中外運航運有限公司

SINOTRANS SHIPPING LTD.

(Incorporated in Hong Kong with limited liability)

Stock Code : 368

2015
Interim Report

Contents

Corporate Information

REGISTERED OFFICE
21st Floor
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23 Harbour Road
Wanchai
Hong Kong

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Tsang Hing Lun
Mr. Lee Peter Yip Wah
Mr. Zhou Qifang

COMPANY SECRETARY
Mr. Huen Po Wah, *ACIS ACS*

AUTHORISED REPRESENTATIVES
Mr. Li Hua
Ms. Feng Guoying

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

REMUNERATION COMMITTEE
Mr. Zhou Qifang *(Chairman)*
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
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AUDITOR
PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

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

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June 2015 US$'000	 2014 US$'000 (Restated)
Revenues	4	**485,125**	601,599
Cost of operations		**(505,140)**	(592,705)
Gross (loss)/profit		**(20,015)**	8,894
Selling, administrative and general expenses		**(16,081)**	(14,506)
Other gains/(losses), net	5	**5,190**	(4,764)
Operating loss		**(30,906)**	(10,376)
Finance income, net	6	**6,827**	6,682
Share of profits of joint ventures		**252**	566
Loss before income tax		**(23,827)**	(3,128)
Income tax expense	7	**(199)**	(1,650)
Loss for the period		**(24,026)**	(4,778)
(Loss)/profit attributable to:			
– Owners of the Company		**(18,277)**	2,308
– Non-controlling interests		**(5,749)**	(7,086)
		(24,026)	(4,778)
Other comprehensive loss for the period			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(65)**	(1,178)
Fair value changes of available-for-sale financial assets		**(4)**	–
Total comprehensive loss for the period		**(24,095)**	(5,956)
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company		**(18,374)**	1,611
– Non-controlling interests		**(5,721)**	(7,567)
		(24,095)	(5,956)
(Loss)/earnings per share attributable to owners of the Company			
– Basic and diluted	9	**US(0.46) cents**	US0.06 cents
Dividend	10	**–**	–

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2015

	Note	Unaudited As at 30 June 2015 US$'000	Audited As at 31 December 2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,227,028**	1,340,431
Intangible asset	12	**1,241**	658
Investments in joint ventures		**23,138**	22,886
Loans to joint ventures		**6,000**	6,667
Loans to related companies	13	**29,178**	30,256
Bank deposit		**–**	70,473
Available-for-sale financial assets		**4,106**	4,108
Deferred income tax assets		**7,973**	8,012
		1,298,664	1,483,491
Current assets			
Inventories		**26,346**	30,953
Loans to joint ventures		**1,333**	1,333
Trade and other receivables	13	**345,986**	271,514
Available-for-sale financial assets		**32,981**	–
Cash and bank balances			
– Cash and cash equivalents		**204,304**	201,618
– Short-term bank deposits		**480,484**	433,316
– Restricted cash		**40,114**	40,114
		1,131,548	978,848
Asset classified as held-for-sale		**–**	61,805
		1,131,548	1,040,653
Total assets		**2,430,212**	2,524,144

Unaudited Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2015

	Note	Unaudited As at 30 June 2015 US$'000	Audited As at 31 December 2014 US$'000
EQUITY			
Capital and reserves			
Share capital	14	1,878,209	1,878,209
Other reserves	15	213,860	273,338
		2,092,069	2,151,547
Non-controlling interests		33,005	38,726
Total equity		2,125,074	2,190,273
LIABILITIES			
Non-current liabilities			
Provision for other liabilities	17	–	305
Borrowings	18	74,723	78,550
		74,723	78,855
Current liabilities			
Trade and other payables	16	216,311	237,164
Provision for other liabilities	17	5,309	9,179
Taxation payable		1,097	1,015
Borrowings	18	7,698	7,658
		230,415	255,016
Total liabilities		305,138	333,871
Total equity and liabilities		2,430,212	2,524,144
Net current assets		901,133	785,637
Total assets less current liabilities		2,199,797	2,269,128

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 2014	51,239	1,826,869	(360,310)	2,995	101	11,621	653,263	2,185,778	(825)	2,184,953
Comprehensive income/(loss)										
Profit/(loss) for the period	–	–	–	–	–	–	2,308	2,308	(7,086)	(4,778)
Other comprehensive loss										
Currency translation differences	–	–	–	–	–	(697)	–	(697)	(481)	(1,178)
Total comprehensive (loss)/income	–	–	–	–	–	(697)	2,308	1,611	(7,567)	(5,956)
Transactions with owners										
Transition to no par value regime on 3 March 2014	1,826,970	(1,826,869)	–	–	(101)	–	–	–	–	–
Total transactions with owners	1,826,970	(1,826,869)	–	–	(101)	–	–	–	–	–
At 30 June 2014	1,878,209	–	(360,310)	2,995	–	10,924	655,571	2,187,389	(8,392)	2,178,997

Unaudited Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2015

	Attributable to owners of the Company									
	Share capital US$'000	Merger reserve US$'000	Statutory reserve US$'000	Other reserve US$'000	Investment revaluation 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 2015	1,878,209	(448,132)	2,995	51,941	–	11,409	655,125	2,151,547	38,726	2,190,273
Comprehensive loss										
Loss for the period	–	–	–	–	–	–	(18,277)	(18,277)	(5,749)	(24,026)
Other comprehensive loss										
Currency translation differences	–	–	–	–	–	(95)	–	(95)	30	(65)
Fair value changes of available-for-sale financial assets	–	–	–	–	(2)	–	–	(2)	(2)	(4)
Total comprehensive loss	–	–	–	–	(2)	(95)	(18,277)	(18,374)	(5,721)	(24,095)
Transactions with owners										
Dividend paid	–	–	–	–	–	–	(41,104)	(41,104)	–	(41,104)
Total transactions with owners	–	–	–	–	–	–	(41,104)	(41,104)	–	(41,104)
At 30 June 2015	1,878,209	(448,132)	2,995	51,941	(2)	11,314	595,744	2,092,069	33,005	2,125,074

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 US$'000	2014 US$'000 (Restated)
Cash generated from operations	19	**11,533**	22,573
Interest received		**10,807**	12,225
Income tax (paid)/refund		**(79)**	32
Net cash generated from operating activities		**22,261**	34,830
Cash flows from investing activities			
Purchases of property, plant and equipment		**(55,352)**	(58,951)
Proceeds from disposals of property, plant and equipment		**26,946**	3,865
Repayment of loans to joint ventures		**667**	750
Proceeds from disposals of assets held for sales		**61,805**	–
Repayment of finance lease receivable		**–**	4,027
Repayment of loan to related companies		**1,417**	–
Proceeds from disposal of available-for-sale financial assets		**8,158**	16,280
Interest income from held-to-maturity investment		**–**	741
Interest income from available-for-sale financial assets		**68**	482
Interest income from loan to related companies		**137**	–
Purchase of available-for-sale financial assets		**(40,464)**	(16,280)
Repayment of loan to a fellow subsidiary		**2,000**	–
Decrease/(increase) in bank deposits		**23,305**	(101,460)
Increase in restricted cash		**–**	2
Net cash generated from/(used in) investing activities		**28,687**	(150,544)
Cash flows from financing activities			
Dividend paid		**(41,104)**	–
Interest expenses		**(630)**	(2,597)
Interest expense on finance lease obligations		**(2,701)**	–
Repayment of finance lease obligations		**(612)**	(287)
Repayment of bank borrowings		**(3,154)**	(3,177)
Net cash used in financing activities		**(48,201)**	(6,061)
Net increase/(decrease) in cash and cash equivalents		**2,747**	(121,775)
Cash and cash equivalents at 1 January		**201,618**	264,989
Effect of foreign exchange rate changes		**(61)**	(1,873)
Cash and cash equivalents at 30 June		**204,304**	141,341

Notes to the Interim Financial Information

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, and ship management.

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

In 2014, the Group acquired from SINOTRANS & CSC Holdings Co., Ltd. and its subsidiaries (collectively "SINOTRANS & CSC Group") 49% equity interests in China National Chartering 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.

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. Details of the above transactions and the relevant statement of adjustments for the common control combinations on the Group's results for the six months ended 30 June 2014 are set out in note 15.

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Subsidiaries, 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.

The interim financial information is presented in US dollars, unless otherwise stated. The interim financial information has been approved for issue by the Board of Directors on 13 August 2015.

Notes to the Interim Financial Information

2 Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total current earnings.

The accounting policies applied in the preparation of the interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2014 except that the Group has adopted the following amendments to existing standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year beginning on 1 January 2015.

HKFRSs Amendments	Annual improvement to HKFRSs 2010-2012 Cycle
HKFRSs Amendments	Annual improvement to HKFRSs 2011-2013 Cycle

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

The HKICPA has issued the following new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2015 and have not been early adopted:

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

(1) Effective for annual periods beginning 1 January 2016
(2) Effective for annual periods beginning 1 January 2017
(3) Effective for annual periods beginning 1 January 2018

2 Basis of preparation and accounting policies (Continued)

The Group has already commenced an assessment of the related impact of these new and amended standards 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 interim financial information will be resulted.

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

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual financial statements for the year ended 31 December 2014.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, bunker price risk, cash flow and fair value interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since year end.

(b) Fair value estimation

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

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

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Available-for-sale financial assets		
Level 2:		
– Debt securities	**32,981**	–
Level 3:		
– Equity securities	**4,106**	4,108
	37,087	4,108

The following table presents the changes in level 3 instruments.

	Equity securities	
	2015 US$'000	2014 US$'000
Opening balance at 1 January	**4,108**	4,126
Total loss recognised in other comprehensive income	**(4)**	–
Exchange difference	**2**	(40)
Closing balance at 30 June	**4,106**	4,086
Total losses for the period recognised in statement of comprehensive income and presented in fair value changes of available-for-sale financial assets	**(4)**	–
Total gains/(losses) for the period recognised in profit or loss related to assets held at the end of the period and presented in other gains/(losses), net	**2**	(40)

There were no changes in valuation techniques during the period.

The fair value of this available-for-sale financial assets (level 3) was based on the estimated future cash flow. There is no transfer into or out of level 3 during the period.

4 Revenues and segment information

(a) Revenues

Revenues recognised during the periods from operations of dry bulk shipping, container shipping, others including shipping agency and ship management are as follows:

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Dry bulk shipping (note)	**246,922**	315,110
Container shipping (note)	**236,663**	286,041
Others	**1,540**	448
	485,125	601,599

Note: Revenue from dry bulk shipping and container shipping under time charterhire agreements were US$52,627,000 and US$4,425,000 respectively for the period ended 30 June 2015 (2014 restated: US$107,696,000 and US$7,094,000 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 liner services, freight forwarding and other related business.

– Others – shipping agency and ship management.

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

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.

	Six months ended 30 June 2015			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	248,419	236,663	4,632	489,714
Inter-segment revenues	(592)	–	(3,092)	(3,684)
Revenues from external customers	247,827	236,663	1,540	486,030
Segment results	(25,576)	9,847	525	(15,204)
Depreciation and amortisation	28,891	3,334	526	32,751
Impairment loss of trade receivables	645	–	–	645
Additions to property, plant and equipment and intangible asset	48,025	–	7,438	55,463

	Six months ended 30 June 2014 (Restated)			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	316,581	286,041	3,783	606,405
Inter-segment revenues	(475)	–	(3,335)	(3,810)
Revenues from external customers	316,106	286,041	448	602,595
Segment results	(8,228)	10,063	2,670	4,505
Depreciation and amortisation	29,195	4,709	282	34,186
Reversal of provision for trade receivables	(160)	–	–	(160)
Additions to property, plant and equipment and intangible asset	101,786	–	1,834	103,620

4 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 condensed consolidated statement of comprehensive income, except that revenues from the Group's joint ventures are measured at proportionate consolidated basis in the segment information.

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Revenues from external customers for reportable segments	**486,030**	602,595
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(905)**	(996)
Total revenues per the condensed consolidated statement of comprehensive income	**485,125**	601,599

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

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Segment results for reportable segments	**(15,204)**	4,505
Corporate expenses	**(15,450)**	(14,315)
Finance income	**10,144**	9,279
Finance expense	**(3,317)**	(2,597)
Loss before income tax	**(23,827)**	(3,128)

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

For the period ended 30 June 2015, the Group has one (2014: Nil) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$69,873,000 (2014: US$56,486,000) is attributable to the dry bulk shipping segment.

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

	As at 30 June 2015			
	Dry bulk shipping US$'000	**Container shipping US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**1,433,293**	**278,432**	**181,165**	**1,892,890**
Segment assets include:				
Interests in joint ventures	**20,219**	**–**	**2,919**	**23,138**
Loans to joint ventures	**7,333**	**–**	**–**	**7,333**
Segment liabilities	**140,267**	**151,614**	**9,840**	**301,721**

	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

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Segment assets	**1,892,890**	1,957,713
Corporate assets	**537,322**	566,431
Total assets per the condensed consolidated balance sheet	**2,430,212**	2,524,144

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Segment liabilities	**301,721**	321,746
Corporate liabilities	**3,417**	12,125
Total liabilities per the condensed consolidated balance sheet	**305,138**	333,871

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 and ship management were unallocated revenue and included in others.

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

Geographical information (Continued)

Revenues (Continued)

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Container shipping		
– Asia	**216,300**	256,165
– Australia	**20,363**	29,876
	236,663	286,041
Dry bulk shipping	**247,827**	316,106
Others	**1,540**	448
	486,030	602,595

5 Other gains/(losses), net

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Finance lease income from a fellow subsidiary	**–**	2,677
Loss on disposals of property, plant and equipment, net (note)	**(108,566)**	(11,464)
(Additional)/reversal of provision for impairment of trade receivables	**(645)**	160
Exchange losses	**(348)**	(563)
Government subsidy (note)	**115,050**	4,426
Provision for claims under pending litigations	**(301)**	–
	5,190	(4,764)

5 Other gains/(losses), net (Continued)

Note:

Included in government subsidy is an approximate US$114,466,000 subsidy in relation to the demolition of vessels. During the period, the Group, through its parent company, submitted an application of government subsidy of RMB702,240,000 (approximately US$114,466,000) in respect of demolition of fifteen vessels during the period 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 notice and is qualified for the subsidy. Management considers the receipt of the subsidy is probable and accordingly such subsidy is recognised in the unaudited condensed consolidated statement of comprehensive income for the period ended 30 June 2015. After taken into account of the subsidy compensation, the net gain of demolition of the fifteen vessels was approximate US$5,897,000.

6 Finance income, net

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Interest expenses:		
– Bank borrowings	**(616)**	(694)
– Finance lease obligations	**(2,701)**	(1,903)
Finance expenses	**(3,317)**	(2,597)
Interest income		
– Bank deposits	**8,584**	8,084
– Amounts due from joint ventures	**49**	62
– Amounts due from fellow subsidiaries	**345**	250
– Loans to related companies	**505**	–
– Held-to-maturity investment	**–**	27
– Available-for-sale financial assets – debt securities	**661**	856
Finance income	**10,144**	9,279
Finance income, net	**6,827**	6,682

7 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 16.5% to 26% during the period (2014 restated: 16.5% to 26%).

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Current income tax		
Hong Kong profits tax	**8**	442
Overseas taxation	**153**	60
	161	502
Deferred income tax	**38**	1,148
	199	1,650

8 Employee benefit expense

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Wages and salaries	**12,665**	11,566
Pension costs – defined contribution plans	**982**	990
	13,647	12,556

9 (Loss)/earnings per share

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

	Six months ended 30 June	
	2015	2014 (Restated)
(Loss)/profit attributable to owners of the Company (US$'000)	**(18,277)**	2,308
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic (loss)/earnings per share (US cent per share)	**(0.46)**	0.06

As there were no diluted potential ordinary shares outstanding during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil), the diluted (loss)/earnings per share for the period is equal to basic (loss)/earnings per share.

10 Dividend

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Notes to the Interim Financial Information

11 Property, plant and equipment

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Cost		
At 1 January	**1,836,180**	1,652,134
Currency translation difference	**(28)**	(390)
Additions	**54,789**	103,620
Disposals and write-offs	**(369,772)**	(39,134)
At 30 June	**1,521,169**	1,716,230
Accumulated depreciation and impairment		
At 1 January	**495,749**	455,692
Currency translation differences	**(17)**	(91)
Charge for the period	**32,659**	34,186
Disposals and write-offs	**(234,250)**	(23,804)
At 30 June	**294,141**	465,983
Net book value		
At 30 June	**1,227,028**	1,250,247

12 Intangible asset

	Six months ended 30 June 2015 US$'000	2014 US$'000 (Restated)
At 1 January		
Cost	669	–
Accumulated amortisation and impairment	(11)	–
Net book amount	658	–
Six months ended		
Opening net book amount	658	–
Additions	675	–
Amortisation charge	(92)	–
Closing net book amount	1,241	–
At 30 June		
Cost	1,344	–
Accumulated amortisation and impairment	(103)	–
	1,241	–

13 Trade and other receivables

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Trade receivables, net of provision (note a)		
– fellow subsidiaries	**11,530**	19,635
– third parties	**98,158**	119,662
	109,688	139,297
Prepayments, deposits and other receivables, net of provision (note b)	**179,338**	73,668
Loans to related companies	**31,187**	32,236
Loans to a fellow subsidiary	**8,000**	10,000
Amounts due from related parties		
– fellow subsidiaries	**38,237**	38,549
– a related company	**362**	–
– joint ventures	**527**	202
– ultimate holding company	**7,825**	7,818
	46,951	46,569
	375,164	301,770
Less: non-current portion – loans to related companies	**(29,178)**	(30,256)
Current portion	**345,986**	271,514

13 Trade and other receivables (Continued)

Notes:

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

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Within 6 months	**105,422**	133,780
7 – 12 months	**2,724**	6,174
1 – 2 years	**3,055**	826
2 – 3 years	**1,560**	936
Over 3 years	**485**	494
Trade receivables	**113,246**	142,210
Less: provision for impairment of trade receivables	**(3,558)**	(2,913)
Trade receivables, net of provision	**109,688**	139,297

(b) As at 30 June 2015, other receivables of US$1,444,000 (31 December 2014: US$1,444,000) were considered as impaired by management and were provided for.

As at 30 June 2015 and as at 31 December 2014, the fair value of the Group's trade and other receivables are approximately the same as their carrying amounts.

14 Share capital

	As at 30 June 2015		As at 31 December 2014	
	Number of shares	**Nominal value US$'000**	Number of shares	Nominal value US$'000
Ordinary shares				
Issued and fully paid	**3,992,100,000**	**1,878,209**	3,992,100,000	1,878,209

15 Other reserves

Business combination under common control

Statements of adjustments for common control combinations of the Acquired Subsidiaries (note 1) on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014 are as follows:

	The Group before Acquired Subsidiaries US$'000	Effect of adoption of merger accounting US$'000	Six months ended 30 June 2014 US$'000
Revenues	112,734	488,865	601,599
Profit/(loss) before income tax	10,482	(13,610)	(3,128)
Income tax expenses	(470)	(1,180)	(1,650)
Profit/(loss) for the period	10,012	(14,790)	(4,778)

16 Trade and other payables

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Trade payables (note)		
– fellow subsidiaries	**15,354**	25,444
– third parties	**159,339**	173,996
	174,693	199,440
Other payables and accruals	**38,495**	36,017
Amounts due to related parties		
– fellow subsidiaries	**3,061**	1,647
– joint ventures	**62**	60
	3,123	1,707
	216,311	237,164

16 Trade and other payables (Continued)

Note:

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

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Within 6 months	**138,919**	168,798
7–12 months	**10,657**	1,896
1–2 years	**3,836**	5,411
2–3 years	**9,286**	16,863
Over 3 years	**11,995**	6,472
Trade payables	**174,693**	199,440

As at 30 June 2015 and as at 31 December 2014, the fair value of the Group's trade and other payables are approximately the same as their carrying amounts.

17 Provision for other liabilities

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Provision for onerous contract		
– current portion	**5,309**	9,179
– non-current portion	**–**	305
	5,309	9,484

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

	Six months ended 30 June	
	2015 US$'000	2014 US$'000 (Restated)
At 1 January	**9,484**	3,524
Provision during the period	**2,480**	13,883
Utilised during the period	**(6,655)**	(3,490)
At 30 June	**5,309**	13,917

18 Borrowings

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

	Bank borrowings		Finance lease obligation		Total	
	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000	**As at 30 June 2015 US$'000**	As at 31 December 2014 US$'000	**As at 30 June 2015 US$'000**	As at 31 December 2014 US$'000
Within 1 year	**6,346**	6,346	**1,352**	1,312	**7,698**	7,658
Between 1 and 2 years	**6,346**	6,346	**1,510**	1,438	**7,856**	7,784
Between 2 and 5 years	**19,039**	19,039	**5,853**	5,484	**24,892**	24,523
Over 5 years	**7,343**	10,518	**34,632**	35,725	**41,975**	46,243
	39,074	42,249	**43,347**	43,959	**82,421**	86,208
Less: current portion	**(6,346)**	(6,346)	**(1,352)**	(1,312)	**(7,698)**	(7,658)
Non-current portion	**32,728**	35,903	**41,995**	42,647	**74,723**	78,550

Notes:

(a) As at 30 June 2015, the Group's bank borrowings of US$39,074,000 (31 December 2014: US$42,249,000), were secured by its vessels with aggregate carrying amount of US$71,006,000 (31 December 2014: US$72,356,000).

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

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
6 months or less	**10,609**	11,431

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

19 Note to unaudited condensed consolidated cash flow statement

Reconciliation of Loss before income tax to cash generated from operations

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Loss before income tax	**(23,827)**	(3,128)
Adjustments for:		
Depreciation and amortisation	**32,751**	34,186
Finance lease income from a fellow subsidiary	**–**	(2,677)
Impairment losses/(reversal of impairment) of receivables	**645**	(160)
Loss on disposals of property, plant and equipment	**108,566**	11,464
Share of profits of joint ventures	**(252)**	(566)
Finance income, net	**(6,827)**	(6,682)
(Reversal of)/additional provision of onerous contracts, net	**(4,175)**	10,393
Government subsidy recognised	**(115,050)**	(4,426)
Changes in working capital:		
Inventories	**4,607**	(3,513)
Trade and other receivables (excluding amounts due from related parties)	**36,170**	(16,639)
Amounts due from related companies	**1,386**	443
Amount due from holding company	**(7)**	–
Trade and other payables (excluding amounts due to related parties)	**(22,454)**	3,878
Cash flow from operations	**11,533**	22,573

20 Contingent liabilities

(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 shipowner subsequently commenced arbitration against Sinochart in the sum of approximately US$10,800,000. Sinochart was exploring possible settlements with the shipowner 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 30 June 2015 (31 December 2014: US$1,000,000).

Save as disclosed above, Sinochart was also involved in other 6 (31 December 2014: 4) pending lawsuits amounted to approximately US$2,083,000 (31 December 2014: US$1,219,000) in aggregate as at 30 June 2015 and 31 December 2014. 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$640,000 as at 30 June 2015 (31 December 2014: US$340,000).

(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 shipowner 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 shipowner 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.

In January 2015, the Court of Appeal in the UK reversed the judgment of the first instance and judged that Sinochart was not liable to undertake the compensation liability against the shipowner while the sub-charterer was not liable to undertake any responsibility against Sinochart.

In May 2015, the case continued to appeal to the High Court in the UK.

As Sinochart expects to recover any compensation from the sub-charterer on a back-to-back position, no provision has been made for the case as at 30 June 2015 and 31 December 2014.

20 Contingent liabilities (Continued)

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

(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 a berth in Brazil, causing damage to the port. The port authority of Brazil brought a claim against the shipowner, and the shipowner 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 30 June 2015.

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 30 June 2015 and 31 December 2014.

(iii) In 2012, a chartered-in vessel of Sinochart collided with a berth and the vessel was held by the party concerned for 9 months.

In March 2015, the shipowner brought a claim of approximately US$110 million against Sinochart on the grounds of the port was being unsafe while Sinochart at the same time brought a claim against the sub-charterer.

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 30 June 2015 and 31 December 2014, 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.

21 Commitments

Capital commitments in respect of property, plant and equipment

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Authorised but not contracted for	**1,598**	4,432
Contracted but not provided for	**151,260**	193,971

22 Related party transactions

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

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

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

22 Related party transactions (Continued)

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
		(Restated)
Charterhire income from fellow subsidiaries	**132,168**	132,670
Charterhire expenses paid to a joint venture	**1,810**	1,999
Commission expenses to fellow subsidiaries	**74**	629
Commission management fee to fellow subsidiaries	**30**	60
Expenses for hiring of crews and seafarers to a fellow subsidiary	**4,987**	5,663
Finance lease income from a fellow subsidiary	**–**	2,677
Interest income on held-to-maturity investment	**–**	748
Interest income from joint venture	**49**	62
Interest income from a fellow subsidiary	**91**	233
Rental expenses to fellow subsidiaries	**751**	740
Service fee paid to fellow subsidiaries	**77,917**	61,290
Service fee income from fellow subsidiaries	**64**	119
Service fee paid to a related company	**400**	–
Agency income from fellow subsidiaries resale and container lease cost paid	**26,888**	28,952

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

(c) Period ended balances arising from sales, purchases and other transactions with related parties were disclosed in notes 13 and 16.

(d) Key management compensation

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Salaries, allowances, and benefits-in-kind	**181**	326
Contributions to pension plans	**15**	13
	196	339

Management Discussion and Analysis of Results of Operations and Financial Position

Review of historical operating results

In the first half of 2015, the overall international shipping market remained depressed. The recovery of global economy was slow and uneven, among which the growth of developed economies has picked up but was still weaker than anticipated, while the increase in emerging economies such as China continued to slow down. As a result, the growth of international trade and seaborne demand stayed in low gear. Meanwhile, there was no substantial change in fleet overcapacity and the freight rate remained at a low level. In particular, the average spot rate of the dry bulk shipping market even slumped to a record low in the first half of the year. In light of such severe market situation, our Group managed to maintain a steady operation by making full use of our low-cost advantage and taking proactive actions such as flexibly adjusting our operating mode, optimising our fleet structure, intensifying the integration of internal resources as well as enhancing the management capability. However, affected by the deteriorated shipping market, our Group recorded a loss attributable to owners of the Company of US$18.28 million (2014: profit of US$2.31 million) for the six months ended 30 June 2015.

Revenues

For the six months ended 30 June 2015, revenues of our Group were US$485.13 million (2014: US$601.60 million). We set forth below the revenues contribution from each business segment for the six months ended 30 June 2015:

	Six months ended 30 June		
	2015	2014	
	US$'000	US$'000 (Restated)	% Change
Revenues from:			
– Dry bulk shipping[1]	**247,827**	316,106	(21.6%)
– Container shipping	**236,663**	286,041	(17.3%)
– Others	**1,540**	448	243.7%
	486,030	602,595	(19.3%)
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(905)**	(996)	(9.1%)
Revenues per the condensed consolidated statement of comprehensive income	**485,125**	601,599	(19.4%)

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

Management Discussion and Analysis of Results of Operations and Financial Position

Dry bulk shipping

Revenue from dry bulk shipping of the Group primarily consists of ocean freight income and charterhire income.

Since 2015, the international dry bulk shipping market slumped continuously. The recovery of developed economies remained tortuous and China's economy has entered the "new normal" mode of medium-to-high speed of growth, leading to the weak demand for major commodities and significant decrease in the growth of dry bulk seaborne demand. Although the growth of fleet capacity has slowed down, the supply-demand imbalance caused by the existing massive scale of capacity has constantly depressed the freight rate. In the first half of 2015, the Baltic Dry Index (BDI) hovered at a low level and even declined to a historic low of 509 points in February. The average BDI recorded merely 623 points in the first half of the year, representing a year-on-year sharp decrease of approximately 47%. Suffered from increasing operating pressure, many dry bulk shipping companies around the world went bankrupt.

Facing the severe market situation, we further improved our business mode, playing both the role of shipowner and operator. With the purpose of stabilising the income and seeking new profit drivers, we focused on short-term time charter, increased the voyage charter business and seized opportunities to charter out our vessels in the volatile market. Furthermore, we took full advantage of our global all-in-one network, reinforced cargo canvassing, as well as enhanced the relationship with our customers, thereby effectively achieving vessel and cargo combinations. For the six months ended 30 June 2015, revenue of the Group from dry bulk shipping was US$247.83 million (2014: US$316.11 million), among which ocean freight income recorded US$194.30 million (2014: US$207.42 million), and charterhire income recorded US$53.53 million (2014: US$108.69 million). The shipping volume was 20.97 million tonnes in the first half of the year. The average daily charter hire rate/time charter equivalent (TCE) rate of self-owned dry bulk vessels was US$8,122 (2014: US$10,777).

Container shipping

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

In the first half of 2015, the overall container shipping market of Intra-Asia area remained weak. Although the seaborne demand for container shipping in Intra-Asia area maintained a steady growth, the freight rate still declined. It was mainly caused by the significant increase in capacity due to the launch of new liner services and large-sized vessels. Responding to the changes in the market, our Group duly adjusted the service routes, enhanced cooperation with our customers, and endeavoured to improve performance through strategic alliance. For the six months ended 30 June 2015, revenue of the Group from container shipping was US$236.66 million (2014: US$286.04 million), which mainly contained income from liner service of US$218.22 million (2014: US$245.43 million), and income from freight forwarding of US$14.02 million (2014: US$33.52 million). In the first half of the year, the container shipping volume was 422,875 TEU (2014: 417,282 TEU). The average income from single container was US$449 (2014: US$480).

Management Discussion and Analysis of Results of Operations and Financial Position

Cost of operations

The cost of operations decreased to US$505.14 million (2014: US$592.71 million) for the period ended 30 June 2015. The principal cost of operations, including voyage costs, cargo transportation costs, operating lease rentals and vessel costs.

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

	Six months ended 30 June		
	2015	2014	
	US$'000	US$'000	% Changes
		(Restated)	
Dry Bulk Shipping			
Voyage costs	**85,564**	71,621	19.5%
Cargo transportation costs	**62,705**	80,544	(22.1%)
Operating lease rentals	**55,445**	90,731	(38.9%)
Vessel costs	**69,872**	67,217	3.9%
Others	**4,302**	6,110	(29.6%)
	277,888	316,223	(12.1%)
Container Shipping			
Voyage costs	**38,927**	57,313	(32.1%)
Cargo transportation costs	**105,601**	130,071	(18.8%)
Operating lease rentals	**71,780**	78,615	(8.7%)
Vessel costs	**10,225**	10,215	0.1%
Others	**9**	76	(88.2%)
	226,542	276,290	(18.0%)
Segment – Others	**710**	192	269.8%
Total cost of operations	**505,140**	592,705	(14.8%)

Due to the decline in freight rate and lower cost of the chartered-in vessel, the operating costs of dry bulk shipping decreased to US$277.89 million (2014: US$316.22 million). Of which, the cargo transportation costs, mainly consist of ocean freight expenses, dropped by US$17.84 million to US$62.71 million. The operating lease rentals for vessels dropped by US$35.29 million to US$55.45 million.

The operating costs of container shipping amounted to US$226.54 million (2014: US$276.29 million). The voyage cost decreased by US$18.39 million to US$38.93 million mainly due to the drop of the bunker price, while the cargo transportation costs dropped by US$24.47 million to US$105.60 million primarily attributable to the drop of the freight forwarding volume and freight forwarding rate.

Management Discussion and Analysis of Results of Operations and Financial Position

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs, travelling expense and office rental, amounted to US$16.08 million (2014: US$14.51 million).

Other gains/(losses), net

The net amount of the other gains amounted US$5.19 million (2014: other losses, net of US$4.76 million).

In order to optimise the fleet structure and achieve cost-effectiveness in the future, our Group has disposed 15 vessels. After taken into account of the government subsidy compensation, we recorded a net gain of demolition of vessels amounted US$5.90 million.

Finance income, net

The net amount of finance income was mainly the interest income derived from bank deposits and the investments. The net amount of finance income was US$6.83 million (2014: US$6.68 million).

Share of profits of joint ventures

The share of profits of joint ventures, which were contributed by dry bulk shipping, was US$0.25 million (2014: US$0.57 million).

Income tax expense

Income tax expense was US$0.20 million (2014: US$1.65 million).

Management Discussion and Analysis of Results of Operations and Financial Position

Liquidity and financial resources

Our cash has been principally used for payment for construction of vessels, payment of final dividend 2014, operating costs and working capital in the first half of 2015. We have financed our liquidity requirements primarily through internal generated cash.

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

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Current assets	**1,131,548**	1,040,653
Current liabilities	**230,415**	255,016
Liquidity ratio (note)	**4.91**	4.08

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

Our liquidity ratios as at 30 June 2015 and 31 December 2014 were 4.91 and 4.08 respectively.

Borrowings

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

	Bank borrowings		Finance lease obligation		Total	
	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Within 1 year	**6,346**	6,346	**1,352**	1,312	**7,698**	7,658
Between 1 and 2 years	**6,346**	6,346	**1,510**	1,438	**7,856**	7,784
Between 2 and 5 years	**19,039**	19,039	**5,853**	5,484	**24,892**	24,523
Over 5 years	**7,343**	10,518	**34,632**	35,725	**41,975**	46,243
	39,074	42,249	**43,347**	43,959	**82,421**	86,208
Less: current portion	**(6,346)**	(6,346)	**(1,352)**	(1,312)	**(7,698)**	(7,658)
Non-current portion	**32,728**	35,903	**41,995**	42,647	**74,723**	78,550

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 30 June 2015 and 31 December 2014.

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Capital commitments

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

	As at 30 June 2015 US$'000	As at 31 December 2014 US$'000
Authorised but not contracted for	**1,598**	4,432
Contracted but not provided for	**151,260**	193,971

Capital expenditures

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

For the six months ended 30 June 2015, total capital expenditures were US$55.46 million (2014: US$103.62 million) which was mainly attributable to the capital expenditures for construction of dry bulk vessels and dry docking in the first half of the year.

Foreign exchange risk

Our Group operates internationally and is exposed to foreign exchange risk 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 our Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items"). Our 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.

Management Discussion and Analysis of Results of Operations and Financial Position

Contingent liabilities

The contingencies of our Group were set out in Note 20 to the interim financial information.

Employees

As at 30 June 2015, our Group had a total of 664 shore-based employees working in our offices in Hong Kong, Mainland China, Canada, Singapore and other regions. Details of the remuneration policy of the employees and staff development were substantially the same as those disclosed in the 2014 Annual Report with no significant change.

Fleet development

During the first half of 2015, our Group seized the market opportunities to further optimise our fleet structure in terms of both ship type and age. We disposed 15 aged dry bulk vessels, and also took delivery of one eco dry bulk newbuilding vessel with a capacity of 78,000 DWT. As at 30 June 2015, our Group owned a fleet of 47 vessels with an aggregate capacity of 3.42 million DWT and an average age of approximately 7.9 years, the age of which decreased by about 2 years as compared to the end of last year. The total controlled fleet included 103 vessels with an aggregate capacity of approximately 7.06 million DWT. In addition, our Group also has a total of 9 newbuilding vessels with an aggregate capacity of 590,000 DWT, which are expected to be delivered to our Group successively from the second half of 2015 onwards. By continuing the fleet restructuring, our advantages of the modern, large-sized and low-carbon fleet will be further strengthened, and our market competitiveness will be better enhanced.

Outlook

In 2015, the global economy is expected to remain in weak recovery accompanied with downside risks and the divergence of economic development will continue. The growth of emerging economies slows down, while the developed economies show a positive sign in recovery, therefore the international trade and seaborne demand will maintain a moderate growth.

In the dry bulk shipping market, it is expected that the growth of seaborne demand will be stimulated by the relatively low prices of major commodities. Together with driving forces such as the seasonal factor, the dry bulk shipping market is expected to rebound from low levels. In respect of tonnage supply, though the delivery of newbuilding vessels remains relatively small, the existing massive scale of capacity still needs to be digested, and thus the dry bulk shipping market is predicted to remain weak. For the container market in the Intra-Asia area, the intense pressure of overcapacity will still exist. However, with the coming of traditional peak season and the strengthening alliance among shipping companies, the pressure of supply-demand imbalance will be somehow eased. Therefore, it is predicted that the container shipping market of Intra-Asia area will remain in weak balance. Moreover, the oil price is expected to remain fluctuated at a relatively low level in the second half of the year, which will be beneficial for the shipping companies to control the fuel costs and improve the operating performance.

In response to the current market situation, our Group will adhere to a combined business mode of shipowner and operator based on steady operation. In order to improve our performance, we will focus on the strengthening of cost control, persist to optimise the fleet structure, deepen the internal integration to obtain economies of scale, as well as seek for new opportunities. Our Group believes that, with above measures and our advantages of solid financial position, lower vessel costs, modern fleet, mature network and leading brand, we will further improve our market competitiveness and as always, strive for the maximisation of our shareholders' interests.

Management Discussion and Analysis of Results of Operations and Financial Position

Audit committee

The audit committee of our Company has reviewed the interim financial information of our Group for the six months ended 30 June 2015. In addition, the Company's independent auditor, PricewaterhouseCoopers, has performed a review of the interim financial information of our Group in accordance with the Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

Interim Dividend

Dividend

Our Board has resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Other Information

Directors' interests in shares

As at 30 June 2015, none of the directors and chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered into the register kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules.

Substantial shareholders

As at 30 June 2015, the interests or short positions of the following persons (other than directors or chief executive of the Company) in the shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Note:

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

Save as disclosed above, as at 30 June 2015, no other person (other than directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Purchase, sale and redemption of listed securities of the Company

During the six months ended 30 June 2015, neither our Company nor any of our subsidiaries had purchased, sold or redeemed any of our Company's shares.

Other Information

Compliance with the corporate governance code

Our Group has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015.

Compliance with the model code for securities transactions by directors of listed issuers

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

Our Board confirms that, having made specific enquiry of all Directors, all our Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

Changes in director's information

Since the date of the Company's 2014 Annual Report, changes in Director's information are set out as follows;

Mr. Lee Peter Yip Wah has been re-designated from a non-executive director of SHK Hong Kong Industries Limited to an independent non-executive director of the said company with effect from 2 June 2015.