracted for	591	264,800
Contracted but not provided for	212,240	–
	212,831	264,800

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

At 30 June 2014, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Office premises		
– no later than one year	570	272
– later than one year and no later than five years	936	344
	1,506	616
Vessels		
– no later than one year	10,522	8,819
	12,028	9,435

16 COMMITMENTS (CONTINUED)

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

At 30 June 2014, 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 13 months:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Vessels		
– no later than one year	**46,244**	64,838
– later than one year and no later than five years	**8**	238
	46,252	65,076

17 RELATED PARTY TRANSACTIONS

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

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

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

17 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Charter hire income from fellow subsidiaries	**18,898**	21,072
Charter hire expenses paid to a joint venture	**1,999**	1,915
Commission expenses to fellow subsidiaries	**689**	641
Expenses for hiring of crews and seafarers to a fellow subsidiary	**5,663**	5,501
Interest income from joint ventures (note b)	**62**	76
Finance lease income from a fellow subsidiary (note c)	**2,677**	2,795
Interest income on held-to-maturity investment issued by a fellow subsidiary (note d)	**748**	738
Rental expenses to fellow subsidiaries	**574**	581
Service fee paid to a related company	**–**	20
Service fee income from fellow subsidiaries	**119**	89

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

(b) At 30 June 2014, loans to joint ventures are secured by the vessels of the joint ventures and bear interest at 1% (six months ended 30 June 2013: 1%) over London Interbank Offered Rate per annum. The loans are repayable by installments and are wholly repayable on or before 2020.

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

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

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

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

17 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Key management compensation

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Salaries, allowances, and benefits-in-kind	**326**	425
Contributions to pension plans	**13**	18
	339	443

18 EVENT AFTER THE BALANCE SHEET DATE

On 25 March 2014, the Group entered into acquisition agreements with Sinotrans & CSC Group Company, being the Group's parent company, Sinotrans Limited and Sinotrans (HK) Logistics Limited, being the Group's fellow subsidiaries (collectively the "Vendors"), pursuant to which the Vendors have conditionally agreed to i) sell the equity interests in companies which principally engage in dry bulk vessel time chartering, dry bulk cargo voyage chartering and container shipping (the "Target Group Companies") to the Group; and ii) assign the shareholder loans in the Target Group Companies (if any) to the Group in proportion to the Group's equity interest in the Target Group Companies (the "Acquisitions"). The aggregate consideration that the Group shall pay for the Acquisitions amounted to approximately US$137,157,000, subject to adjustment depending on the net asset value of the Target Group Companies as at the completion date of the Acquisitions. The details of the Acquisitions are also disclosed in the Company's circular dated 22 April 2014.

On 31 July 2014, all the conditions precedent under the Acquisitions were completed and the Target Group Companies become subsidiaries of the Group. The financial results of the Target Group Companies have not been consolidated into this interim financial information, but will be accounted for in the consolidated financial statements of the Group for the year ending 31 December 2014.

Management Discussion and Analysis of Results of Operations and Financial Position

REVIEW OF HISTORICAL OPERATING RESULTS

In the first half of 2014, the international shipping market showed no signs of recovery and the overall situation remained challenging. Although the international trade maintained moderate growth with slow economic recovery across the world, dry bulk seaborne demand lost momentum on account of the decelerating economic growth of China and other emerging economies. Meanwhile, the oversupply pressure continued to drag recovery of the shipping market, curbing the charter hire and freight rate at low levels. In face of such complicated and ever-changing market situation, our Group, sticking to the principle of stable operation, strived to alleviate the adverse effects brought by the depressed market by measures such as business deployment enhancement and fleet structure optimisation with the aim of cost reduction and efficiency improvement. Our Group recorded profit attributable to owners of the Company for the six months ended 30 June 2014 of US$10.01 million (2013: US$1.61 million).

Revenues and cost of operations

For the six months ended 30 June 2014, revenues of our Group were US$112.73 million (2013: US$93.50 million). We set forth below the revenues contribution from each business segment for the six months ended 30 June 2014:

	Six months ended 30 June		
	2014	2013	
	US$'000	US$'000	% Change
Revenues from:			
– Dry bulk shipping[1]	**106,157**	85,510	24.1%
– Container shipping	**7,094**	8,299	(14.5%)
– Others	**479**	683	(29.9%)
	113,730	94,492	20.4%
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(996)**	(995)	0.1%
Revenues per the condensed consolidated statement of comprehensive income	**112,734**	93,497	20.6%

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

Management Discussion and Analysis of Results of Operations and Financial Position

We set forth below the average daily charter hire rate/time charter equivalent ("TCE") rate for each segment of our charter hire business for the six months ended 30 June 2014:

	Six months ended 30 June		
	2014	2013	
	US$	US$	% Change
Dry bulk vessel (Self-owned)[(2)]	**10,819**	8,872	21.9%
Container vessel	**7,858**	6,726	16.8%

(2) Average daily TCE rate 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 six months ended 30 June 2014:

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Segment revenue	**106,157**	85,510
Bunker consumed and port charges[(3)]	**(7,654)**	(17,718)
TCE earnings	**98,503**	67,792
Cost of operations[(3)]	**(85,395)**	(74,377)
Gross profit/(loss)[(4)]	**13,108**	(6,585)

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

Management Discussion and Analysis of Results of Operations and Financial Position

Revenue

In 2014, the international trade picked up gradually with the slow recovery of the world economy. However, the global dry bulk seaborne demand was below expectation because of the lacklustre demand for major commodities from China and other emerging economies, together with other policy-related and occasional factors. Moreover, although the newbuilding vessel delivery further slowed down, there was no fundamental improvement of the oversupply situation in the short run due to the abundant influx of tonnage over the past few years. In the first half of 2014, the Baltic Dry Index ("BDI") recorded an average of 1,179 points, representing a year-on-year increase of 40.0%. Nevertheless, the BDI lingered below 1,000 points for most of the second quarter and the recovery pace of the charter hire and freight rate was far below the market expectation.

In view of such complicated and ever-changing market situation, our Group has taken a more proactive approach to differentiate ourselves from the competition. Sticking to our principle of stable operation, we thrived to keep up with the market trend through enhancing flexibility in the timing of fleet chartering, leveraging on our network advantages and adopting a diversified operation strategy. As a result, we improved the business deployment and promoted our business development in various aspects. Our revenue from dry bulk shipping primarily consists of charter hire income and ocean freight income. For the six months ended 30 June 2014, our Group generated charter hire income and ocean freight income of US$89.34 million (2013: US$57.84 million) and US$16.82 million (2013: US$27.67 million) respectively.

Cost of operations

Due to the increase in the operating lease expenses for charter-in vessels and the expansion of our fleet size, the cost of operation increased from US$74.38 million to US$85.40 million for the period ended 30 June 2014.

Container shipping

Revenue

Despite the improving container seaborne demands following the gradual recovery of the global economy, especially the developed countries, competition in the international container shipping market intensified because of the concentrated delivery of large-sized container vessel. In respect of the regional market, benefited from the considerable growth of economy and trade of China and other Asian emerging countries, the Asian regional container shipping market maintained good growth momentum. For the six months ended 30 June 2014, the revenue from container shipping of our Group amounted to US$7.09 million (2013: US$8.30 million), representing a year-on-year decrease. This was mainly because our Group seized market opportunities and sold 4 aged container vessels in 2013, resulting in a year-on-year decrease in the total number of operating days of our container vessel fleet.

Cost of operations

The cost of operation dropped by 35.3% from US$6.92 million to US$4.48 million mainly due to the decrease in operating days of our container vessel fleet as a result of the disposal of the aged container vessels.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs, travelling expense and office rental, amounted to US$9.02 million (2013: US$9.24 million).

Other operating expenses/income, net

The net amount of the other operating expenses amounted to US$5.11 million (2013: other operating income of US$4.16 million) mainly comprised of the following:

i) For optimising the fleet structure, our Group disposed aged vessels. Net loss on disposal of vessels amounted to US$7.19 million (2013: gain of US$1.22 million).

ii) Our Group derived finance lease income of US$2.68 million (2013: US$2.80 million) from the finance lease arrangement of a vessel.

Finance income, net

The finance income was mainly the interest income derived from bank deposits and investments. The net amount of finance income decreased to US$8.42 million (2013: US$11.87 million) principally as a result of the drop of the bank deposit rate and bank balances.

Share of profits of joint ventures

The share of profits of joint ventures, which were contributed by dry bulk shipping, was US$0.57 million (2013: US$0.40 million).

Income tax expense

Income tax was US$0.47 million (2013: US$0.60 million).

Liquidity and financial resources

Our cash has been principally used for payment for construction of vessels, operating costs and working capital in the first half of 2014. We have financed our liquidity requirements primarily through internal generated cash.

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Current assets	**936,829**	950,425
Current liabilities	**28,350**	40,962
Liquidity ratio (Note)	**33.05**	23.20

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

Our liquidity ratios as at 30 June 2014 and 31 December 2013 were 33.05 and 23.20 respectively.

Management Discussion and Analysis of Results of Operations and Financial Position

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 30 June 2014 and 31 December 2013.

Capital commitments

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Authorised but not contracted for	591	264,800
Contracted but not provided for	212,240	–
	212,831	264,800

Capital expenditures

Capital expenditures principally comprise expenditures for additions to property, plant and equipment, including primarily vessels.

For the six months ended 30 June 2014, total capital expenditures were US$58.34 million (2013: US$4.42 million) which was attributable to the capital expenditures for construction of dry bulk vessels and dry docking in the first half of 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 and net investments in foreign operations. Our Group currently does not have regular and established hedging policy in place. Our Group is monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments, and adopting appropriate hedging policy to control the hedging risks, when need arises.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the US dollar, management considers that there is no significant foreign exchange risk with respect to the Hong Kong dollar. As at 30 June 2014, 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$9.26 million (31 December 2013: US$8.29 million) lower/higher. As at 30 June 2014, 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$172,000 (31 December 2013: US$49,000) lower/higher.

Management Discussion and Analysis of Results of Operations and Financial Position

Contingent liabilities

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

EMPLOYEES

As at 30 June 2014, members of our Group in Hong Kong, Canada and Singapore employed a total of 126 shore-based employees. Details of the remuneration of the employees, remuneration policies and staff development were substantially the same as those disclosed in the 2013 Annual Report with no significant change.

FLEET DEVELOPMENT

During the first half of 2014, our Group grasped the market opportunities and ordered a batch of eco dry bulk newbuilding vessels, adding new impetus to the sustainable and healthy development of our fleet. Our Group also timely disposed 2 aged dry bulk vessels to further optimise our fleet structure in terms of both ship type and age. As at 30 June 2014, our Group owned 50 self-owned vessels with an aggregate capacity of 3.67 million DWT and an average age of approximately 9.6 years. In addition, our Group also has a total of 10 newbuilding vessels with an aggregate capacity of 670,000 DWT, which are expected to be delivered to our Group successively from 2015 onwards. With the sound development of our fleet, the overall competitiveness of our Group will be sustainably promoted.

OUTLOOK

Looking ahead, the international shipping market will undergo a slow and modest recovery. With the promising recovery of the developed countries and the steady growing demands of China, the international trade and seaborne demand would maintain moderate growth, while the traditional peak shipping season in the second half of the year is expected to drive the development of the market to a certain extent. Meanwhile, the growth of tonnage is slowing down with the peak of newbuilding delivery passing by. However, the cumulative effects caused by the previous oversupply of tonnage have led to difficulty to substantially alleviate the supply and demand imbalance in the short term. Thus uncertainties still remain for the recovery progress of the shipping market. In light of the current market situation, our Group, adhering to our principle of seeking improvements with stable operation, will closely monitor the market change to flexibly adjust our strategy for proper business deployments. At the same time, in order to lay a solid foundation for sustainable development in the future, our Group will sharpen up our competitive edge by constant optimisation of our fleet structure, reinforcement of our safety, cost and risk management, as well as enhancement of our own corporate governance capability. In addition, on 31 July 2014, our Group completed the acquisitions of the equity interests in companies which principally engage in dry bulk vessel time chartering, dry bulk cargo voyage chartering and container shipping (the "Target Group Companies") from the parent group, and the Target Group Companies have become subsidiaries of our Group. Please refer to the announcements of our Group dated 25 March 2014, 16 May 2014, 20 May 2014, 30 June 2014 and 31 July 2014 respectively, and the circular of our Group dated 22 April 2014 for further details. Our Group believes that, by leveraging on our advantages of sound financial position, low-cost structure and modern fleet, and the strategy of acquiring such shipping companies and assets, we will significantly improve our market competitiveness and will be able to better strive for the maximisation of our shareholders' interests upon market recovery.

AUDIT COMMITTEE

The audit committee of our Company has reviewed the interim financial information of our Group for the six months ended 30 June 2014. In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed a review of the interim financial information of our Group in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

Interim Dividend

DIVIDEND

Our Board has resolved not to declare any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2014, none of the directors and chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered into the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the interests or short positions of the following persons (other than directors or chief executive of the Company) in the shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholders	Long Position/ Short Position	Capacity	Number of shares Held	As a % of Total Issued shares
Sinotrans & CSC Group Company (Note 1)	Long Position	Interest of controlled corporation	2,718,520,000	68.10
Sinotrans Shipping (Holdings) Limited (Note 1)	Long Position	Beneficial owner	2,600,000,000	65.13

Notes:

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

Save as disclosed above, as at 30 June 2014, no other person (other than directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither our Company nor any of our subsidiaries had purchased, sold or redeemed any of our Company's shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Group has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

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

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

Our Board confirms that, having made specific enquiry of all Directors, all our Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

Other Information

CHANGES IN DIRECTOR'S INFORMATION

Since the date of the Company's 2013 Annual Report , changes in Director's information are set out as follows:

Mr. Tsang Hing Lun resigned as an independent non-executive director of China Rongsheng Heavy Industries Group Holdings Limited on 21 May 2014.

Mr. Hu Hanxiang resigned as an independent non-executive director of the Company on 5 August 2014.

Mr. Li Zhen has served as the Safety Director and General Manager of Shipping Division for SINOTRANS & CSC Group and is responsible for the shipping business of the Group.