中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

Annual Report 2014

COMPANY PROFILE

Sinotrans Shipping Limited and its subsidiaries (collectively the "Group") is one of the largest shipping companies in China and leading shipping enterprises of the world. Headquartered and listed in Hong Kong, our Group has subsidiaries or offices in Beijing, Shanghai, Shenzhen, Canada, Singapore, the United Kingdom, Germany and other places, with businesses and customers spreading all over the world. We dedicate to providing professional, high-quality and comprehensive shipping services for our customers.

Dry bulk shipping and container shipping are the core businesses of our Group. We own, manage and operate a modern fleet on a worldwide scale. The dry bulk fleet is used for transportation of cargoes such as iron ore, coal, grain, steel and other commodities along major trading routes in the world. The container fleet focuses on Intra-Asia market which has high development potential, and our core competence especially lies in Taiwan routes and Japan routes.

As at 31 December 2014, our Group owned a fleet of 62 vessels with an aggregate capacity of approximately 4.37 million DWT and controlled a fleet of 126 vessels with an aggregate capacity of approximately 8.79 million DWT.

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FINANCIAL HIGHLIGHTS

	2014 US$'000	2013 US$'000 (Restated)	% Change
Results			
Revenues	**1,206,811**	1,313,032	(8.1%)
Profit/(loss) attributable to owners of the Company	**1,862**	(638)	391.8%
Basic and diluted earnings/(loss) per share	**US0.05 cents**	(US0.02 cents)	391.8%
Dividend	**40,945**[1]	–	N/A
Financial Position			
Total assets	**2,524,144**	2,624,066	(3.8%)
Total liabilities	**333,871**	439,113	(24.0%)
Equity attributable to owners of the Company	**2,151,547**	2,185,778	(1.6%)
Total cash and bank balances	**745,521**	955,290	(22.0%)

(1) Representing the proposed final dividend of HK8 cents (equivalent to US1.03 cents).

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I HEREBY PRESENT THE ANNUAL REPORT OF OUR GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 FOR YOUR REVIEW.

MAJOR EVENTS

On 31 July 2014, our Group completed the acquisition of equity interest in China National Chartering Co., Ltd. ("Sinochart"), Sinotrans Container Lines Co., Ltd. ("Sinotrans Container Lines"), Sinotrans Navigation Ltd. ("Sinotrans Tianze") and other shipping companies from SINOTRANS & CSC Holdings Co., Ltd and its subsidiaries (collectively "SINOTRANS Group"), which injected new vitality for us. With the accession of Sinochart, we achieved an increase in dry bulk business volume, expanded our domestic client network and enhanced our strength of cargo canvassing, which together promoted our Group to be a more comprehensive operating shipowner. With the accession of Sinotrans Container Lines, we further developed our container shipping business, extended our industry chain, and increased earnings through its mature network layout as well as advantages in shipping routes. With the accession of Sinotrans Tianze, our Group got a new vessel management platform in Shanghai, which improved our network layout and vessel technical management capability. After the acquisition, we transformed our original relatively single business mode of ocean dry bulk shipping to a comprehensive business mode combining ocean dry bulk shipping and short-sea container shipping business, which effectively diversified the operational risks, contributed to a significant increase in overall revenue and further strengthened our market competitiveness.

BUSINESS REVIEW

The international shipping market remained depressed in 2014. The recovery of global economy was fragile and uneven. The United States showed a positive sign in economic recovery, while Europe and Japan remained weak, and the economic growth of emerging economies especially China, remarkably slowed down. Without enough impetus from the international trade, the growth of seaborne demand stayed in its low gear. Meanwhile, the capacity accumulation and the trend of employing large-sized vessels intensified the pressure of overcapacity. Consequently, shipping enterprises struggled in the gloomy market.

The international dry bulk shipping market slumped continuously in 2014 and the market performance was far below expectations. The world economic growth lacked in strength with prices of major commodities dropping sharply, thereby the growth of dry bulk seaborne demand decelerated. Since limited increase in demand was difficult to digest the serious oversupply of tonnage, the Baltic Dry Index (BDI) lingered at a low level for most of the year and even experienced a cliff-like decline at the end of the year. The annual average BDI recorded merely 1,105 points, representing a year-on-year decrease of 8.3%. In early 2015, the BDI even plunged to 509 points, representing a new record low over the past 30 years.

For container shipping market, owing to the slow recovery of global economy, especially of developed economies, the import and export rebounded to a certain extent in 2014. The seaborne demand in the international container shipping market slightly improved, while the pressure of overcapacity still exists. For Intra-Asia market, the economic growth in China and other Asian emerging markets slowed down but have still maintained a relatively high level. Many shipping companies within Intra-Asia area collaborated proactively by taking measures such as rotatory laying up vessels to minimize the capacity scale in the market. Generally, the container shipping market of Intra-Asia area managed to remain relatively stable.


NO SMOKING
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In light of such severe market situation, our Group further expanded its business scale and improved its market competitiveness by acquisition of shipping companies from SINOTRANS Group. In the meantime, we adhered to the philosophy of seeking improvements with stable operation and endeavoured to spot opportunities in the volatile market. We took measures such as optimising business deployment, reinforcing cargo canvassing and restructuring fleet to improve our financial performance. In addition, we constantly enhanced our management capability, further strengthening the cost control. With a sound and robust business model, solid financial position and dedication of all our staff, our Group recorded revenue of US$1,206.81 million, profit attributable to owners of the Company of US$1.86 million and earnings per share of US0.05 cents in 2014.

For fleet development, our Group made further achievements in 2014. We acquired two secondhand vessels, and through the acquisition project, 10 more vessels were added to our fleet. Meanwhile, we also took opportunities to scrap 2 aged vessels, optimising the fleet structure. As at 31 December 2014, our Group owned a fleet of 62* vessels with an aggregate capacity of approximately 4.37 million DWT and an average age of approximately 9.9 years. The controlled fleet includes 126* vessels with an aggregate capacity of approximately 8.79 million DWT. In addition, at the beginning of the year our Group ordered the newbuildings of 10 eco dry bulk vessels at attractive prices, which were expected to be delivered successively in 2015. Coupled with the expanded fleet size and optimised fleet structure, our Group's strength in the industry was further consolidated. We will continue to seize favorable market opportunities to optimise the fleet structure and enhance our competitiveness.

Our Group has been dedicated to improving the vessel management standard. In order to comply with ISM Code, ISO 9001 and ISO 14001, continuous efforts are made to improve and standardise the business process. It helps ensure healthy development of our fleet on the way to sustainable development.

* Including 2 dry bulk vessels owned by joint ventures.

DIVIDEND

To reward our shareholders for their continuous support to our Group, and taking into consideration of the healthy financial position of the Company, the Board proposes a final dividend of HK8 cents (equivalent to US1.03 cents) per share in 2014.

OUTLOOK

In 2015, the imbalanced recovery of global economy will continue. Economy of the United States recovers with strong momentum, while Europe and Japan still restore in a sluggish pace. China's economy enters the "new normal" mode of a medium-to-high speed of growth, and the growth of emerging economies is generally slowing down. The aforesaid factors together produce an insecure base for the global economic recovery and limit the growth of international trade as well as seaborne demand. Shipping enterprises will still directly confront a host of challenges such as demand shortage, high costs, tight capital and narrowed profit margins.

Facing the severe international shipping market, our Group will adhere to the operating shipowner business mode. Based on the philosophy of sound and robust operation, we will strive for innovations on the basis of ensuring current business development. At the same time, by means of actively seeking favorable merger and acquisition opportunities as well as quality business, our Group aims to explore and establish a diversified revenue structure, which will enhance our business and benefits as well as bring new breakthroughs for us in adversity. Our Group will also devote to deepening the internal integration so as to further achieve economies of scale and improve our financial performance. In the meantime, we will seize favorable market opportunities to continue the fleet restructuring and strengthen market competitiveness. With the aforesaid measures and by taking advantages of our solid financial position, low-cost structure and modern fleet, our Group believes that we will embrace new opportunities and challenges in a better stance to strive for maximizing shareholders' interest.

ACKNOWLEDGEMENT

Last but not 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. I believe that our Group will continue to maintain a keen market insight and head to a brighter future.

Li Zhen
Chairman
16 March 2015

OUR GROUP IS ONE OF THE LARGEST SHIPPING COMPANIES IN CHINA AND LEADING SHIPPING ENTERPRISES OF THE WORLD. WE OWN, MANAGE AND OPERATE A MODERN FLEET ON A WORLDWIDE SCALE.

BUSINESS REVIEW & OUTLOOK

MARINE TRANSPORTATION BUSINESS

Dry bulk shipping

Dry bulk shipping market remained bleak in 2014 and the market performance was far below expectations. With an increasing economic growth divergence of advanced countries and a slower growth of developing countries, the recovery of global economy was fragile and uneven. As a dominant force in dry bulk demand, China is experiencing a structural reform of economy, which dwindled the demand, brought down the price of major commodities and shrinked the coal imports. For the above factors, the growth of dry bulk seaborne demand further slowed down in 2014. Although the delivery of dry bulk newbuildings decreased, problem of tonnage oversupply was still very challenging due to the existing massive scale of global fleet, therefore the market supply and demand remained imbalanced. In 2014, the Baltic Dry Index (BDI) hovered at a low level for most of the year and even experienced a cliff-like decline at the end of the year. The annual average BDI recorded merely 1,105 points, representing a year-on-year decrease of 8.3%, which made 2014 one of the hardest years since BDI had been created.

In the face of such severe market situation, our Group strived to seek opportunities in the volatile market based on sound and robust operation. In the meantime, our Group gradually transformed to an operating shipowner and continuously optimised our fleet operation through a combination of long-term chartering, short-term chartering and voyage chartering. Besides, we intensified the spot cargo processing and cargo canvassing to increase revenue. In 2014, revenue of our Group from dry bulk shipping was 621.13 million* (2013: US$720.68 million), among which ocean freight income recorded US$420.73 million (2013: US$575.36 million), and charter hire income recorded US$200.40 million (2013: US$145.32 million). The shipping volume was 37.50 million tons during the year (2013: 40.36 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of self-owned dry bulk vessels was US$10,074 (2013: US$9,232), representing a year-on-year increase of 9.1%.

In 2014, in order to further optimise our fleet structure, our Group scrapped 2 aged dry bulk vessels and acquired 2 secondhand dry bulk vessels. In addition, 4 dry bulk vessels were added to our fleet through the acquisition project. As at 31 December 2014, the controlled dry bulk fleet included 98# vessels with an aggregate capacity of approximately 7.82 million DWT. Among which 50# are self-owned dry bulk vessels, including 2 multi-purpose vessels, 10 Handysize dry bulk vessels, 10 Handymax dry bulk vessels, 19 Panamax dry bulk vessels and 9 Capesize dry bulk vessels, with a total aggregate capacity of approximately 3.93 million DWT. Moreover, at the beginning of 2014 our Group ordered the newbuildings of 10 dry bulk vessels at attractive prices, which were expected to be delivered successively in 2015.

In 2014, the total number of operating days of our self-owned dry bulk vessels increased by approximately 10.8% when compared to 2013, which was mainly because our Group took delivery of 6 dry bulk vessels during the year. With fleet growing in scale, our Group guaranteed safety operation of our vessels through strengthening safety management and enhancing ship management capabilities. The fleet utilisation rate remained high at 97.6%.

* Including revenue from external customers derived by joint ventures measured at proportionate consolidated basis.

\# Including 2 dry bulk vessels owned by joint ventures.

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

	2014	2013
Number of vessels at the end of the year	**50**	48
Total number of operating days	**17,417**	15,725
Total number of off-hire days (other than because of repair and maintenance)	**90**	99
Total number of days that vessels are not utilised because of repair and maintenance	**337**	266
Fleet utilisation*	**97.6%**	97.7%

Note:

* Refers to the percentage of the total number of operating days over the total number of days.

Container shipping

Owing to the slow recovery of global economy, especially of developed economies, the trade demand rebounded to a certain extent in 2014. However, the intensive delivery of large-sized container vessels exacerbated the imbalance between supply and demand, which intensified the competition in the international container shipping market. For Intra-Asia market, the economic growth of China and other Asian emerging economies slowed down but still maintained a relatively high level, which led to an increased container shipping volume in the area. Meanwhile many shipping companies within Intra-Asia area collaborated proactively by taking measures such as rotatory laying up vessels to minimize the capacity scale in the market. Generally, the container shipping market in Intra-Asia area managed to remain relatively stable.

After the acquisition of Sinotrans Container Lines, our business has been expanded from containership chartering to a comprehensive mode focusing on container liner service in Intra-Asia area, which advanced our development in container shipping business. In view of the stagnant market, our Group duly adjusted vessel schedule and continuously optimised the shipping routes layout, through which we strived to reduce operating costs and increase revenue. For the year ended 31 December 2014, revenue of our Group from container shipping was US$585.21 million (2013: US$593.14 million), among which income from liner service recorded US$515.21 million (2013: US$530.10 million), income from freight forwarding as well as other related business recorded US$70.00 million (2013: US$63.04 million). The container shipping volume was 898,935 TEU during the year (2013: 967,466 TEU). The average income from single container was US$557 (2013: US$564).

In 2014, through the acquisition project, 6 container vessels were added to our fleet. For the year ended 31 December 2014, the controlled container fleet of our Group included 27 vessels with an aggregate capacity of 34,431 TEU, among which 11 were self-owned container vessels with an aggregate capacity of 9,537 TEU. With our fleet size further expanding, we continuously improved the vessel safety management through several ways. The total number of operating days of our owned container fleet was 3,963 and the utilisation rate reached 98.7%.

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 also provides shipping agency and air freight agency services with a focus on Singapore through our wholly-owned subsidiary Sinotrans Agencies (S) Pte Ltd.

FLEET DEVELOPMENT

In 2014, our Group acquired two Capesize vessels, and through the acquisition project, 10 more vessels including 6 container vessels, 2 dry bulk vessels and 2 multi-purpose vessels were added to our fleet, which further expanded our fleet size. We also scrapped 2 Handysize vessels, which optimised the fleet structure. As at 31 December 2014, our Group owned a fleet of 62* vessels with an aggregate capacity of approximately 4.37 million DWT and an average age of approximately 9.9 years. The controlled fleet included 126* vessels with an aggregate capacity of approximately 8.79 million DWT. In addition, at the beginning of 2014 our Group ordered the newbuildings of 8 Handymax dry bulk vessels and 2 Panamax dry bulk vessels, which were expected to be delivered successively in 2015. Through the replacement of aged vessels with new additions, our fleet structure would be greatly optimised in terms of both ship type and age. The shift to a large-sized, modern and low-carbon operated fleet will enable us to further strengthen our leading position.

* Including 2 dry bulk vessels owned by joint ventures.

Name of Vessel	DWT/TEU[1]	Year Built	Age
Multi-purpose Vessel			
Skyglory [2]	21,679	January 1992	23.0
Skyroyal [2]	21,763	June 1992	22.5
Handysize Dry Bulk Vessel			
Great Friendship	24,021	February 1999	15.8
Great Concord [3]	24,159	March 1999	Sold
Great Harmony [4]	24,159	May 1999	Sold
Great Gain	27,140	November 1998	16.1
Great Success	27,172	October 1998	16.2
Great Motion	27,338	September 1998	16.2
Trans Friendship II [5]	31,744	December 2010	4.1
Great Resource	31,775	May 2010	4.6
Great Reward	31,785	January 2011	4.0
Trans Friendship I [5]	31,809	August 2010	4.4
Great Immensity	32,485	December 1999	15.0
Great Blossom	32,509	September 1999	15.2

Name of Vessel	DWT/TEU[1]	Year Built	Age
Handymax Dry Bulk Vessel			
Great Calm	45,215	August 1996	18.3
Great Happy	45,248	March 1997	17.7
Great Peace	45,259	March 1996	18.7
Great Prestige	46,193	April 1998	16.6
Great Eternity	46,194	February 1998	16.8
Great Scenery	47,760	August 2002	12.3
Great Legend	52,385	August 2006	8.3
Great Praise	52,434	May 2006	8.6
Great Amity	56,050	September 2004	10.2
Da Cheng [2]	57,066	September 2010	4.2
JLZ9130433 [6]	64,000	August 2015 [7]	–
JLZ9130434 [6]	64,000	September 2015 [7]	–
JLZ9130435 [6]	64,000	December 2015 [7]	–
JLZ9130436 [6]	64,000	December 2015 [7]	–
CX0657 [6]	64,000	August 2015 [7]	–
CX0658 [6]	64,000	October 2015 [7]	–
CX0659 [6]	64,000	December 2015 [7]	–
CX0660 [6]	64,000	December 2015 [7]	–
Panamax Dry Bulk Vessel			
Great Luck	71,399	February 1998	16.8
Great Jade	73,192	October 1997	17.2
Great Bright	73,242	December 1997	17.0
Great Bless	73,251	August 1997	17.3
Great Glory	73,274	November 1997	17.1
Great Loyalty	73,659	September 1999	15.2
Great Prosperity	73,679	July 1999	15.4
Great Ambition	73,725	August 1999	15.3
Great Wisdom	74,293	March 2000	14.7
Great Intelligence	74,293	June 2000	14.5
Great Rich	75,523	January 2012	2.9
Great Wealth	75,569	September 2011	3.3
Great Mind	75,624	December 2011	3.1
Great Hope	75,630	February 2012	2.9
Great Talent	76,773	January 2005	9.9
Great Animation	93,203	March 2011	3.7
Great Glen	93,251	October 2009	5.2
Great Cheer	93,297	April 2010	4.7
Great Aspiration	93,412	January 2010	5.0
H2558 [6]	78,000	June 2015 [7]	–
H2559 [6]	78,000	September 2015 [7]	–

Name of Vessel	DWT/TEU[1]	Year Built	Age
Capsize Dry Bulk Vessel			
Cape Sun [2]	175,611	January 2010	5.0
Great Jin	175,868	March 2010	4.8
Great Qin	176,105	March 2010	4.8
Great Yan [8]	179,978	August 2010	4.3
Great Sui [9]	179,978	May 2010	4.6
Great Tang	180,246	January 2011	4.0
Great Zhou	180,334	July 2010	4.4
Great Song	180,387	March 2011	3.8
Great Han	180,443	October 2010	4.2
Oil Tanker – VLCC			
Yangtze Friendship	310,444	March 2008	6.7
Container Vessel			
Yi Yun [2]	404	May 1996	18.6
Yi Sheng [2]	404	August 1996	18.3
Sinotrans Beijing	847	February 2008	6.9
Sinotrans Shenzhen	847	April 2008	6.7
Sinotrans Ningbo	847	May 2008	6.6
Sinotrans Xiamen	847	July 2008	6.4
Sinotrans Shanghai [2]	1,040	July 2013	1.4
Sinotrans Tianjin [2]	1,040	October 2013	1.2
Sinotrans Hong Kong	1,049	May 2006	8.6
Sinotrans Dalian [2]	1,106	August 2013	1.3
Sinotrans Qingdao [2]	1,106	July 2013	1.4

Notes:

(1) Applies only to container vessels.

(2) The vessel was added to our Group through the acquisition project in 2014.

(3) Great Concord was sold on 26 May 2014.

(4) Great Harmony was sold on 10 June 2014.

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

(6) Construction has been commissioned.

(7) Expected date of delivery.

(8) Great Yuan was delivered to our Group on 5 November 2014.

(9) Great Sui was delivered to our Group on 10 November 2014.

EMPLOYEES

As at 31 December 2014, our Group had a total of 761 shore-based employees working in our offices in Hong Kong, Mainland China, Canada, Singapore and other regions. Among them 525 have a bachelor's degree or master's degree and 214 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 to attract, retain and incent talents with the principles of paying for the positions, performance and abilities. We provide our employees with ample and complete welfare benefits in accordance with applicable regulations and our internal policies, which include provident fund and mandatory fund retirement benefits, medical insurance scheme, annual physical examination, personal accident and life insurance scheme. We also arrange travel, entertainment, birthday celebration and other 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

In 2015, the imbalanced recovery of global economy will continue and the foundation of the recovery is precarious. The growth of international trade and shipping demand will be restrained and the shipping market will still confront a host of pressures and challenges.

In the dry bulk shipping market, the demand is still weak as the main emerging economies which is crucial to the market have not got rid of their structural contradictions in economic growth. According to the prediction of an authoritative shipping consultant, the growth of dry bulk shipping capacity will outstrip the growth of demand again in 2015. Meanwhile, the higher sailing speed caused by the dropping oil price will deteriorate the condition of overcapacity. It is predicted that the overall dry bulk shipping market will remain weak and the imbalance between supply and demand will persist in 2015.

For container shipping market, along with the recovery of global economy, the growth of consumption demand in developed economies will be a main driving force for the international container shipping demand, but in general, the situation of overcapacity still exists. Regarding to Intra-Asia market, the trade and cooperation that is getting increasingly close will exert positive effects on the growth of seaborne demand in the area. Though the improved shipping demand may consume a certain amount of shipping capacity, it is unlikely to bring a substantial change to the market overcapacity. Large shipping companies' responses toward the changing supply-demand relationship and their degree of alliance remain crucial factors to the market.

Facing current market situation, our Group will adhere to the operating shipowner business mode. Based on the philosophy of sound and robust operation, we will strive for innovations on the basis of ensuring current business development. At the same time, by means of actively seeking favorable merger and acquisition opportunities as well as quality business, our Group aims to explore and establish a diversified revenue structure, which will enhance our business and benefits as well as bring new breakthroughs for us in adversity. Our Group will also devote to deepening the internal integration so as to further achieve economies of scale and improve our financial performance. In the meantime, we will seize favorable market opportunities to continue the fleet restructuring and strengthen market competitiveness, thereby laying a solid foundation for our Group's sustainable development in the future.

FINANCIAL REVIEW

REVIEW OF HISTORICAL OPERATING RESULTS

Facing such severe market situation, our Group endeavored to lower the cost for a better performance through various means. For the year ended 31 December 2014, our Group recorded profit attributable to owners of the Company of US$1.86 million, maintaining a steady and healthy growth momentum.

Revenues

For the year ended 31 December 2014, revenues of our Group were US$1,206.81 million (2013: US$1,313.03 million).

We set forth below the revenues contribution from each business segment:

	2014 US$'000	2013 US$'000 (Restated)	% Change
Revenues from:			
– Dry bulk shipping[1]	**621,134**	720,681	(13.8%)
– Container shipping	**585,205**	593,138	(1.3%)
– Others	**2,408**	1,155	108.5%
	1,208,747	1,314,974	(8.1%)
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(1,936)**	(1,942)	(0.3%)
Revenues per the consolidated statement of comprehensive income	**1,206,811**	1,313,032	(8.1%)

(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.

Dry bulk shipping

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

In 2014, the international dry bulk shipping market slumped continuously. In light of the extremely sluggish market, our Group continuously optimised our fleet operation through a combination of long-term chartering, short-term chartering and voyage chartering. Meanwhile, our Group distributed capacity scientifically and intensified the spot cargo processing as well as cargo canvassing. For the year ended 31 December 2014, revenue of our group from dry bulk shipping was US$621.13 million (2013: US$720.68 million), among which ocean freight income recorded US$420.73 million (2013: US$575.36 million), and charter hire income recorded US$200.40 million (2013: US$145.32 million). The shipping volume was 37.5 million tons during the year (2013: 40.36 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of self-owned dry bulk vessels was US$10,074 (2013: US$9,232), representing a year-on-year increase of 9.1%.

Container shipping

Revenue from container shipping of our Group primarily consists of income from liner service and income from freight forwarding as well as other related business. The container shipping business of our Group mainly focuses on Intra-Asia area.

The acquisition of Sinotrans Container Lines further enriched our container shipping business. For the year ended 31 December 2014, revenue of our Group from container shipping was US$585.21 million (2013: US$593.14 million), among which income from liner service recorded US$515.21 million, (2013: US$530.10 million), income from freight forwarding as well as other related business recorded US$70.00 million (2013: US$63.04 million). The container shipping volume was 898,935 TEU during the year (2013: 967,466 TEU). The average income from single container was US$557 (2013: US$564).

Cost of operations

The cost of operations decreased to US$1,210.35 million (2013: US$1,308.84 million) for the year ended 31 December 2014. The principal cost of operations included voyage costs, cargo transportation costs, operating lease rentals and vessel costs.

We set forth below the cost of operations by business segment:

	2014 US'000	2013 US'000 (Restated)	% Changes
Dry Bulk Shipping			
Voyage costs	**166,837**	188,216	(11.4%)
Cargo transportation costs	**148,921**	239,588	(37.8%)
Operating lease rentals	**172,960**	151,450	14.2%
Vessel costs	**141,347**	135,697	4.2%
Others	**12,397**	9,793	26.6%
	642,462	724,744	(11.4%)
Container Shipping			
Voyage costs	**115,465**	139,173	(17.0%)
Cargo transportation costs	**355,023**	348,003	2.0%
Operating lease rentals	**75,044**	76,007	(1.3%)
Vessel costs	**21,073**	19,953	5.6%
Others	**132**	432	(69.4%)
	566,737	583,568	(2.9%)
Segment – Others	**1,154**	530	117.7%
Total cost of operations	**1,210,353**	1,308,842	(7.5%)

The operating costs of dry bulk shipping amounted to US$642.46 million (2013: US$724.74 million). Due to the decreased shipping volume, operating costs decreased, of which, the cargo transportation costs, mainly consist of ocean freight expenses, dropped by US$90.67 million, or 37.8%, from US$239.59 million in 2013 to US$148.92 million. The drop of bunker expenses in 2014 also led to the decrease in voyage costs.

The operating costs of container shipping amounted to US$566.74 million (2013: US$583.57 million), of which, the voyage costs, mainly comprised bunkers and port charges, decreased by 17.0% from US$139.17 million in 2013 to US$115.47 million. As a result of the combined effect of the decrease in bunker expenses and shipping volume, the voyage costs decreased.

Selling, administrative and general expenses

The selling, administrative and general expenses mainly comprised staff costs, travelling expenses and office rentals which amounted to US$33.40 million (2013: US$33.85 million).

Other gains, net

The net amount of the other gains amounted to US$9.37 million (2013: US$3.07 million). The increase was mainly attributable to the compensation income recognized for the termination of the finance lease arrangement of a vessel.

Finance income, net

The net amount of finance income was US$15.82 million (2013: US$24.72 million), representing the finance income amounted to US$21.94 million (2013: US$25.10 million) and the finance expenses of US$6.12 million (2013: US$0.38 million). The decrease in finance income was primarily attributable to the fact that certain financial investments had been disposed and matured during 2014 and the drop of bank balances. The increase in finance expenses was mainly due to the financing the capital expenditures of the vessels.

Share of profits of joint ventures

The share of profits of joint ventures, which were solely contributed by dry bulk shipping, was US$0.93 million (2013: US$0.51 million).

Income tax expenses

Income tax expenses for the year ended 31 December 2014 was US$1.91 million (2013: US$2.60 million).

Liquidity and financial resources

Our principal uses of cash have been, for payment for acquisition of vessels, acquisition of subsidiaries, operation costs and working capital for the year ended 31 December 2014. 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.

	2014 **US$'000**	2013 US$'000 (Restated)
Current assets	**1,040,653**	1,235,422
Current liabilities	**255,016**	376,472
Liquidity ratio (Note)	**4.08**	3.28

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 2014 was 4.08 (2013: 3.28).

Borrowing

The present value of finance lease obligation and the bank borrowings were repayable as follows:

	Bank borrowings		Finance lease obligation		Total	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000 (Restated)
Within 1 year	**6,346**	6,346	**1,312**	–	**7,658**	6,346
Between 1 and 2 years	**6,346**	6,346	**1,438**	–	**7,784**	6,346
Between 2 and 5 years	**19,039**	19,039	**5,484**	–	**24,523**	19,039
Over 5 years	**10,518**	16,820	**35,725**	–	**46,243**	16,820
	42,249	48,551	**43,959**	–	**86,208**	48,551
Less: current portion	**(6,346)**	(6,346)	**(1,312)**	–	**(7,658)**	(6,346)
Non-current portion	**35,903**	42,205	**42,647**	–	**78,550**	42,205

Gearing ratio

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

Capital commitments

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

	2014 US$'000	2013 US$'000 (Restated)
Authorised but not contracted for	**4,432**	264,800
Contracted but not provided for	**193,971**	–
	198,403	264,800

Capital expenditures

For the year ended 31 December 2014, total capital expenditures were US$226.95 million (2013: US$186.92 million), which was mainly attributable to the capital expenditures for acquisition of vessels and dry docking during the year.

Foreign exchange risk

The foreign exchange risk of our Group was set out in Note 4(a)(i)(4) to the Consolidated financial statements.

Contingent liabilities

The contingencies of our Group were set out in Note 32 to the Consolidated financial statements.

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 all 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 2014.

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 of our Company.

After specific enquiry made by our Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2014.

BOARD OF DIRECTORS

The Board of our Company 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 spare 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.

REPORT ON CORPORATE GOVERNANCE

As at 31 December 2014, the Board comprised seven Directors, of which two were executive Directors, two were non-executive Directors and three were independent non-executive Directors, whose names were as follows:

Chairman: Mr. Li Zhen;

Executive Directors: Mr. Li Hua (general manager of the Company) and Ms. Feng Guoying;

Non-executive Directors: Mr. Li Zhen and Mr. Tian Zhongshan;

Independent non-executive Directors: 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 articles of association of our Company.

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. Composition of the members of the Executive Committee includes:

Mr. Tian Zhongshan, Mr. Li Hua and Ms. Feng Guoying.

The Board delegates its authority of the management of our Company's daily operation to the Executive Committee. Matters on which the Executive Committee can make decisions are 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 in a timely manner. 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 2014, seven Board meetings were held by the Company. 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 on 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 general meeting in 2014:

	Attendance/No. of meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting/ Extraordinary General Meeting
Executive Directors					
Mr. Li Hua	7/7				2/2
Ms. Feng Guoying	7/7				2/2
Non-executive Directors					
Mr. Li Zhen	7/7		1/1	1/1	2/2
Mr. Tian Zhongshan	7/7				0/2
Independent non-executive Directors					
Mr. Tsang Hing Lun	7/7	2/2	1/1		2/2
Mr. Lee Peter Yip Wah	7/7	2/2		1/1	2/2
Mr. Zhou Qifang	7/7	2/2		1/1	2/2
Mr. Hu Hanxiang (resigned on 5 August 2014)	4/4		1/1	1/1	2/2

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 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

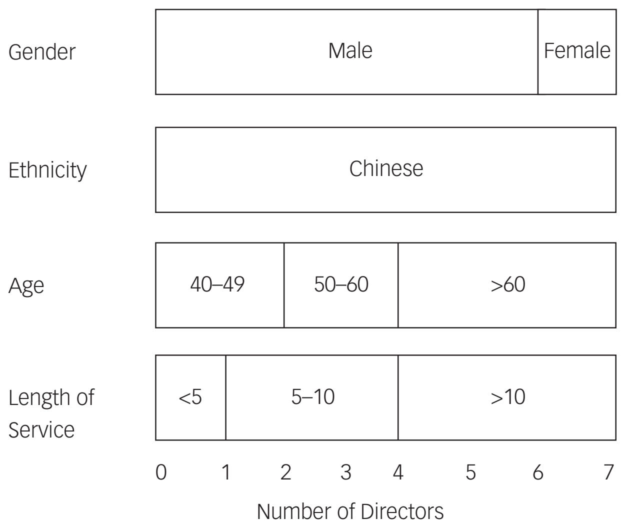
The Company recognises board diversity as the key element for the achievement of its strategic goals and sustainable development. In designing the composition of members of the Board, the Company takes into account a number of factors from various aspects, including but not limited to gender, age, cultural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

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 are summarized as follows:



TRAINING FOR DIRECTORS

On 20 November 2014, under the arrangement of the Company, all Directors had attended a training for directors provided by PricewaterhouseCoopers. The training covers various topics including the corporate governance code and inside information disclosures. 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 2014. Nevertheless, each Director of our Company shall be subject to retirement and re-election in accordance with the Articles of Association.

On 5 August 2014, Mr. Hu Hanxiang resigned as the independent non-executive director, the chairman of the Remuneration Committee and the member of the Nomination Committee while Mr. Zhou Qifang was appointed as the chairman of the Remuneration Committee in place of Mr. Hu Hanxiang.

CHAIRMAN AND GENERAL MANAGER

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 mainly 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 2014, 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 2014. Details of the meetings are mainly as follows:

1. The first meeting was convened on 10 March 2014. 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 2014, as well as the submission of the consolidated financial statements for the year of 2013 to the Board for approval.

2. The second meeting was convened on 4 August 2014. 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 2014 to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing the remuneration policies of our Company, assessing the performance of our Directors and senior management and determining their remuneration packages 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, taking into account the staff's performance, our Company's requirements and with reference to the external benchmarks with an aim of attracting, retaining and motivating the staff needed to run our Company successfully as well as realising the overall enhancement of personal value of our staff, corporate's value and shareholders' value.

On 5 August 2014, Mr. Hu Hanxiang resigned as the independent non-executive director and the chairman of the Remuneration Committee while Mr. Zhou Qifang was appointed as the chairman of the Remuneration Committee in place of Mr. Hu Hanxiang. Its members include Mr. Li Zhen and Mr. Tsang Hing Lun.

The Remuneration Committee held a meeting on 4 August 2014 and resolved to approve the proposed director's fees and remuneration level of our independent non-executive Directors and executive Directors for the term commencing from 23 November 2014 and ending on 22 November 2015 and submit the same to the Board for approval.

For the year ended 31 December 2014, the remuneration of the members of the senior management by band is set out below:

Remuneration band (HK$)	Number of persons
500,001 to 1,000,000	1
1,000,001 to 1,500,000	3
1,500,001 to 2,000,000	1

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 10 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 2014, the Nomination Committee is chaired by Mr. Li Zhen and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang. Mr. Hu Hanxiang resigned as the member of the Nomination Committee on 5 August 2014.

The Nomination Committee held a meeting on 4 August 2014. 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. Zhou Qifang as the Chairman of the Remuneration Committee on 5 August 2014. It resolved to pass the re-appointment of Mr. Tsang Hing Lun, Mr. Lee Peter Yip Wah and Mr. Zhou Qifang as the independent non-executive Directors of the Company for the period of 23 November 2014 to 22 November 2015 for a term of one year and entered into reappointment letters as well as proposed to the Board for consideration.

INTERNAL AUDIT

Our internal audit department is established for the review and assessment of the suitability, compliance and effectiveness of the Company's risk management and internal control systems by 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 2014, 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 by our Company as our auditor for the year ended 31 December 2014.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2014 were as follows:

	US$'000
– Audit and review services	833
– Non-audit services (transaction related services, tax advisory and compliance services)	726

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.

INTERNAL CONTROL

The Board maintains appropriate and effective risk management and internal control systems, monitored by the Audit Committee. 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") to establish risk management and internal control systems, and review its effectiveness and reliability consistently to ensure that the organisational structure is in a clear line of authority, segregation of duties for every department is properly carried out, relevant policies are established.

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 oversees 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 minimize 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 accounting, internal audit and financial reporting functions, the Company 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 relevant mechanism 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 2014. 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 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 Company and the vessels available for chartering from our Group in 2014.

As such, our independent non-executive Directors considered that the Deed of Non-Competition had been complied with throughout the year of 2014.

DIRECTORS RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the consolidated financial statements of our Group in accordance with statutory requirements and applicable accounting standards. The Board also ensures that the consolidated financial statements of our Group are published in a timely manner.

The reporting responsibilities of our Company's external auditor on the consolidated 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 fulltime 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 2014.

SHAREHOLDERS MEETINGS

The annual general meeting and extraordinary general meeting were convened on 16 May 2014 (Friday). The annual general meeting was held to review and approve the audited consolidated financial statements, the report of Directors and the independent auditor's report for the year ended 31 December 2013, to authorise the Board to determine the Directors' remuneration, to consider the re-appointment of auditor and determine its remuneration and to approve the general mandates to buyback shares and to issue shares. "HK Acquisition Agreement ", "SNL 49% Acquisition Agreement", "Panama Acquisition Agreement", "Sinotrans Tianze Acquisition Agreement", "Sinochart Acquisition Agreement", "Supplemental Renewed Master Services Agreement", "Sinochart Master Services Agreement", "SNL Master Services Agreement", "Supplemental Renewed Master Chartering Agreement", "Sinochart Master Chartering Agreement" and "SNL Master Chartering Agreement" were passed on the extraordinary general meeting (For further details please refer to the Circular dispatched Shareholders of the Company dated 22 April 2014). 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(a) the general nature of the business to be dealt with at the meeting; and (b)may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. 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); 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 general 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 on or 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.

According to the Article 108 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The relevant procedures for proposing a Director by the Shareholders have been posted on the website of the Company.

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. In 2014, 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:

Sun Di (孫迪)
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) 28285530
Fax No.: (852) 37535981

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 Australia in January 2002. Mr. Li has over 25 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 24 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 24 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 the Director of our Company 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 23 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. Tsang Hing Lun (曾慶麟), born in April 1949, was appointed as the independent non-executive director of our Company 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 positions in several 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. Mr. Tsang resigned as the independent non-executive director of China Rongsheng Heavy Industries Group Holdings Limited in May 2014. He is currently an independent non-executive director of Sino-Ocean Land Holdings Ltd. and Nexteer Automotive Group 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 the independent non-executive director of our Company 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 39 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 independent non-executive director of our Company in October 2007. Mr. Zhou graduated from Dalian Maritime University in 1965. Mr. Zhou has over 50 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 resigned as the independent director of Shanghai International Port (Group) Co., Ltd. in December 2014.

SENIOR MANAGEMENT

Mr. Xu Qiumin, born in December 1958, was appointed as the deputy general manager of our Company in August 2014. Mr. Xu graduated from Shanghai Maritime University in July 1987 and joined SINOTRANS & CSC Group thereafter. He was granted a master degree of the Shanghai Institute of International Finance in March 2002 with the qualification of senior economist. He has over 28 years of experience in shipping industry. Mr. Xu acted as the deputy manager of administration department and the deputy manager of sea transportation export department of Sinotrans Shanghai Company from July 1987 to March 1991. He was appointed as the general manager of Sino-Am Marine Company Inc. in USA from March 1991 and June 1996. He was the assistant to the general manager and deputy general manager of Sinotrans Shanghai Company from June 1996 to May 1999. He acted as the deputy general manager of Sinotrans Shanghai Group Company from May 1999 to December 2002 and the deputy general manager of Sinotrans Eastern Co., Ltd. from January 2003 to July 2006. He has been the general manager of Sinotrans Container Lines Co., Ltd. since July 2006. Mr. Xu is currently the deputy chairman of Shanghai Shipowners' Association and Lujiazui Shipping Association of Shanghai.

Mr. Geng Chen (耿晨), born in September 1967, was appointed as the deputy general manager of our Company in August 2014. Mr. Geng graduated from University of International Business and Economics in July 1990 and joined SINOTRANS& CSC Group thereafter, and got his Master Degree from Dalian Maritime University in 2015. Mr. Geng has been qualified as an international business operator and has over 22 years of experience in shipping industry. Mr. Geng joined the First Shipping Department belong to SINOTRANS & CSC Group Company in July 1993 and that department was merged with China National Chartering Co. (subsequently renamed as China National Chartering Co., Ltd.) in 1998. Mr. Geng successively took up the position as the deputy manager of the handy-size ship department and the manager of Cape-size Ship Department of China National Chartering Co. Ltd. He acted as the deputy general manager of that company from March 2001 to August 2008 and has been the general manager of that company since August 2008.

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 15 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 44 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 21 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 consolidated audited financial statements of our Group for the year ended 31 December 2014.

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 2014 by business segments is set out in Note 6 to the consolidated financial statements.

SUBSIDIARIES AND JOINT VENTURES

Particulars of the subsidiaries and joint ventures of our Company are set out in Note 35 to the consolidated financial statements.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2014 are set out in the consolidated financial statements of this annual report on page 53.

DIVIDEND

The Board has proposed a final dividend for the year ended 31 December 2014 of HK8 cents (equivalent to US1.03 cents) per share and, if such dividend is approved by the shareholders at the 2015 Annual General Meeting of the Company, it is expected to be paid on or before 12 June 2015 to those shareholders whose names appear on the Company's register of members after the close of business at 4:30 p.m. on 26 May 2015.

In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 26 May 2015.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' eligibility to attend and vote at the 2015 Annual General Meeting, the register of members of the Company will be closed from 13 May 2015 to 19 May 2015 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify to attend and vote at the meeting, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12 May 2015.

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 BORROWINGS

Particulars of bank borrowings of our Group are set out in Note 29 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2014, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for 23.8% and 15.2% of the Group's turnover and purchases, respectively.

The revenue generated from our largest customer accounted for 12.4% of our total revenue, while the purchases from our largest supplier accounted for 6.8% of our total purchases. During the year ended 31 December 2014, none of our Directors or any of their close 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 2014 are set out in Note 34 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.76(1) of the Listing Rules

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

Prior to the Listing Date, members of our Group have been using the SINOTRANS & CSC, SINOTRANS, 中國外運長航, 中外運, and trademarks (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 shares 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 constitute continuing connected transactions for the Company under the Listing Rules.

B. Continuing connected transactions exempted from compliance with independent shareholders' approval under Rule 14A.76(2) of the Listing Rules, but subject to reporting, announcement and annual review requirements

1. 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 entered into the renewed master tenancy agreement (the "Renewed Master Tenancy Agreement"), which is valid for three years, with a term commencing on 1 January 2013 and expiring on 31 December 2015.

Upon the completion of the Acquisition, Skyglory Shipping S.A., Skyroyal Shipping S.A., Yunrong Shipping Company Limited, Yunhua Shipping Company Limited, Yunfu Shipping Company Limited, Yungui Shipping Company Limited, China National Chartering Co., Ltd. ("Sinochart"), Sinotrans Container Lines Co., Ltd. ("Sinotrans Container Lines") and Sinotrans Navigation Ltd. ("Sinotrans Tianze") (collectively "Target Group Companies") will continue to lease certain properties, which will be used as offices and staff quarters in China, and receive such property management services. On 25 March 2014, the Company terminated the Renewed Master Tenancy Agreement and replaced it with the Supplemental Renewed Master Tenancy and Property Management Agreement on same terms to the Renewed Master Tenancy Agreement apart from the inclusion of the new properties and the provision of property management services from members of SINOTRANS & CSC Group to members of the Target Group throughout the respective rental periods in some of the new properties.

For the year ended 31 December 2014, the transaction amount and the annual caps of the above continuing connected transactions were as follows:

A) Provision of tenancy services by SINOTRANS & CSC Group to our Group and the Target Group (collectively as the "Enlarged Group")

		Transaction amount (USD'000)	Annual cap (USD'000)
(a)	21st Floor, Great Eagle Centre, No.23 Harbour Road, Wan Chai, Hong Kong	1,147	1,300
(b)	Rm818, Sinotrans Plaza A, A43 Xizhimen Beidajie Beijing, the PRC	107	262
(c)	12/F – 13/F, Fujian Waiyun Building, No.79 East Lake Road, Fuzhou	18	40
(d)	24/F, Building A, No.1032-1034 Shahe Road, Si Ming District, Xiamen	35	80
(e)	1A/F, 20/F, 21/F, 23/F – 25/F, No.188 Fujian Middle Road, Shanghai	268	659
(f)	A floor of Kai Yuan International Square, which is located at the north axis of Beijing, south district of Olympic Park, middle of north third ring road and north fourth ring road	Nil	Nil

B) Provision of property management services by SINOTRANS & CSC Group to the Enlarged Group

		Transaction amount (USD'000)	Annual cap (USD'000)
(a)	Rm818, Sinotrans Plaza A, A43 Xizhimen Beidajie Beijing, the PRC	31	76
(b)	12/F – 13/F, Fujian Waiyun Building, No.79 East Lake Road, Fuzhou	10	21
(c)	1A/F, 20/F, 21/F, 23/F – 25/F, No.188 Fujian Middle Road, Shanghai	72	237
(d)	A floor of Kai Yuan International Square, which is located at the north axis of Beijing, south district of Olympic Park, middle of north third ring road and north fourth ring road	Nil	Nil

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued shares 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 constitute continuing connected transactions for the Company under the Listing Rules.

2. **Provision of Financial Services by Sinotrans & CSC Finance Co., Ltd. (中外運長航財務有限公司) (the "Finance Company") to the subsidiaries and joint ventures of the Company**

Financial Services Framework Agreement

The Company entered into the Financial Services Framework Agreement with SINOTRANS & CSC Group Company on 25 March 2014, which is in respect of the provision of certain financial services by the Finance Company to the subsidiaries and joint ventures of the Company in accordance with the local rules and regulations. The Financial Services Framework Agreement is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

According to the Financial Services Framework Agreement, the SINOTRANS & CSC Group Company agreed that the Finance Company shall provide a series of financial services to the subsidiaries and joint ventures of the Company on terms not less favorable than the benchmark rates set by the Peoples' Bank of China (if applicable) as well as those available from independent commercial banks in the PRC, and the provision of financial services by the Finance Company to the subsidiaries and joint ventures of the Company shall be also within the caps agreed under the Financial Services Framework Agreement, including: (1) the credit facility services; (2) the deposit services; and (3) other financial services (including but not limited to settlement services, notes services, foreign exchange services and other financial services within its business scope).

For the year ended 31 December 2014, the transaction amount and the annual caps of the above continuing connected transaction were as follows:

	Transaction amount (RMB'000)	Annual caps (RMB'000)
Maximum daily outstanding balance of deposits placed by the subsidiaries and joint ventures of the Company (including accrued interests and handling charges)	347,070	350,000

As SINOTRANS & CSC Group Company holds 55% equity interest of the Finance Company , the Finance Company is a connected person of the Company for the purpose of the Listing Rules. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company.

C. Non-exempted continuing connected transactions which are subject to independent shareholders' approval, reporting, announcement and annual review requirements

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

Renewed Master Services Agreement

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 (the "Renewed Master Services Agreement") 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 was 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 included:

(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 included:

(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 has provided certain services to SINOTRANS & CSC Group and received the same type of services from SINOTRANS & CSC Group at the same time because our Group and SINOTRANS & CSC Group intended to improve their competitiveness with their geographical advantages, creating a mutual benefit for both parties.

Supplemental Parent Master Services Agreement

On 25 March 2014, the Company terminated the Renewed Master Services Agreement and replaced it with the Supplemental Parent Master Services Agreement which was entered into between the Company and the SINOTRANS & CSC Group Company. The purpose of entering into the Supplemental Parent Master Services Agreement is to facilitate the cooperation between SINOTRANS & CSC Group and the Enlarged Group and better utilize their internal resources to increase competitiveness, which is mutually beneficial to each other.

The Supplemental Parent Master Services Agreement is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016. The general services provided by the Enlarged Group to SINOTRANS & CSC Group under the Supplemental Parent Master Services Agreement include (a) ship management services; (b) commercial management services; (c) consultancy services; (d) shipping broker services; (e) corporate administrative services; (f) shipping agency services; and (g) freight forwarding services; and the general services provided by SINOTRANS & CSC Group to the Enlarged Group under the Supplemental Parent Master Services Agreement include(a) vessel management services; (b) commercial management services; (c) consultancy services; (d) shipping broker services; (e) shipping agency services; (f) maintenance and repairing services; (g) supervisory services regarding construction of vessels; (h) crew agency services (including crew management services); (i) insurance broker services; (j) refuelling services; (k) vessels inspection services; (l) freight forwarding services; (m) containers chartering services; and (n) container depot services.

For the year ended 31 December 2014, the transaction amount and the annual caps of the above continuing connected transaction were as follows:

A) *Provision of general services by the Enlarged Group to SINOTRANS & CSC Group*

		Transaction amount (USD'000)	**Annual caps** (USD'000)
(a)	ship management services	520	2,400
(b)	commercial management services	–	200
(c)	consultancy services	–	100
(d)	shipping broker services	–	200
(e)	corporate administrative services	1	10
(f)	shipping agency services	4	215
(g)	freight forwarding services	429	4,175

B) *Receipt of general services by the Enlarged Group from SINOTRANS & CSC Group*

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	vessel management services	–	240
(b)	commercial management services	–	1,176
(c)	consultancy services	–	100
(d)	shipping broker services	621	1,495
(e)	shipping agency services	205,136	559,097
(f)	maintenance and repairing services	–	9,000
(g)	supervisory services regarding construction of vessels	500	3,200
(h)	crew agency services (including crew management services)	12,453	68,586
(i)	insurance broker services	–	2,680
(j)	refuelling services	–	28,000
(k)	vessels inspection services	–	21
(l)	freight forwarding services	19,261	47,275
(m)	containers chartering	6,068	14,680
(n)	container depot	186	273

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued shares 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 constitute continuing connected transactions for the Company under the Listing Rules.

2. Provision and receipt of general services by the Group and the Target Group(excluding Sinochart and Sinotrans Container Lines and their subsidiaries) (collectively "Combined Group") to/from Sinochart

Sinochart Master Services Agreement

On 25 March 2014, the Company entered into the Sinochart Master Services Agreement with Sinochart, which is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

Members of the Combined Group provide general services to Sinochart including (a) vessel management services; (b) commercial management services; (c) consultancy services; (d) shipping broker services; and continue to provide (e) shipping agency services. Sinochart will provide the general services to members of the Combined Group including (a) commercial management services; (b) consultancy services; and (c) shipping broker services.

The purpose of entering into the Sinochart Master Services Agreement between members of the Combined Group and Sinochart is to leverage their internal resources and services arrangement to increase the competitiveness.

For the year ended 31 December 2014, the transaction amount and the annual caps of the above continuing connected transaction were as follows:

A) *Provision of general services by the Combined Group to Sinochart*

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	vessel management services	55	720
(b)	commercial management services	–	250
(c)	consultancy services	–	100
(d)	shipping broker services	–	250
(e)	shipping agency services	40	432

B) *Receipt of general services by the Combined Group from Sinochart*

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	commercial management services	–	250
(b)	consultancy services	–	100
(c)	shipping broker services	–	250

In view of the fact that Marine Peace Shipping Limited, an indirect wholly-owned subsidiary of the Company is entitled to the appointment and removal right for a majority of the board of directors of Sinochart, Sinochart is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinochart. Therefore, Sinochart is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the Sinochart Master Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3. **Provision and receipt of general services by the Combined Group to/from Sinotrans Container Lines**

SNL Master Services Agreement

On 25 March 2014, the Company entered into the SNL Master Services Agreement with Sinotrans Container Lines, which is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016.

Members of the Combined Group provide general services to Sinotrans Container Lines including (a) vessel management services; (b) commercial management services; (c) consultancy services; (d) shipping broker services; and continue to provide (e) shipping agency services. Sinotrans Container Lines will provide general services including (a) commercial management services; (b) consultancy services; and (c) shipping broker services to members of the Combined Group.

The purpose of entering into the SNL Master Services Agreement between members of the Combined Group and Sinotrans Container Lines is to leverage their internal resources and services arrangement to increase the competitiveness.

For the year ended 31 December 2014, the transaction amounts and the annual caps of the above continuing connected transactions were as follows:

A) Provision of general services by the Combined Group to the Sinotrans Container Lines

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	vessel management services	–	480
(b)	commercial management services	–	250
(c)	consultancy services	–	100
(d)	shipping broker services	–	250
(e)	shipping agency services	15	214

B) Receipt of general services by the Combined Group from Sinotrans Container Lines

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	commercial management services	–	250
(b)	consultancy services	–	100
(c)	shipping broker services	–	250

In view of the fact that Marine Harvest Shipping Limited, an indirect wholly-owned subsidiary of the Company, is entitled to the appointment and removal right for a majority of the board of directors of Sinotrans Container Lines, Sinotrans Container Lines is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinotrans Container Lines. Therefore, Sinotrans Container Lines is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the SNL Master Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

Renewed Master Chartering Agreement

According to the renewed master chartering agreement (the "Renewed Master Chartering Agreement") which is valid for a term of 3 years from 1 January 2013 to 31 December 2015, members of the Group shall lease dry bulk vessels and container vessels of our Group to members of SINOTRANS & CSC Group. According to the Renewed Master Chartering Agreement, (i) SINOTRANS & CSC Group charters vessels from our Group to provide shipping services or to underlease the vessels to other shipping companies for cargo shipping, and (ii) our Group charters vessels from SINOTRANS & CSC Group in order to provide independent third parties with dry bulk vessels shipping services.

Supplemental Parent Master Chartering Agreement

On 25 March 2014, the Board terminated the Renewed Master Chartering Agreement and replaced it with the Supplemental Parent Master Chartering Agreement entered into between the Company and the SINOTRANS & CSC Group Company. The Supplemental Parent Master Chartering Agreement is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016, and of similar terms to the Renewed Master Chartering Agreement apart from the revision of annual caps.

For the year ended 31 December 2014, the transaction amount and the annual caps of the above continuing connected transaction were as follows:

A) Chartering of vessels by the Enlarged Group to SINOTRANS & CSC Group

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	Charter Hire and C/V/E Fee	18,898	22,679
(b)	Address Commission	62	850

B) Chartering of vessels by SINOTRANS & CSC Group to the Enlarged Group

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	Charter Hire and C/V/E Fee	6,433	16,000
(b)	Address Commission	–	600

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.10% of all the issued shares 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 constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

5. Chartering of vessels by the Combined Group to Sinochart

Sinochart Master Chartering Agreement

On 25 March 2014, the Company entered into the Sinochart Master Chartering Agreement with Sinochart, which is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016. The purpose of entering into the Sinochart Master Chartering Agreement is to offer chartering services provided by members of the Combined Group to Sinochart and to maintain a steady flow of income into the Combined Group.

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	Charter Hire and C/V/E Fee	19,624	25,842
(b)	Address Commission	731	969

In view of the fact that Marine Peace Shipping Limited, an indirect wholly-owned subsidiary of the Company, is entitled to the appointment and removal right for a majority of the board of directors of Sinochart, Sinochart is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinochart. Therefore, Sinochart is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the Sinochart Master Chartering Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

6. Chartering of vessels by the Combined Group to Sinotrans Container Lines

SNL Master Chartering Agreement

On 25 March 2014, the Company entered into the SNL Master Chartering Agreement with Sinotrans Container Lines, which is valid for a term of three years commencing from 1 January 2014 and expiring on 31 December 2016. The purpose of entering into the SNL Master Chartering Agreement is to offer chartering services provided by members of the Combined Group to Sinotrans Container Lines and to maintain a steady flow of income into the Combined Group.

		Transaction amount (USD'000)	Annual caps (USD'000)
(a)	Charter Hire and C/V/E Fee	3,781	31,911
(b)	Address Commission	–	1,197

In view of the fact that Marine Harvest Shipping Limited, an indirect wholly-owned subsidiary of the Company, is entitled to the appointment and removal right for a majority of the board of directors of Sinotrans Container Lines, Sinotrans Container Lines is a non-wholly-owned subsidiary of the Company. SINOTRANS & CSC Group Company is a joint venture party to and holds 51% equity interest of Sinotrans Container Lines. Therefore, Sinotrans Container Lines is deemed to be a connected person of the Company for the purpose of Rule 14A.16(1) of the Listing Rules. The transactions contemplated under the SNL Master Chartering Agreement constitute continuing connected transactions for the Company under Chapter 14A of 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 agreements and are fair and reasonable and in the interests of the Company and our shareholders as a whole.

For the purpose of Rule 14A.56 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.76(1) of the Listing Rules) as identified by the management for the year ended 31 December 2014 (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 of the Company;

(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 previously.

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 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2014 amounted to approximately US$90.29 million.

SHARE CAPITAL

Details of movements in the share capital of our Company are set out in Note 25 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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 2014, 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 2014, 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 2014.

Consolidated statement of comprehensive income

	Year ended 31 December				
RESULTS	2014 US'000	2013 US'000 (Restated)	2012 US'000	2011 US'000	2010 US'000
Revenues	**1,206,811**	1,313,032	222,178	281,435	278,496
Cost of operations	**(1,210,353)**	(1,308,842)	(209,712)	(198,678)	(163,544)
Gross (loss)/profit	**(3,542)**	4,190	12,466	82,757	114,952
Selling, administrative and general expenses	**(33,397)**	(33,846)	(19,095)	(17,808)	(15,655)
Other gains/(losses), net	**9,371**	3,073	(883)	6,655	17,068
Operating (loss)/profit	**(27,568)**	(26,583)	(7,512)	71,604	116,365
Finance income, net	**15,816**	24,716	27,745	18,627	13,411
Share of profits/(losses) of joint ventures	**926**	510	900	2,147	(1,481)
(Loss)/profit before income tax	**(10,826)**	(1,357)	21,133	92,378	128,295
Income tax expenses	**(1,912)**	(2,603)	(1,012)	(654)	(754)
(Loss)/ profit for the year	**(12,738)**	(3,960)	20,121	91,724	127,541
(Loss)/profit attributable to:					
– Owners of the Company	**1,862**	(638)	20,121	91,724	127,541
– Non-controlling interests	**(14,600)**	(3,322)	–	–	–
	(12,738)	(3,960)	20,121	91,724	127,541
Earnings/(loss) per share					
– Basic and diluted	**US0.05 cents**	(US0.02 cents)	US0.50 cents	US2.30 cents	US3.19 cents
Dividends	**40,945**	–	5,118	30,717	40,986

Consolidated Balance Sheet

	As at 31 December				
	2014 US$'000	2013 US$'000 (Restated)	2012 US$'000	2011 US$'000	2010 US$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**2,524,144**	2,624,066	2,213,736	2,216,030	2,163,486
TOTAL LIABILITIES	**(333,871)**	(439,113)	(37,862)	(39,823)	(37,943)
NON-CONTROLLING INTERESTS	**(38,726)**	825	–	–	–
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**2,151,547**	2,185,778	2,175,874	2,176,207	2,125,543

Notes:

(a) The financial figures for the year ended 2014 and 2013 were extracted from the consolidated financial statements.

(b) The financial figures for the year 2012 to 2010 were extracted from the 2013 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2012 to 2010.

DIRECTORS

As at 31 December 2014, 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. Tsang Hing Lun
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang
Mr. Hu Hanxiang (Resigned on 5 August 2014)

Mr. Li Hua, Ms. Feng Guoying and Mr. Tian Zhongshan will retire at the forthcoming AGM in compliance with 104(A) of the Articles of Association and, being eligible, will offer themselves for reelection.

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 30 to 32 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 2014. For the twelve months ended November 2014, each of the independent non-executive Directors received an annual fee of HK$135,000.00. For the twelve months ended November 2015, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000.00.

No Director proposed for re-election at the forthcoming AGM 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 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2014, 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 2014 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 2014, 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 2014, 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

Pursuant to the Share Option Scheme, no option may be granted more than 7 years after the date of approval of the Share Option Scheme, and the Company has not granted any option since the date of approval of the Share Option Scheme. Accordingly, as at the date of this report, no share was available for issue under the Share Option Scheme.

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 2014.

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 codes 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 2014.

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 2014, 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 2014, including the accounting principles and policies adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2014, 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 consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for reappointment.

By Order of the Board

Li Zhen
Chairman

Hong Kong, 16 March 2015

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 53 to 128, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 80 of Schedule 11 to 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 2014, and of the Group's loss 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, 16 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
Revenues	6	**1,206,811**	1,313,032
Cost of operations	7	**(1,210,353)**	(1,308,842)
Gross (loss)/profit		**(3,542)**	4,190
Selling, administrative and general expenses	7	**(33,397)**	(33,846)
Other gains, net	8	**9,371**	3,073
Operating loss		**(27,568)**	(26,583)
Finance income, net	11	**15,816**	24,716
Share of profits of joint ventures		**926**	510
Loss before income tax		**(10,826)**	(1,357)
Income tax expense	12	**(1,912)**	(2,603)
Loss for the year		**(12,738)**	(3,960)
Profit/(loss) attributable to:			
– Owners of the Company		**1,862**	(638)
– Non-controlling interests		**(14,600)**	(3,322)
		(12,738)	(3,960)
Other comprehensive (loss)/income for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(122)**	935
Total comprehensive loss for the year		**(12,860)**	(3,025)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**1,650**	61
– Non-controlling interests		**(14,510)**	(3,086)
		(12,860)	(3,025)
Earnings/(loss) per share			
– Basic and diluted	13	**US 0.05 cents**	(US 0.02 cents)
Dividend	15	**40,945**	–

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,340,431**	1,196,442
Intangible asset	18	**658**	–
Investments in joint ventures	19	**22,886**	21,960
Loans to joint ventures	19	**6,667**	9,000
Loans to related companies	20	**30,256**	–
Bank deposit	21	**70,473**	–
Finance lease receivable from a fellow subsidiary	22	**–**	85,283
Held-to-maturity investment	23	**–**	46,217
Available-for-sale financial assets	24	**4,108**	20,642
Deferred income tax assets	30	**8,012**	9,100
		1,483,491	1,388,644
Current assets			
Inventories		**30,953**	25,719
Loans to joint ventures	19	**1,333**	1,500
Trade and other receivables	20	**271,514**	229,932
Finance lease receivable from a fellow subsidiary	22	**–**	6,475
Available-for-sale financial assets	24	**–**	16,506
Cash and bank balances	21		
– Cash and cash equivalents		**201,618**	264,989
– Short-term bank deposits		**433,316**	690,185
– Restricted cash		**40,114**	116
		978,848	1,235,422
Asset classified as held-for-sale	22(a)	**61,805**	–
		1,040,653	1,235,422
Total assets		**2,524,144**	2,624,066

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
EQUITY			
Capital and reserves			
Share capital*	25	**1,878,209**	1,878,209
Other reserve	26	**273,338**	307,569
		2,151,547	2,185,778
Non-controlling interests		**38,726**	(825)
Total equity		**2,190,273**	2,184,953
LIABILITIES			
Non-current liabilities			
Trade and other payables	27	**–**	20,436
Provision for other liabilities	28	**305**	–
Borrowings	29	**78,550**	42,205
		78,855	62,641
Current liabilities			
Trade and other payables	27	**237,164**	365,941
Provision for other liabilities	28	**9,179**	3,524
Taxation payable		**1,015**	661
Borrowings	29	**7,658**	6,346
		255,016	376,472
Total liabilities		**333,871**	439,113
Total equity and liabilities		**2,524,144**	2,624,066
Net current assets		**785,637**	858,950
Total assets less current liabilities		**2,269,128**	2,247,594

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

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Li Zhen *Director*

Li Hua *Director*

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2014

	Note	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Subsidiaries	16	**16,537**	–
Amounts due from subsidiaries	16	**1,278,632**	-
Property, plant and equipment	17	**1,820**	388
Intangible asset	18	**658**	–
Loans to related companies	20	**30,256**	–
Bank deposits	21	**70,473**	–
Held-to-maturity investment	23	**–**	46,217
Available-for-sale financial assets	24	**–**	16,516
		1,398,376	63,121
Current assets			
Trade and other receivables	20	**92,265**	1,122,502
Cash and bank balances	21		
– Cash and cash equivalents		**103,739**	149,858
– Short-term bank deposits		**357,957**	642,488
– Restricted cash		**40,000**	–
		593,961	1,914,848
Total assets		**1,992,337**	1,977,969

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Note	**2014 US$'000**	2013 US$'000
EQUITY			
Capital and reserves			
Share capital*	25	**1,878,209**	1,878,209
Other reserves	26	**90,290**	76,532
Total equity		**1,968,499**	1,954,741
LIABILITIES			
Current liabilities			
Trade and other payables	27	**23,828**	23,189
Taxation payable		**10**	39
		23,838	23,228
Total equity and liabilities		**1,992,337**	1,977,969
Net current assets		**570,123**	1,891,620
Total assets less current liabilities		**1,968,499**	1,954,741

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

Li Zhen
Director

Li Hua
Director

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Statutory reserve US$'000	Capital redemption reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2013, as previously reported	51,239	1,826,869	(450,507)	–	101	413	747,759	2,175,874	–	2,175,874
Adoption of merger accounting (note 26(a))	–	–	88,406	7,158	–	10,509	(91,095)	14,978	2,261	17,239
At 1 January 2013, as restated	51,239	1,826,869	(362,101)	7,158	101	10,922	656,664	2,190,852	2,261	2,193,113
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(638)	(638)	(3,322)	(3,960)
Other comprehensive income										
Currency translation differences	–	–	–	–	–	699	–	699	236	935
Total comprehensive (loss)/income	–	–	–	–	–	699	(638)	61	(3,086)	(3,025)
Transactions with owners										
2012 final dividend paid	–	–	–	–	–	–	(5,135)	(5,135)	–	(5,135)
Transfer	–	–	–	(4,163)	–	–	4,163	–	–	–
Distribution (note 26(c))	–	–	–	–	–	–	(1,791)	(1,791)	(1,868)	(3,659)
Contribution from SINOTRANS group (note 26(b))	–	–	1,791	–	–	–	–	1,791	1,868	3,659
Total transactions with owners	–	–	1,791	(4,163)	–	–	(2,763)	(5,135)	–	(5,135)
At 31 December 2013, as restated	51,239	1,826,869	(360,310)	2,995	101	11,621	653,263	2,185,778	(825)	2,184,953

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Statutory reserve US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2014, as previously reported	51,239	1,826,869	(450,507)	–	101	–	302	746,941	2,174,945	–	2,174,945
Adoption of merger accounting (note 26(a))	–	–	90,197	2,995	–	–	11,319	(93,678)	10,833	(825)	10,008
At 1 January 2014, as restated	51,239	1,826,869	(360,310)	2,995	101	–	11,621	653,263	2,185,778	(825)	2,184,953
Comprehensive profit/(loss)											
Profit/(loss) for the year	–	–	–	–	–	–	–	1,862	1,862	(14,600)	(12,738)
Other comprehensive (loss)/profit											
Currency translation differences	–	–	–	–	–	–	(212)	–	(212)	90	(122)
Total comprehensive (loss)/income	–	–	–	–	–	–	(212)	1,862	1,650	(14,510)	(12,860)
Transactions with owners											
Transition to no par value regime on 3 March 2014 (Note 25(c))	1,826,970	(1,826,869)	–	–	(101)	–	–	–	–	–	–
Debt waived by SINOTRANS group (note 26(a))	–	–	–	–	–	51,941	–	–	51,941	54,061	106,002
Distribution (note 26(c))	–	–	(87,822)	–	–	–	–	–	(87,822)	–	(87,822)
Total transactions with owners	1,826,970	(1,826,869)	(87,822)	–	(101)	51,941	–	–	(35,881)	54,061	18,180
At 31 December 2014	1,878,209	–	(448,132)	2,995	–	51,941	11,409	655,125	2,151,547	38,726	2,190,273

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	31	**33,106**	11,362
Interest received		**23,576**	24,967
Income tax refund/(paid)		**226**	(2,446)
Net cash generated from operating activities		**56,908**	33,883
Cash flows from investing activities			
Purchases of property, plant and equipment		**(182,143)**	(152,810)
Proceeds from disposals of property, plant and equipment		**4,250**	10,274
Repayment of loans to joint ventures		**2,500**	1,500
Receipt of finance lease receivable		**3,984**	1,536
Loan to a fellow subsidiary		**(10,000)**	–
Loans to related companies		**(32,237)**	–
Proceeds from disposals of held-to-maturity investment and available-for-sales financial assets		**79,238**	19,807
Interest income from an available-for-sales financial asset		**2,367**	1,088
Interest income from held-to-maturity investment		**796**	1,499
Purchase of available-for-sales financial asset		**–**	(52,389)
Decrease in bank deposits		**186,396**	151,592
Increase in restricted cash		**(39,998)**	–
Cash paid for the SINOTRANS Acquisition		**(135,615)**	–
Dividend income		**–**	372
Net cash used in investing activities		**(120,462)**	(17,531)
Cash flows from financing activities			
Dividend paid		**–**	(5,135)
Interest expenses		**(5,604)**	(275)
Repayment of amount due from a fellow subsidiary		**13,205**	–
(Repayment)/drawdown of bank borrowings		**(6,346)**	56,728
Payment of finance lease obligation		**(820)**	–
Net cash generated from financing activities		**435**	51,318
Net (decrease)/increase in cash and cash equivalents		**(63,119)**	67,670
Cash and cash equivalents at beginning of year		**264,989**	194,686
Effect of foreign exchange rate changes		**(252)**	2,633
Cash and cash equivalents at end of year		**201,618**	264,989

The notes on pages 61 to 128 are an integral part of these consolidated financial statements.

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") since 23 November 2007. The Company and its subsidiaries (collectively the "Group") principally engages in dry bulk shipping business, container shipping business, shipping agency, ship management and oil tanker bareboat chartering under finance lease.

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

During the year, the Group acquired from SINOTRANS & CSC Holdings Co., Ltd. and its subsidiaries (collectively "SINOTRANS group") 49% equity interests in China National Chatering Co., Ltd. ("Sinochart") and Sinotrans Container Lines Co., Ltd. ("Sinotrans Container Lines"), 100% equity interests in Sinotrans Navigation Ltd. ("Sinotrans Tianze"), Skyglory Shipping S.A. ("Skyglory") and Skyroyal Shipping S.A ("Skyroyal"), Yunfu Shipping Company Limited ("Yunfu shipping"), Yungui Shipping Company Limited ("Yungui Shipping"), Yunhua Shipping Company Limited ("Yunhua Shipping") and Yunrong Shipping Company Limited ("Yunrong Shipping") (collectively "SINOTRANS Acquisition"). Despite the fact that the Group does not hold more than half of the equity interests in Sinochart and Sinotrans Container Lines, the directors of the Company believe that the Group is able to exercise control over these companies through its right of appointment of the representatives on their board of directors. Principal activities of these subsidiaries are set out in note 35(i).

The ultimate holding company of Sinochart, Sinotrans Container Lines, Sinotrans Tianze, Skyglory, Skyroyal, Yunfu shipping, Yungui Shipping, Yunhua Shipping and Yunrong Shipping ("collectively referred to as "Acquired Subsidiaries") is SINOTRANS & CSC Holdings Co., Ltd and the aforesaid SINOTRANS Acquisition is regarded as business combination under common control (note 3(a)(i)). Details of the above transactions and the relevant statement of adjustments for the common control combinations on the Group's financial position as at 31 December 2014 and 2013 and the Group's results for the years then ended are set out in note 26.

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Subsidiaries during the year, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly.

These consolidated financial statements were approved for issue by the Board of Directors on 16 March 2015.

2 BASIS OF PREPARATION

(i) The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include Hong Kong Accounting Standards ("HKAS") and Interpretations) and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These consolidated financial statements have been prepared under the historical cost convention, except for the available-for-sale financial assets which are measured at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 the consolidated financial statements are disclosed in note 5.

(ii) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards and interpretation to standard issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 36	Impairment of assets – Recoverable Amount Disclosures for Non – Financial Assets
Amendment to HKAS 39	Financial Instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC) 21	Levies
HKFRS Amendments	Annual Improvements to HKFRS 2010-2012 Cycle

The adoption of the above new and amended standards and interpretation to standard 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 which are not yet effective

The HKICPA has issued the following new and amended standards which are not yet effective in 2014 but relevant to the Group and have not been early adopted:

Amendments to HKAS 1[2]	Presentation of Financial Statements: Disclosure Initiative
Amendments to HKAS 19 (2011)[1]	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 27 (2011)[2]	Separate Financial Statements: Equity Method
Amendments to HKFRS 10 and HKAS 28[2]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12, and HKAS 28[2]	Investment entities: Applying the Consolidation Exception
HKFRS Amendments[1]	Annual improvement to HKFRSs 2010–2012 Cycle
HKFRS Amendments[1]	Annual improvement to HKFRSs 2011–2013 Cycle
HKFRS Amendments[3]	Annual improvement to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 11[2]	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 38[2]	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 15[4]	Revenue of Contracts from Customers
HKFRS 9 (2014)[5]	Financial Instruments

[1] Effective for annual periods beginning 1 July 2014
[2] Effective for annual periods beginning 1 January 2016
[3] Effective for annual periods beginning 1 July 2016
[4] Effective for annual periods beginning 1 January 2017
[5] Effective for annual periods beginning 1 January 2018

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) 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(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) Subsidiaries (Continued)

(ii) Acquisition method of 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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; any gains or losses arising from such re-measurement are recognised in 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 interests in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired 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.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

(iii) Changes in ownership interests in subsidiaries without change of control

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.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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) Separate financial statements

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 3(k)(i)). Cost includes direct attributable costs of investment. 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. 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.

(d) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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 the Group's 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 or valuation where items are re-measured. 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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss the within "finance income or expenses". All other foreign exchange gains and losses are presented in the profit or loss within "other gains – net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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)

(f) Property, plant and equipment

(i) Vessels 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 accumulated impairment losses. Freehold land is stated at cost less accumulated 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 equipment 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(k)(i)).

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.

(g) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquired and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) 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.

(2) 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) 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.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified available-for-sale financial asset are recognised in other comprehensive income.

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

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established. Held-to-maturity investments are carried at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) 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.

(j) 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(k)(ii)).

(k) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment (Continued)

(ii) Impairment of financial assets carried at amortised cost

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

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

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

(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, if any such evidence exists 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. 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 the profit or loss.

For equity investments, 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 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 the profit or loss on equity instruments are not reversed through the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(m) Trade payables

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

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Current and deferred income tax (Continued)

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. 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 liabilities are provided on taxable temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability 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 are recognised on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Retirement benefits obligations

The Group participates in various retirement schemes which are defined contribution in nature and are available to qualified employees. Monthly contribution made by the Group is calculated based on certain percentages of the applicable payroll costs. The Group’s contributions to these schemes are expensed as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

(t) Revenue and income recognition

Revenue and income are measured at 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, stated in net of discounts returns and value added taxes. Revenue is shown after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

The Group recognises revenue and income 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 container shipping

Freight revenues from operations of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and income recognition (Continued)

(iii) Revenue from shipping related businesses

Revenue from provision of ship management and shipping agency services is recognised when the services are rendered.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) 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.

(u) Leases

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

(i) Where the Group is the lessee (operating leases)

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the 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 lessee (finance leases)

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(iv) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

(w) Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for deferred income tax assets and financial assets (other than investments in subsidiaries and associates), are stated at the lower of carrying amount and fair value less costs to sell.

(x) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(y) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to market risks (including market freight rate risk, bunker price risk, interest rate risk and foreign exchange risk), credit risk and liquidity 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 risks

(1) Market freight rate risk

The Group is exposed to market freight rate risk arising from its charter hire transactions and container shipping business. To manage the market freight rate risk from charter hire transactions, the Group seek to diversify its type of chartering through the use of different forms and length of charter hire arrangements. To manage the market freight rate risk from container shipping business, the Group seek to diversify its source of revenues through operating different routes within the Asia Pacific region.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risks (Continued)

(2) Bunker price risk

The Group is also exposed to bunker price risk for its shipping businesses. Any increase in bunker price may only be partially compensated through freight surcharge bunker price adjustment. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

As at 31 December 2014, the Group had no bunker forward contracts outstanding.

(3) 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 while significant interest bearing liabilities represent borrowings. Interest bearing assets and interest bearing liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2014, with all other variables held constant, the impact on the profit or loss of a 100 basis-point shift in interest rate would be an increase or decrease of US$2,304,000 (2013 restated: US$2,420,000).

(4) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The foreign exchange risk is faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items"). The Group currently does not have regular and established hedging policy in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policy to control the risks, when need arises.

As at 31 December 2014, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax loss for the year would have decreased/increased by approximately US$7,803,000 as a result of the translation of those Non-Functional Currency Items.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The extent of credit exposure of the Group is the 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 assets.

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 twenty 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 the lessors of vessels and customers to ensure payments in advance for charterhire expenses to the lessors and 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 and a fellow subsidiary which is a stated-owned financial institution. 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.

(iii) 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 2014, the Group has cash and bank balances of US$745,521,000 (2013 restated: US$955,290,000) that are expected to readily generate cash inflows for managing liquidity risk.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The tables below analyse the Group's and the Company's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amounts at 31 December US$'000
At 31 December 2014					
Group					
Borrowings (exclude finance lease obligations)	**7,558**	**28,292**	**10,812**	**46,662**	**42,249**
Finance lease obligations	**6,643**	**26,590**	**57,317**	**90,550**	**43,959**
Trade and other payables	**237,164**	**–**	**–**	**237,164**	**237,164**
	251,365	**54,882**	**68,129**	**374,376**	**323,372**
Company					
Trade and other payables	**23,828**	**–**	**–**	**23,828**	**23,828**
At 31 December 2013					
Group (restated)					
Borrowings (exclude finance lease obligations)	6,995	27,410	17,228	51,633	48,551
Trade and other payables	365,941	8,983	11,550	386,474	386,377
	372,936	36,393	28,778	438,107	434,928
Company					
Trade and other payables	23,189	–	–	23,189	23,189

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) 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 "total 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 2014 and 2013.

(c) 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		Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Available-for-sale financial assets				
Level 2:				
– Debt securities	**–**	33,022	**–**	16,516
Level 3:				
– Equity securities	**4,108**	4,126	**–**	–
	4,108	37,148	**–**	16,516

The fair value of this available-for-sale financial asset (level 3) was based on the estimated future cash flow. There is no gain or loss for the year included in profit or loss for assets held at the end of the year and no transfer into or out of level 3 during the year.

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.

Management expects that any reasonable change in the key assumptions on which the recoverable amounts are based would not cause the recoverable amounts of vessels to fall below their carrying amounts.

(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$6,473,000 (2013 restated: US$5,744,000) or increase by US$5,457,000 (2013 restated: US$4,783,000) as at 31 December 2014.

(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$2,065,000 (2013 restated: US$1,737,000) as at 31 December 2014.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(d) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of balance sheet date, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following period.

As at 31 December 2014, were the actual expenses of voyages differ by 10% from management estimates with all other variables held constant, it is estimated that the voyage expenses would increase/decrease by US$14,123,000 in the future periods (2013 restated: 14,467,000).

(e) Income taxes, business taxes, value-added taxes, withholding taxes and deferred tax

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required by the directors of Company in determining the provision for income taxes, business taxes, value-added taxes and withholding taxes based on the market situations and practice, and the understanding of the tax rules enacted or substantively enacted by the balance sheet dates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax, deferred tax and withholding tax provisions in the period in which such determination is made.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available which the temporary differences can be utilised. If the actual operating results were different from the estimate, this would impact the deferred tax assets and tax expenses in the following period.

(f) Impairment of trade and other receivables

The management determines the provision for impairment of trade receivables in accordance with the accounting policy stated in note 3(k)(ii). Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. Management reassesses the provision by each reporting date.

(g) Provision for onerous contracts

Management estimate the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable charter-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated vessel contracts, and estimated future freight rates by reference to market statistics and historical information while unavoidable costs are estimated based on charterhire payments that the Group is obligated to make under the non-cancellable charter-in dry bulk vessel contracts.

Management conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and recognised a provision for onerous contracts of US$9,484,000 at 31 December 2014 (2013 restated: US$3,524,000 (note 28).

The dry bulk market is currently highly volatile and freight rates for long periods are difficult to predict with a reasonable certainty. Had the estimated freight rates for onerous contracts as at 31 December 2014, with all other variables held constant, been increased or decreased by 10% from management's estimates, the provision for onerous contracts would have approximately decreased by US$1,729,000 (2013 restated: Nil) or increased by US$8,578,000 (2013 restated: Nil).

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(h) Provision for claims under pending litigations

Management estimates the provision for claims under pending litigations mainly based on the status of the claims, the advice of legal counsel, the recoverable amounts from insurance companies and other third parties and other available information. Should there be any change in the assumptions and estimates, revisions to the provision for claims under pending litigations would be required.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

Revenues recognised during the years from operations of dry bulk shipping, container shipping, others including shipping agency, ship management and oil tanker bareboat chartering under finance lease are as follows:

	2014 **US$'000**	2013 US$'000 (Restated)
Dry bulk shipping (note)	**619,198**	718,739
Container shipping (note)	**585,205**	593,138
Others	**2,408**	1,155
	1,206,811	1,313,032

Note: Revenue from dry bulk shipping and container shipping under time charterhire agreements were US$198,472,000 and US$14,154,000 respectively for the year ended 31 December 2014 (2013 restated: US$143,382,000 and US$15,582,000 respectively).

(b) Segment information

Operating segments

The chief operating decision makers have been identified as the directors of the Company (the "Directors"). The Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group's business which is organised on a worldwide basis. The Group's business comprises:

– Dry bulk shipping – dry bulk vessel time chartering and dry bulk cargo voyage chartering

– Container shipping – container vessel time chartering, container line service, freight forwarding and other related business

– Others – shipping agency, ship management and oil tanker bareboat chartering under finance lease

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment liabilities are those operating liabilities that result from the operating activities of a segment.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2014			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	**622,318**	**585,205**	**13,179**	**1,220,702**
Inter-segment revenues	**(1,184)**	**–**	**(10,771)**	**(11,955)**
Revenues from external customers	**621,134**	**585,205**	**2,408**	**1,208,747**
Segment results	**(25,756)**	**18,109**	**12,693**	**5,046**
Depreciation and amortisation	**58,247**	**7,782**	**706**	**66,735**
Reversal of provision for trade receivables	**(222)**	**–**	**–**	**(222)**
Additions to property, plant and equipment and intangible asset	**224,201**	**–**	**2,752**	**226,953**

	Year ended 31 December 2013 (Restated)			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	721,401	593,138	10,909	1,325,448
Inter-segment revenues	(720)	–	(9,754)	(10,474)
Revenues from external customers	720,681	593,138	1,155	1,314,974
Segment results	(13,725)	11,618	5,611	3,504
Depreciation	55,885	5,510	805	62,200
Impairment losses of trade receivables	2,204	–	–	2,204
Additions to property, plant and equipment	109,195	76,956	767	186,918

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (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:

	2014 US$'000	2013 US$'000 (Restated)
Revenues from external customers for reportable segments	**1,208,747**	1,314,974
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(1,936)**	(1,942)
Total revenues per the consolidated statement of comprehensive income	**1,206,811**	1,313,032

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

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

	2014 US$'000	2013 US$'000 (Restated)
Segment results for reportable segments	**5,046**	3,504
Corporate income	**–**	2,075
Corporate expenses	**(31,688)**	(31,652)
Finance income	**21,935**	25,098
Finance expenses	**(6,119)**	(382)
Loss before income tax	**(10,826)**	(1,357)

For the year ended 31 December 2014, the Group has one (2013: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$149,907,000 (2013: 122,241,000) is attributable to the container shipping segment.

Segment assets and liabilities exclude corporate assets and liabilities (including corporate cash, held-to-maturity investment and available-for-sale financial assets), which are managed on a central basis. These are parts 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)

Operating segments (Continued)

	As at 31 December 2014			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	**1,450,202**	**296,461**	**211,050**	**1,957,713**
Segment assets include:				
Interests in joint ventures	**19,933**	**–**	**2,953**	**22,886**
Loans to joint ventures	**8,000**	**–**	**–**	**8,000**
Segment liabilities	**137,530**	**182,346**	**1,870**	**321,746**

	As at 31 December 2013 (Restated)			
	Dry bulk Shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Segment assets	1,286,614	282,968	168,706	1,738,288
Segment assets include:				
Interests in joint ventures	18,961	–	2,999	21,960
Loans to joint ventures	10,500	–	–	10,500
Segment liabilities	103,580	320,382	8,889	432,851

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2014 US$'000	2013 US$'000 (Restated)
Segment assets	**1,957,713**	1,738,288
Corporate assets	**566,431**	885,778
Total assets per the consolidated balance sheet	**2,524,144**	2,624,066

Reportable segment liabilities are reconciled to total liabilities as follows:

	2014 US$'000	2013 US$'000 (Restated)
Segment liabilities	**321,746**	432,851
Corporate liabilities	**12,125**	6,262
Total liabilities per the consolidated balance sheet	**333,871**	439,113

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Geographical information

Revenues

The Group's businesses are managed on a worldwide basis.

The revenues generated from the world's major trade lanes for container shipping business mainly include Asia and Australia.

The revenues generated from provision of dry bulk shipping business, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful presentation of geographical information.

Shipping agency, ship management and oil tanker bareboat chartering under finance lease were unallocated revenue and included in others.

	2014 US$'000	2013 US$'000 (Restated)
Container shipping		
– Asia	**536,714**	526,655
– Australia	**48,491**	66,483
	585,205	593,138
Dry bulk shipping	**621,134**	720,681
Others	**2,408**	1,155
	1,208,747	1,314,974

7 EXPENSES BY NATURE

	2014 US$'000	2013 US$'000 (Restated)
Depreciation and amortisation (note 17, 18)	**66,735**	62,200
Hiring of crews and seafarers	**49,798**	44,098
Inventories consumed	**224,193**	259,088
Spare parts, lubricants and materials expenses	**21,524**	24,997
Operating lease expenses		
– vessels	**217,640**	210,955
– office premises	**3,380**	2,917
– containers	**29,118**	23,697
Additional/(reversal of) provision for onerous contracts, net (note 28)	**5,960**	(7,352)
Shipping service agency costs	**4,148**	4,602
Brokerage and commission	**22,450**	22,014
Port charges	**58,698**	68,301
Handling charges	**178,591**	187,364
Container charges	**9,386**	11,300
Business tax	**124**	391
Insurance premium	**11,638**	9,525
Ocean freight expense	**235,093**	319,822
Repairs and maintenance expenses	**5,443**	4,554
Employee benefit expense (note 9)	**28,783**	28,892
Auditor's remuneration	**869**	497
Others	**70,179**	64,826
Total cost of operations and selling, administrative and general expenses	**1,243,750**	1,342,688

8 OTHER GAINS, NET

	2014 US$'000	2013 US$'000 (Restated)
Finance lease income from a fellow subsidiary (note 22(a))	**4,412**	5,532
Compensation from termination of finance lease (note 22(a))	**7,773**	–
Reversal of/(additional) provision for impairment of trade and other receivables	**221**	(2,419)
Exchange (losses)/gains	**(1,369)**	2,945
Loss on disposals of property, plant and equipment (note 17(e))	**(11,461)**	(1,455)
Government subsidy (note)	**9,903**	–
Provision for claims under pending litigations	**(108)**	(1,530)
	9,371	3,073

Note:

Included in government subsidy is an approximate USD8,558,000 subsidy in relation to the demolition of vessels. During the year, the Group, through its parent company, submitted an application of government subsidy of RMB52,744,000 (approximately US$8,558,000) in respect of demolition of two vessels in 2014 in accordance with "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》jointly promulgated by the Ministry of Finance, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China. Management is of the view that the Group has fulfilled all the requirements as stipulated in the above laws and documents and is qualified for the subsidy. Management also understand that the payment of such subsidy is in process. Accordingly, the Group considers the receipt of the subsidy is probable and such subsidy is recognised in the statement of comprehensive income for the year ended 31 December 2014. After taken into account of the subsidy compensation, the net loss of demolition of the two vessels was approximate US$2,903,000.

9 EMPLOYEE BENEFIT EXPENSE

The employee benefit expenses, including director's and key management's emoluments, are set out as below:

	2014 US$'000	2013 US$'000 (Restated)
Wages and salaries	**26,312**	26,560
Pension costs – defined contribution plans	**2,471**	2,332
	28,783	28,892

10 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 2014				
Executive directors				
Li Hua	–	304	6	310
Feng Guoying	–	236	6	242
	–	540	12	552
Non-executive directors				
Li Zhen	–	–	–	–
Tian Zhongshan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Hu Hanxiang (resigned during the year 2014)	17	–	–	17
Tsang Hing Lun	17	–	–	17
Lee Peter Yip Wah	17	–	–	17
Zhou Qifang	17	–	–	17
	68	–	–	68
	68	540	12	620

10 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 2013				
Executive directors				
Li Hua	–	256	6	262
Feng Guoying	–	233	6	239
	–	489	12	501
Non-executive directors				
Li Zhen (appointed during the year 2013)	–	–	–	–
Tian Zhongshan	–	148	4	152
Zhao Huxiang (resigned during the year 2013)	–	–	–	–
Pan Deyuan (resigned during the year 2013)	–	–	–	–
	–	148	4	152
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

No director waived or agreed to waive any emoluments during the year (2013: 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 (2013: Nil).

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

10 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 (2013: two) directors of the Company whose emoluments as disclosed in note 10(a). The emoluments paid or payable to the remaining non-director individuals during the year are as follows:

	2014 US$'000	2013 US$'000
Salaries, allowances and benefits-in-kind	**630**	607
Contributions to pension plans	**19**	17
	649	624

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
US$128,000 (HK$1,000,001) – US$192,000 (HK$1,500,000)	**2**	–
US$192,000 (HK$1,500,001) – US$256,000 (HK$2,000,000)	**1**	3

11 FINANCE INCOME, NET

	2014 US$'000	2013 US$'000 (Restated)
Interest expenses		
– Bank borrowings	**1,385**	563
– Finance lease obligations (note 29)	**4,663**	–
– Amount due to the ultimate holding company	**71**	107
	6,119	670
Less: amounts capitalised (note 17(f))	**–**	(288)
Finance expenses	**6,119**	382
Interest income		
– Bank deposits	**18,167**	18,798
– Amounts due from joint ventures	**121**	147
– Amounts due from fellow subsidiaries	**850**	1,532
– Held-to-maturity investment	**453**	2,726
– Available-for-sale financial assets – debt securities	**2,344**	1,895
Finance income	**21,935**	25,098
Finance income, net	**15,816**	24,716

12 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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. These rates range from 16.5% to 26% during the year (2013 restated: 16.5% to 28.5%).

	2014 US$'000	2013 US$'000 (Restated)
Current income tax		
– Hong Kong profits tax	**741**	996
– Overseas taxation	**186**	(148)
– (Over-provisions)/under-provision in prior years	**(14)**	19
Deferred income tax (note 30)	**999**	1,736
Income tax expense	**1,912**	2,603

12 INCOME TAX EXPENSES (Continued)

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

	2014 US$'000	2013 US$'000 (Restated)
Loss before income tax	(10,826)	(1,357)
Less: share of profits of joint ventures	(926)	(510)
	(11,752)	(1,867)
Tax calculated at 16.5% (2013: 16.5%)	(1,939)	(308)
Income not subject to tax	(56,077)	(40,337)
Expenses not deductible for tax purposes	58,236	43,481
Effect of differential tax rates of other countries	1,706	(252)
(Over-provisions)/under-provision in prior years	(14)	19
Income tax expense	1,912	2,603

13 EARNINGS/(LOSS) PER SHARE

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

	2014	2013 (Restated)
Profit/(loss) attributable to owners of the Company (US$'000)	1,862	(638)
Weighted average number of shares in issue (thousands)	3,992,100	3,992,100
Basic earnings/(loss) per share (US cents per share)	0.05	(0.02)

As there were no dilutive potential ordinary shares outstanding during the year (2013: Nil), the diluted earnings (2013: loss) per share for the year is equal to basic earnings (2013: loss) per share.

14 PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit/(Loss) attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of profit of US$13,758,000 (2013: profit of US$21,138,000).

15 DIVIDEND

	2014 US$'000	2013 US$'000
Final dividend proposed of US$1.03 (2013: US$ nil) per share	40,945	–

On 16 March 2015, the Board proposed the payment of final dividend of HK8 cents (equivalent to US1.03 cents) per share for the year ended 31 December 2014 (2013: Nil).

16 SUBSIDIARIES

	Company	
	2014	2013
	US$'000	US$'000
Unlisted shares, at cost (note a)	**16,537**	–
Amounts due from subsidiaries (note b)	**1,278,632**	-

Notes:

(a) For the business combination under common control set out in note 1, Sinotrans Tianze, one of the Acquired Subsidiaries, was acquired and held directly by the Company. Particulars of the principal subsidiaries are set out in note 35(i).

(b) Amounts due from subsidiaries are equity in nature, unsecured, interest free and have no fixed terms of repayment.

Subsidiaries with material non-controlling interests

Sinochart and its subsidiary ("Sinochart group") and Sinotrans Container Lines and its subsidiary ("Sinotrans Container Lines group") are with non-controlling interests that are material to the Group.

The summarised financial information of these subsidiaries, before inter-company elimination, are set out below:

Summarised balance sheet

	Sinochart group As at 31 December		Sinotrans Container Lines group As at 31 December	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Current				
Assets	**122,018**	148,760	**127,499**	124,204
Liabilities	**(66,121)**	(62,482)	**(140,069)**	(246,963)
Total net current assets/(liabilities)	**55,897**	86,278	**(12,570)**	(122,759)
Non-current				
Assets	**72,147**	30,122	**3,412**	4,741
Liabilities	**(42,952)**	–	**–**	–
Total net non-current assets	**29,195**	30,122	**3,412**	4,741
Net assets/(liabilities)	**85,092**	116,400	**(9,158)**	(118,018)

16 SUBSIDIARIES (Continued)

Subsidiaries with material non-controlling interests (Continued)

Summarised income statement

	Sinochart group For the year ended 31 December		Sinotrans Container Lines group For the year ended 31 December	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Revenue	**413,572**	560,258	**571,051**	577,555
(Loss)/profit for the year	**(30,233)**	2,047	**1,606**	(3,422)
(Loss)/profit allocated to non-controlling interests	**(15,419)**	1,044	**819**	(1,745)
Dividends paid to non-controlling interests	**–**	1,868	**–**	–

Summarised cash flows

	Sinochart group For the year ended 31 December		Sinotrans Container Lines group For the year ended 31 December	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Net decrease in cash and cash equivalents	**(8,156)**	(52,372)	**(6,795)**	(3,111)

17 PROPERTY, PLANT AND EQUIPMENT

	Group					Company
	Vessels US$'000 (Restated)	Vessels under construction US$'000 (Restated)	Freehold land and buildings US$'000 (Restated)	Others US$'000 (Restated)	Total US$'000 (Restated)	Others US$'000
Cost						
At 1 January 2013	1,468,421	36,467	646	7,774	1,513,308	1,297
Currency translation differences	–	–	(42)	(20)	(62)	–
Additions	222,618	39,565	–	767	262,950	93
Transfer to vessels	–	(76,032)	–	–	(76,032)	–
Disposals and write-off	(47,657)	–	–	(373)	(48,030)	(5)
At 31 December 2013	1,643,382	–	604	8,148	1,652,134	1,385
Currency translation differences	(196)	–	(52)	(74)	(322)	–
Additions	151,872	72,329	–	2,083	226,284	1,741
Disposals and write-off	(41,704)	–	–	(212)	(41,916)	(45)
At 31 December 2014	1,753,354	72,329	552	9,945	1,836,180	3,081
Accumulated depreciation and impairment						
At 1 January 2013	424,358	–	229	5,237	429,824	794
Currency translation differences	–	–	(15)	(18)	(33)	–
Depreciation charge for the year	61,402	–	12	786	62,200	206
Disposals and write-off	(35,945)	–	–	(354)	(36,299)	(3)
At 31 December 2013	449,815	–	226	5,651	455,692	997
Currency translation differences	(25)	–	(20)	(65)	(110)	–
Depreciation charge for the year	65,803	–	11	910	66,724	309
Disposals and write-off	(26,356)	–	–	(201)	(26,557)	(45)
At 31 December 2014	489,237	–	217	6,295	495,749	1,261
Net book value						
At 31 December 2014	1,264,117	72,329	335	3,650	1,340,431	1,820
At 31 December 2013	1,193,567	–	378	2,497	1,196,442	388

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The freehold land is located outside Hong Kong.

(b) At 31 December 2014, the Group's vessels with an aggregate net book value of US$72,356,000 (2013 restated: US$75,051,000) were pledged as security for the bank borrowings (note 29(b)).

(c) The aggregate cost, accumulated depreciation and accumulated impairment losses of the leased assets as at 31 December 2014 (where the Group is the lessor) comprised the vessels under time charter arrangements, amounted to US$1,140,387,000 (2013 restated: US$1,570,660,000), US$354,106,000 (2013 restated: US$445,195,000) and nil (2013 restated: nil) respectively.

(d) The net book value of a vessel held under finance lease as at 31 December 2014 amounted to US$43,758,000 (2013: nil) (note 29).

(e) During the year, 2 (2013 restated: 5) vessels were disposed of to a third party for a total consideration of US$3,864,000 (2013 restated: US$10,263,000), resulting in a total loss on disposal of US$11,461,000 (2013 restated: US$1,455,000).

(f) During the year, no interest expenses (2013 restated: US$288,000) were capitalised to the vessels during the construction period (note 11).

18 INTANGIBLE ASSET

	Group and Company Computer Software	
	2014 US$'000	2013 US$'000
At 1 January		
Cost	**–**	–
Accumulated amortisation and impairment	**–**	–
Net book amount	**–**	–
Year ended		
Opening net book amount	**–**	–
Additions	**669**	–
Amortisation charge (Note 7)	**(11)**	–
Closing net book amount	**658**	–
At 31 December		
Cost	**669**	–
Accumulated amortisation and impairment	**(11)**	–
Net book amount	**658**	–

Amortisation of US$11,000 (2013: US$ nil) is included in the 'selling, administrative and general expenses' in the consolidated statement of comprehensive income.

19 INTERESTS IN JOINT VENTURES

	Group	
	2014 US$'000	2013 US$'000
Share of net assets	**22,886**	21,960
Loans to joint ventures (note a)	**8,000**	10,500
Current portion of loans to joint ventures	**(1,333)**	(1,500)
	6,667	9,000
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% (2013: secured and bear interest at 1%) over London Interbank Offered Rate ("LIBOR") per annum. The loans are repayable by instalments and are wholly repayable on or before 2020. Effective interest rate as at 31 December 2014 was 1.26% (2013: 1.25%). The carrying value of the loan to joint ventures approximates the fair value.

19 INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

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

	2014 US$'000	2013 US$'000
Assets		
Non-current assets	**25,373**	26,580
Current assets	**9,817**	10,418
Total assets	**35,190**	36,998
Liabilities		
Non-current liabilities	**(6,667)**	(9,000)
Current liabilities	**(5,637)**	(6,038)
Total liabilities	**(12,304)**	(15,038)
Net assets	**22,886**	21,960

	2014 US$'000	2013 US$'000
Income	**3,932**	3,870
Expenses	**(3,006)**	(3,360)

(c) Details of the principal joint ventures as at 31 December 2014 are set on note 35(ii).

(d) As at 31 December 2014, there are no contract and contingent liabilities relating to the Group's interest in joint ventures (2013: Nil).

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Trade receivables, net of provision (note a)				
– fellow subsidiaries	**19,635**	19,616	**–**	–
– third parties	**119,662**	117,333	**–**	–
	139,297	136,949	**–**	–
Prepayments, deposits and other receivables, net of provision (note b)	**73,668**	65,647	**7,650**	8,583
Loans to related companies (note c)	**32,236**	–	**32,236**	–
Loan to a fellow subsidiary (note d)	**10,000**	–	**10,000**	–
Amounts due from related parties (note e)				
– subsidiaries	**–**	–	**72,635**	1,113,919
– fellow subsidiaries	**38,549**	19,186	**–**	–
– joint ventures	**202**	254	**–**	–
– ultimate holding company	**7,818**	7,896	**–**	–
	46,569	27,336	**72,635**	1,113,919
	301,770	229,932	**122,521**	1,122,502
Less: non-current portion – loans to related companies	**(30,256)**	–	**(30,256)**	–
Current portion	**271,514**	229,932	**92,265**	1,122,502

20 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	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000 (Restated)
Within 6 months	**133,780**	132,424	**–**	–
7-12 months	**6,174**	4,251	**–**	–
1-2 years	**826**	695	**–**	–
2-3 years	**936**	1,414	**–**	–
Over 3 years	**494**	1,641	**–**	–
Trade receivables	**142,210**	140,425	**–**	–
Less: impairment				
Within 6 months	**–**	(6)	**–**	–
7-12 months	**(944)**	(995)	**–**	–
1-2 years	**(539)**	(242)	**–**	–
2-3 years	**(936)**	(592)	**–**	–
Over 3 years	**(494)**	(1,641)	**–**	–
Provision for impairment of trade receivable	**(2,913)**	(3,476)	**–**	–
Trade receivables, net of provision	**139,297**	136,949	**–**	–

As at 31 December 2014, management has impaired trade receivables of US$2,913,000 (2013 restated: US$3,476,000). 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 2014. 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 2014, other receivables of US$1,444,000 (2013: US$1,613,000) were considered as impaired by management and were provided for.

20 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) Loans to related companies are denominated in US$ and bear floating interest rates. The effective interest rate as at 31 December 2014 was 3.39% to 3.86%. The interest rates are based on LIBOR plus appropriate credit rating. The maturity dates of the loans range from 2020 to 2021. These loans were secured by the vessels of these related companies.

(d) Loan to a fellow subsidiary is denominated in US$ and bear interest rates at 1.2% per annum. The loan is fully repayable in 2015.

(e) 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.

(f) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Other than the loan receivables from related companies as stated in note 20(c), the Group does not hold any collateral as security.

(g) Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000 (Restated)
At 1 January	**3,476**	2,685	**–**	–
(Reversal of)/additional	**(64)**	1,149	**–**	–
Written off during the year	**(499)**	(358)	**–**	–
At 31 December	**2,913**	3,476	**–**	–

21 CASH AND BANK BALANCES

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	2014 US$'000	2013 US$'000 (Restated)
Non-current				
Bank deposit (note a)	70,473	–	70,473	–
Current				
Cash and cash equivalents	201,618	264,989	103,739	149,858
Short-term bank deposits (note b)	433,316	690,185	357,957	642,488
Restricted cash	40,114	116	40,000	–
	675,048	955,290	501,696	792,346
Cash and bank balances	745,521	955,290	572,169	792,346

Notes:

(a) The deposit of US$70,473,000 (2013 restated: nil) is placed with a bank with original maturity over 12 months. The balance is denominated in US$.

(b) The short-term deposits include deposits of US$56,720,000 (2013 restated: US$31,755,000) which are placed with Sinotrans & CSC Finance Co., Ltd, a fellow subsidiary which is a registered financial institution in the PRC. The deposits are with original maturity over 3 months and bear interest at prevailing market rates.

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

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	2014 US$'000	2013 US$'000 (Restated)
US dollar	601,552	831,602	495,106	691,776
Renminbi	141,068	116,338	76,378	99,251
Hong Kong dollar	1,098	2,069	600	1,224
Japanese Yen	907	4,394	50	57
Others	896	887	35	38
Cash and bank balances	745,521	955,290	572,169	792,346

22 FINANCE LEASE RECEIVABLE FROM A FELLOW SUBSIDIARY

	Group	
	2014	2013
	US$'000	US$'000
Non-current receivable		
Finance lease receivable from a fellow subsidiary – gross	–	92,177
Less: unearned finance lease income	–	(6,894)
Finance lease receivable from a fellow subsidiary – net (note b)	–	85,283
Current receivable		
Finance lease receivable from a fellow subsidiary – gross	–	14,964
Less: unearned finance lease income	–	(8,489)
Finance lease receivable from a fellow subsidiary – net (note b)	–	6,475
	–	91,758

Notes:

(a) On 4 January 2011, the Group entered into a 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. The effective interest rate on the finance lease receivable was approximately 6.3%.

On 30 October 2014, the Group has exercised its right to terminate the finance lease arrangement and withdrew the oil tanker from the service of the Charterer as the Charterer failed to pay the hire payment of the oil tanker in accordance with the terms of the charter agreement.

On 10 November 2014, the Group reached an agreement with the Charterer pursuant to which the Charterer would pay the Company an amount of US$35,920,000, to set off the finance lease receivable outstanding at the date of termination. Accordingly, a gain of US$7,773,000 is recognised in the statement of comprehensive income for the year ended 31 December 2014.

At 31 December 2014, the Group entered into agreement with a related company to sell the aforementioned oil tanker at a consideration of US$61,805,000 and accordingly such oil tanker was presented as an asset held for sale as at 31 December 2014. Since the carrying amount of the oil tanker upon reclassification is the same as the fair value, therefore no gain or loss has been recognised upon reclassification to asset held for sale.

22 FINANCE LEASE RECEIVABLE FROM A FELLOW SUBSIDIARY (Continued)

Notes: (Continued)

(b) The gross receivable, unearned finance lease income and the net receivable from the finance lease as at 31 December 2014 are as follows:

	Group	
	2014 US$'000	2013 US$'000
Gross receivable from finance lease		
Not later than one year	–	14,964
Later than one year but not later than two years	–	9,417
Later than two years but not later than five years	–	82,760
	–	107,141
Less: unearned future finance lease income	–	(15,383)
	–	91,758
Net receivable from finance lease		
Not later than one year	–	6,475
Later than one year but not later than two years	–	4,383
Later than two years but not later than five years	–	80,900
	–	91,758

23 HELD-TO-MATURITY INVESTMENT

	Group and Company	
	2014 US$'000	2013 US$'000
Debt security listed overseas	–	46,217

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 was 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 was guaranteed by Sinotrans Shipping (Holdings) Limited, the immediate holding company of the Company, and had been listed on the interbank bond market in Singapore. On 3 October 2014, the bond was matured and fully redeemed.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Unlisted investments				
– Equity security (note a)	**4,108**	4,126	**–**	–
– Debt securities (note b)	**–**	33,022	**–**	16,516
	4,108	37,148	**–**	16,516
At 1 January	**37,148**	20,493	**–**	–
(Disposal)/addition	**(33,022)**	16,076	**–**	16,076
Currency translation differences	**(18)**	579	**–**	440
At 31 December	**4,108**	37,148	**–**	16,516
Less: Non-current portion	**(4,108)**	(20,642)	**–**	(16,516)
Current portion	**–**	16,506	**–**	–

Notes:

(a) At 31 December 2014 and 31 December 2013 (restated), the unlisted equity security of RMB25,000,000 and RMB25,000,000 respectively (approximate US$4,108,000 and US$4,126,000 respectively) represent the Group's investment in 5% equity interest in Sinotrans & CSC Finance Co., Ltd., a fellow subsidiary which is included in the non-current portion.

(b) At 31 December 2013, the unlisted debt securities represented an unlisted debt security of RMB100,000,000 (approximate US$16,516,000) bore interest at 8% per annum and an unlisted debt portfolio of RMB100,000,000 (approximately US$16,506,000). These unlisted debt securities were disposed and matured respectively during 2014.

The fair value of these debt securities, which were not traded in an active market was determined by reference to a quoted price from a financial institution.

(c) The maximum exposure to credit risk of these investments at the reporting date is its carrying value.

25 SHARE CAPITAL

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

	2014		**2013**	
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Ordinary shares				
At 1 January	**3,992,100,000**	**51,239**	3,992,100,000	51,239
Transition to no-par regime on 3 March 2014 (note c)	**–**	**1,826,970**	N/A	N/A
	3,992,100,000	**1,878,209**	3,992,100,000	51,239

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 Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

(d) 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 2014 and 2013.

26 OTHER RESERVES

Group

	Merger reserve US$'000	Statutory reserve US$'000	Other reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2013, as previously reported	(450,507)	–	–	413	747,759	297,665
Adoption of merger accounting	88,406	7,158	–	10,509	(91,095)	14,978
At 1 January 2013, as restated	(362,101)	7,158	–	10,922	656,664	312,643
Loss for the year	–	–	–	–	(638)	(638)
Currency translation differences	–	–	–	699	–	699
2012 final dividend paid	–	–	–	–	(5,135)	(5,135)
Transfer	–	(4,163)	–	–	4,163	–
Distribution (note (c))	–	–	–	–	(1,791)	(1,791)
Contribution from SINOTRANS group (note (b))	1,791	–	–	–	–	1,791
At 31 December 2013, as restated	(360,310)	2,995	–	11,621	653,263	307,569
Profit for the year	–	–	–	–	1,862	1,862
Currency translation differences	–	–	–	(212)	–	(212)
Contribution from SINOTRANS group (note (a))	–	–	51,941	–	–	51,941
Distribution (note (c))	(87,822)	–	–	–	–	(87,822)
At 31 December 2014	(448,132)	2,995	51,941	11,409	655,125	273,338

Represented by:	US$'000
Retained earnings	
– Proposed final dividends	40,945
– Others	614,180
	655,125

26 OTHER RESERVES (Continued)

Company

	Retained earnings US$'000
At 1 January 2013	60,529
Profit for the year	21,138
2012 final dividend paid	(5,135)
At 31 December 2013	76,532
Profit for the year (note 14)	13,758
At 31 December 2014	90,290

Notes:

(a) Business combination under common control

In March 2014, the Group entered into agreements with SINOTRANS group for the SINOTRANS Acquisition as set out in note 1, at an aggregation consideration of approximately RMB541,698,000 (equivalent to approximate US$87,822,000) and an assignment of the loan at an aggregation consideration of approximately US$47,793,000.

The SINOTRANS Acquisition was completed in July 2014. Upon the completion of the SINOTRANS Acquisition, Sinotrans Container Lines' loan from SINOTRANS group, its then shareholder, of RMB653,688,000 (approximately US$105,989,000) was waived. This was accounted for as a contribution from SINOTRANS group and credited directly in equity attributable to the owners of the Company of RMB320,346,000 (approximately US$51,941,000).

Statements of adjustments for common control combinations of the Acquired Subsidiaries (note 1) on the consolidated balance sheet as 31 December 2014 and 2013 and the Group's result for the years then ended are as follows:

	The Group before Acquired Subsidiaries US$'000	Effect of adoption of merger accounting US$'000	Year ended 31 December 2013 US$'000
Year ended 31 December 2013			
Revenues	194,950	1,118,082	1,313,032
Profit/(loss) before income tax	5,197	(6,554)	(1,357)
Income tax expenses	(880)	(1,723)	(2,603)
Profit/(loss) for the year	4,317	(8,277)	(3,960)

26 OTHER RESERVES (Continued)

Company (Continued)

Notes: (Continued)

(a) Business combination under common control (Continued)

	The Group before Acquired Subsidiaries US$'000	Effect of adoption of merger accounting US$'000	As at 31 December 2013 US$'000
As at 31 December 2013			
Assets			
Non-current assets	1,265,482	123,162	1,388,644
Current assets	950,425	284,997	1,235,422
Total assets	2,215,907	408,159	2,624,066
Equity			
Share capital and other statutory capital reserves	1,878,209	–	1,878,209
Other reserves	296,736	10,833	307,569
Non-controlling interests	–	(825)	(825)
Total equity	2,174,945	10,008	2,184,953
Liabilities			
Non-current liabilities	–	62,641	62,641
Current liabilities	40,962	335,510	376,472
Total liabilities	40,962	398,151	439,113
Total equity and liabilities	2,215,907	408,159	2,624,066

	The Group before Acquired Subsidiaries US$'000	Effect of adoption of merger accounting US$'000	Year ended 31 December 2014 US$'000
Revenues	235,230	971,581	1,206,811
Profit/(loss) before income tax	17,692	(28,518)	(10,826)
Income tax expenses	(796)	(1,116)	(1,912)
Profit/(loss) for the year	16,896	(29,634)	(12,738)

26 OTHER RESERVES (Continued)

Company (Continued)

Notes: (Continued)

(a) Business combination under common control (Continued)

	The Group before Acquired Subsidiaries US$'000	Effect of adoption of merger accounting US$'000	As at 31 December 2014 US$'000
As at 31 December 2014			
Assets			
Non-current assets	1,412,719	70,772	1,483,491
Current assets	821,859	218,794	1,040,653
Total assets	2,234,578	289,566	2,524,144
Equity			
Share capital and other statutory capital reserves	1,878,209	–	1,878,209
Other reserves	313,491	(40,153)	273,338
Non-controlling interests	–	38,726	38,726
Total equity	2,191,700	(1,427)	2,190,273
Liabilities			
Non-current liabilities	–	78,855	78,855
Current liabilities	42,878	212,138	255,016
Total liabilities	42,878	290,993	333,871
Total equity and liabilities	2,234,578	289,566	2,524,144

26 OTHER RESERVES (Continued)

Company (Continued)

Notes: (Continued)

(b) Contribution from SINOTRANS group
In 2013, the then shareholder of Sinocharts injected registered capital is accounted for as a contribution from SINOTRANS group.

(c) Distribution

	2014 US$'000	2013 US$'000
Dividend paid to SINOTRANS group (note 1)	–	1,791
Considerations in connection with the SINOTRANS Acquisition (note a)	87,822	–
	87,822	1,791

Note:

(1) It represented distribution of dividends declared by Sinocharts to its shareholder prior to the completion of SINOTRANS Acquisition.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Trade payables (note a)				
– fellow subsidiaries	**25,444**	27,870	**3**	–
– third parties	**173,996**	164,626	**145**	51
	199,440	192,496	**148**	51
Other payables and accruals	**36,017**	35,485	**5,369**	6,172
Amounts due to related parties (note b)				
– subsidiaries	**–**	–	**–**	16,966
– fellow subsidiaries	**1,647**	137,927	**18,311**	–
– joint ventures	**60**	33	**–**	–
– the ultimate holding company (note c)	**–**	20,436	**–**	–
	1,707	158,396	**18,311**	16,966
	237,164	386,377	**23,828**	23,189
Less: non-current portion	**–**	(20,436)	**–**	–
Current portion	**237,164**	365,941	**23,828**	23,189

Notes:

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

	Group		Company	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
Within 6 months	**168,798**	157,128	**148**	51
7–12 months	**1,896**	3,470	**–**	–
1–2 years	**5,411**	13,734	**–**	–
2–3 years	**16,863**	6,587	**–**	–
Over 3 years	**6,472**	11,577	**–**	–
Trade payables	**199,440**	192,496	**148**	51

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

(c) Amounts due to the ultimate holding company are interest bearing at LIBOR plus 1% and repayable in 8 years by yearly equal instalment.

28 PROVISION FOR OTHER LIABILITIES

	Group	
	2014 US$'000	2013 US$'000 (Restated)
Provision for onerous contracts		
– current portion	9,179	3,524
– non-current portion	305	–
	9,484	3,524

The movement in the provision for onerous contracts is as follows:

	Group	
	2014 US$'000	2013 US$'000 (Restated)
At 1 January	3,524	10,876
Provision during the year	9,459	3,097
Utilised during the year	(3,499)	(10,449)
At 31 December	9,484	3,524

The Group made a provision of US$9,459,000 (2013 restated: US$3,097,000) for onerous contracts relating to the non-cancellable chartered-in dry bulk vessel contracts based on the management's estimation basis as mentioned in (note 5(g)).

29 BORROWINGS

The present value of finance lease obligation and the bank borrowings were repayable as follows:

	Bank borrowings		Finance lease obligation		Total	
	2014 US$'000	2013 US$'000 (Restated)	2014 US$'000	2013 US$'000 (Restated)	2014 US$'000	2013 US$'000 (Restated)
Within 1 year	6,346	6,346	1,312	–	7,658	6,346
Between 1 and 2 years	6,346	6,346	1,438	–	7,784	6,346
Between 2 and 5 years	19,039	19,039	5,484	–	24,523	19,039
Over 5 years	10,518	16,820	35,725	–	46,243	16,820
	42,249	48,551	43,959	–	86,208	48,551
Less: current portion	(6,346)	(6,346)	(1,312)	–	(7,658)	(6,346)
Non-current portion	35,903	42,205	42,647	–	78,550	42,205

29 BORROWINGS (Continued)

Notes:

(a) At 31 December 2014, bank borrowings of US$11,431,000 and US$30,818,000 were floating interest rate based on LIBOR plus appropriate credit rating and at fixed rate of 3.50% respectively.

At 31 December 2013, bank borrowings of US$48,551,000 were floating interest rate based on LIBOR plus appropriate credit rating.

The effective interest rate of bank borrowing is 3% as at 31 December 2014 (2013: 1.65%).

(b) As at 31 December 2014, the Group's bank borrowings of US$42,249,000 (2013: US$48,551,000), were secured by its vessels with aggregate carrying amount of US$72,356,000 (2013 restated: US$75,051,000) (note 17(b)).

(c) The exposure of the group's total borrowings to interest rate changes and the contractual repricing dates at end of the year are follows:

	Group	
	2014 US$'000	2013 US$'000 (Restated)
6 months or less	**11,431**	48,551

The carrying amounts of the bank borrowings approximate the fair values as the impact of discounting is not significant.

The group's borrowings are denominated in US$.

(d) On 2014, the Group entered into a finance lease arrangement with a third party, pursuant to which the Group hire a dry bulk vessel by monthly instalments and has an option to purchase the vessel at a consideration prior to the expiry of the lease. The Group has accounted for this transaction as a finance lease payable. The finance lease is repayable in various instalments up to 2026.

At 31st December 2014, the Group's finance lease payable is repayable as follows:

	2014 US$'000	2013 US$'000
Finance lease payable – minimum lease payments:		
– within one year	**6,643**	–
– in the second year	**6,661**	–
– in the third to fifth year	**19,929**	–
– after the fifth year	**57,317**	–
	90,550	–
Future finance charges on finance lease	**(46,591)**	–
Present value of finance lease payable	**43,959**	–

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets are as follows:

	Group	
	2014 US$'000	2013 US$'000 (Restated)
Deferred income tax assets:		
– To be recovered within 12 months	**–**	–
– To be recovered after more than 12 months	**8,012**	9,100
	8,012	9,100

The movement in the deferred income tax is as follows:

	Tax loss US$'000	Onerous contracts US$'000	Other accruals and provision US$'000	Others US$'000	Total US$'000
At 1 January 2013	8,925	735	793	14	10,467
(Charged)/credited to profit or loss	(1,463)	(303)	34	(4)	(1,736)
Currency translation difference	315	23	30	1	369
At 31 December 2013	7,777	455	857	11	9,100
At 1 January 2014	**7,777**	**455**	**857**	**11**	**9,100**
(Charged)/credited to profit or loss	**(265)**	**(451)**	**(629)**	**346**	**(999)**
Currency translation difference	**(78)**	**(4)**	**(7)**	**–**	**(89)**
At 31 December 2014	**7,434**	**–**	**221**	**357**	**8,012**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of US$34,350,000 (2013: US$34,767,000) in respect of losses amounting to US$120,980,000 (2013: US$139,070,000) that can be carried forward against future taxable income. No losses will expire in 2015.

31 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before income tax to cash generated from operations

	2014 US$'000	2013 US$'000 (Restated)
Loss before income tax	**(10,826)**	(1,357)
Adjustments for:		
Depreciation and amortisation	**66,735**	62,200
Finance lease income from a fellow subsidiary	**(4,412)**	(5,532)
(Reversal of impairment)/impairment losses of receivables	**(221)**	2,419
Loss on disposals of property, plant and equipment	**11,461**	1,455
Dividend income	**–**	(372)
Share of profits of joint ventures	**(926)**	(510)
Interest income, net	**(15,816)**	(24,716)
Additional/(reversal of) provision for onerous contracts, net	**5,960**	(7,352)
Government subsidy recognised	**(9,903)**	–
Compensation gain from termination of finance lease	**(7,773)**	–
Changes in working capital:		
Inventories	**(5,234)**	(4,633)
Trade and other receivables (excluding amounts due from related parties)	**(977)**	3,515
Amounts due to related parties, net	**(3,090)**	(296)
Trade and other payables (excluding amounts due to related parties)	**8,128**	(13,459)
Cash generated from operations	**33,106**	11,362

32 CONTINGENT LIABILITIES

The Group was involved in the following pending lawsuits as at 31 December 2014 and 31 December 2013:

(a) Sinochart as defendant

In 2008, Sinochart cancelled a two-year charterhire agreement after discovering regular underperformance and engine faults of a vessel it previously chartered in. The ship owner subsequently commenced arbitration against Sinochart in the sum of approximately US$10,800,000. Sinochart was exploring possible settlements with the ship owner and it expects to settle the case at approximately US$1,000,000 based on the latest status of the legal proceedings, the advice from legal counsels and the progress of settlement negotiations. Accordingly, a provision for the case amounted to US$1,000,000 has been made as at 31 December 2014 and 2013.

Save as disclosed above, Sinochart was also involved in another 4 (2013: 5) pending lawsuits amounted to approximately US$1,218,999 (2013: US$926,000) in aggregate as at 31 December 2014 and 2013. Taking into account the latest status of legal proceedings and the progress of settlement negotiations, Sinochart has made provisions for those cases in the sum of US$340,000 as at 31 December 2014 (2013: US$430,000).

32 CONTINGENT LIABILITIES (Continued)

(b) Back-to-back cases (Sinochart as both defendant and plaintiff)

(i) In 2007, a chartered-in vessel of Sinochart grounded off and sank in Japan. The chartered-in ship owner subsequently brought a claim against Sinochart, alleging the port was unsafe and thus holding Sinochart liable for all the losses and costs incurred in the sum of US$190,000,000. Sinochart thus brought a claim against the sub-charterer in a back-to-back position. To protect the interest of Sinochart, Sinochart obtained an irrevocable stand-by letter from Sumitomo Mitsui Banking Corporation in the amount of US$190,000,000.

In July 2013, the High Court in London ruled that Sinochart was liable for the incident and should compensate the ship owner for an amount of approximately US$166,627,000. At the same time, Sinochart obtained judgement against the sub-charterer in the same sum.

In October 2013, the sub-charterer appealed against the judgement and Sinochart therefore also lodged an appeal for the judgement against it.

As Sinochart expects to recover any compensation from the sub-charter on a back-to-back position, no provision has been made for the case as at 31 December 2014 and 2013.

(ii) In 2010, a vessel that Sinochart chartered in and sub-chartered out on a back-to-back position to a third party collided with the shiploaders of a port in Brazil, causing damage to the port. The port authority of Brazil brought a claim against the ship owner, and the ship owner subsequently brought a claim against Sinochart in the sum of approximately US$10,000,000. As a result, Sinochart commenced arbitration against the sub-charterer in a back-to-back position. No judgement was given as at 31 December 2014. As Sinochart expects to recover any compensation from the sub-charterer on back-to-back position, no provision has been made for the case as at 31 December 2014.

As Sinochart expects to recover any compensation from the sub-charter on a back-to-back position, no provision has been made for the case as at 31 December 2014 and 2013.

Save as disclosed above, the Group was involved in a number of claims and lawsuits currently under way. These claims and lawsuits are incidental to the Group's business operation, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels and early termination of vessel chartering contracts.

As at 31 December 2014 and 2013, the Group is unable to ascertain the likelihood and amounts of these respective claims, other than those provided for. However, based on the information available to the Group, the Directors are of the opinion that these cases will not have the significant financial or operational impact to the Group.

33 CAPITAL COMMITMENTS

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

	2014 US$'000	2013 US$'000 (Restated)
Authorised but not contracted for	**4,432**	264,800
Contracted but not provided for	**193,971**	–
	198,403	264,800

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

At 31 December 2014, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2014 US$'000	2013 US$'000 (Restated)
Office premises		
– no later than one year	**1,586**	2,893
– later than one year and no later than five years	**667**	907
	2,253	3,800
Vessels		
– no later than one year	**105,209**	105,027
– later than one year and no later than five years	**135,000**	147,585
– over five years	**51,876**	74,856
	292,085	327,468
	294,338	331,268

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

At 31 December 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 25 months (2013: 1 to 34 months):

	2014 US$'000	2013 US$'000 (Restated)
Vessels		
– no later than one year	**43,717**	91,568
– later than one year and no later than five years	**4,351**	9,074
	48,068	100,642

34 RELATED PARTY TRANSACTIONS

SINOTRANS & CSC Holdings 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 Holdings 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:

	2014 US$'000	2013 US$'000 (Restated)
Charterhire income from fellow subsidiaries	308,317	305,112
Charterhire expenses paid to a joint venture	4,008	3,883
Charterhire expenses paid to fellow subsidiaries	–	2,589
Commission expenses to fellow subsidiaries	62	31
Commercial management fee to a fellow subsidiary	621	646
Expenses for hiring of crews and seafarers to a fellow subsidiary	11,170	11,029
Finance lease income from a fellow subsidiary (note 22(a))	4,412	5,532
Compensation income from fellow subsidiary	7,773	–
Interest income on held-to-maturity investment	453	2,726
Interest income from joint ventures (note 19(a))	121	147
Interest income from a fellow subsidiary	795	1,495
Rental expenses to fellow subsidiaries	1,483	1,494
Service fee paid to fellow subsidiaries	153,846	137,619
Service fee income from fellow subsidiaries	457	564
Agency income from fellow subsidiaries	30,434	23,043
Vessel and container leasing cost paid	29,541	29,662

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

(b) Year end balances arising from sales, purchases and other transactions with related parties were disclosed in notes 20 and 27.

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

34 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

	2014 US$'000	2013 US$'000 (Restated)
Salaries, allowances, and benefits-in-kind	**540**	637
Contributions to pension plans	**12**	16
	552	653

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2014, the Company has interests in the following principal subsidiaries and joint ventures:

(i) List of principal subsidiaries

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Best Aero Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Bloom World Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Bright Sincere Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
+*China National Chartering Co., Ltd.	Beijing, China	RMB700,000,000	49%	Owning and chartering of vessel
+*China National Chartering (Hong Kong) Co., Limited	Hong Kong	HK$50,000,000	49%	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	HK$2	100%	Owning and chartering of vessel
Effort Plus Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Flying Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
#†Golden Year Shipping Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Grand Sea Shipping Limited	Hong Kong	HK$1	100%	Vessel leasing

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Great Ambition Shipping Inc.	Panama	2 shares of US$1 each	100%	Owning and chartering of vessel
Great Bless Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Blossom Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Bright Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Calm Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Gain Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Glory Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Happy Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Han Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Hope Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Immensity Shipping Limited	Hong Kong	HK$2	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	HK$2	100%	Owning and chartering of vessel
Great Jin Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Legend Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Loyalty Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Luck Maritime Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Majesty Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Great Motion Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Mind Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Peace Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Great Praise Shipping Limited	Hong Kong	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	HK$1	100%	Owning and chartering of vessel
Great Resource Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Reward Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Scenery Shipping Limited	Hong Kong	HK$3	100%	Owning and chartering of vessel
Great Song Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
†Great Sui Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Talent Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Tang Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
†Great Yuan Shipping Limited	Hong Kong	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	HK$1	100%	Owning and chartering of vessel
Holy Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
#Joy Top International Limited	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
King Strategy Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Marine Harvest Shipping Limited	Hong Kong	HK$2	100%	Investment holding
Marine Peace Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
Marine Peace Shipping Limited	Hong Kong	HK$2	100%	Investment holding
Merchant Bright Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Rich Target Shipping Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
#†Silver Year Shipping Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
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 Container Lines Company Limited	Shanghai, China	RMB400,000,000	49%	Container Shipping
#+Sinotrans Navigation Ltd ("Tianze")	Shanghai, China	RMB100,000,000	100%	Owning and chartering of vessel
#Sinotrans Ship Management Limited	Hong Kong	HK$2	100%	Provision of ship management services

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
#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
#Sinotrans Shipping Chartering Inc.	Panama	2 shares of US$1 each	100%	Chartering of vessels
+Skyglory Shipping S.A.	Republic of Panama	100 shares of US$1	100%	Owning and chartering of vessel
+Skyroyal Shipping S.A.	Republic of Panama	100 shares of US$1	100%	Owning and chartering of vessel
Trade Elegancy Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Endeavor Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Integrity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Sincerity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Worlder Shipowning Limited	British Virgin Islands	1 share of US$1	100%	Investment holding
+Yunfu Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
+Yungui Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
+Yunhua Shipping Company limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel
+Yunrong Shipping Company Limited	Hong Kong	HK$10,000	100%	Owning and chartering of vessel

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(i) List of principal subsidiaries (Continued)

Directly held by the Company

* Despite the Group does not hold more than half of the equity interests in these companies, the directors of the Company believe that the Group is able to exercise control over these companies as it has the right to appoint more than half of the board of directors

+ Newly acquired principal subsidiaries in 2014

The Companies Ordinance (Chapter 622 of The Laws of Hong Kong), which came into effect on 3 March 2014, abolishes the concept of par value of Hong Kong incorporated companies. All shares of Hong Kong incorporated companies issued before, on or after 3 March 2014 shall have no par value.

(ii) List of joint ventures

Name	Country of incorporation	Particulars of issued share capital/ registered capital	Attributable equity interest indirectly held by the Group	Principal activities
M.S. Tanker Shipping Limited	Hong Kong	HK$2,000,000	50%	Inactive
Faship Maritime Carriers Inc.	Panama	1,200 shares of US$1 each	50%	Investment holding
Friendship One Shipping Limited	Hong Kong	HK$2	50%	Owning and chartering of vessel
Friendship Two Shipping Limited	Hong Kong	HK$2	50%	Owning and chartering of vessel

DEFINITIONS

In this annual report, the following expressions shall have the meaning set out below unless the context otherwise requires. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in our Prospectus.

"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)

GLOSSARY

"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. Zhou Qifang *(Chairman)*
Mr. Li Zhen
Mr. Tsang Hing Lun

NOMINATION COMMITTEE

Mr. Li Zhen *(Chairman)*
Mr. Lee Peter Yip Wah
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.