中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

ANNUAL REPORT 2015

COMPANY PROFILE

Sinotrans Shipping Limited and its subsidiaries (collectively the "Group") is a leading shipping enterprise in 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, and has established sound reputation and brand image in the industry.

The Company is an integrated shipping enterprise involved in investment, operation and management of vessels with dry bulk shipping and container shipping as our core businesses. Our dry bulk business is engaged in transportation of bulk cargoes such as iron ore, coal, grain, steel and other break-bulk cargoes in the world. The container shipping business focuses on Intra-Asia market which has a relative high development potential, and our core competence especially lies in Taiwan routes and Japan routes. In addition, the Company has successfully expanded into the LNG shipping business in 2015 and realized business diversification.

We own, operate and manage a scaled modern fleet. As at 31 December 2015, the total controlled fleet of the Group was 109 vessels with an aggregate capacity of approximately 7.41 million DWT. Among which, 49 vessels were owned by the Group, including 38 dry bulk vessels with an aggregate capacity of approximately 3.53 million DWT (9 Capesize dry bulk vessels, 16 Panamax dry bulk vessels, 9 Handymax dry bulk vessels and 4 Handysize dry bulk vessels) and 11 container vessels with an aggregate capacity of 9,537 TEU. The average age of our self-owned fleet was 6.41 years.

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FINANCIAL HIGHLIGHTS

	2015 US$'000	2014 US$'000
Results		
Revenues	**999,774**	1,206,811
(Loss)/profit attributable to owners of the Company	**(66,334)**	1,862
Basic and diluted (loss)/earnings per share	**US(1.66) cents**	US0.05 cents
Dividend	**–**	40,945
Financial Position		
Total assets	**2,353,225**	2,524,144
Total liabilities	**296,231**	333,871
Equity attributable to owners of the Company	**2,035,380**	2,151,547
Available fund(1)	**655,003**	745,521
Interest bearing liabilities	**78,617**	86,208
Interest bearing debt ratio(2)	**3.8%**	3.9%

(1) Include bank deposit, cash and bank balances and debt securities.

(2) Interest bearing liabilities divided by total equity.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I HEREBY PRESENT THE ANNUAL REPORT OF OUR GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 FOR YOUR REVIEW.

BUSINESS REVIEW

In 2015, the overall international shipping market was in the doldrums. Global economic activities remained weak. Despite the moderate recovery of developed economies, the growth of emerging markets and developing economies has been slowing down for years, which adversely affected the global trade. With lacklustre growth in shipping demand, freight rate continued to drop due to imbalance between supply and demand in the shipping market, resulting in an extremely challenging year for dry bulk shipping and container shipping industry.

For the dry bulk shipping market, due to the impact of the economic restructuring of China, the growth of iron ore seaborne trade volume slowed down and the coal trade volume dropped, resulting in a negative growth of global dry bulk shipping volume. Although the fleet growth has decelerated, the scale of the total capacity remained large and the freight rates fell to record lows. The average of Baltic Dry Index (BDI) for 2015, which reflects the dry bulk shipping market, was merely 718 points, representing a year-on-year decrease of 35%. The BDI continued to drop in the beginning of 2016 and even hit a record low of 290 points.

For the container shipping market, under the pressure of growth decline in shipping demand and increasing shipping capacity, the imbalance between supply and demand further deteriorated. The average of China Containerized Freight Index (CCFI) for the year hit a record low of 879 points, decreased by 19% over last year.

The Group faced the challenges imperturbably. Adhering to the principle of prudent operation and risk control, the Group grasped the market trends with cargo-oriented and customer-centered approaches to develop its existing business. We strived to improve our operating results by taking measures of enriching operation modes, upgrading fleet structure, optimizing resources allocation and controlling cost stringently. As a result, our dry bulk shipping volume realized a substantial growth against unfavorable market conditions and container shipping business achieved profitability.

Affected by the deteriorated shipping market, our Group recorded a revenue of US$999.77 million, loss attributable to owners of the Company of US$66.33 million and losses per share of US1.66 cents in 2015.

In 2015, the Group accelerated the restructuring and upgrading of our fleet. Benefitting from the national policy of aged vessels replacement, we centrally dismantled and scrapped 18 aged vessels, received 6 new eco-vessels and placed orders for the building of 10 new vessels. These measures of optimisation and upgrading have brought a refreshing look to our fleet and laid a solid foundation for the sustainable development of the Group.

Amid the changing market, our Group seized the opportunities and sought new development. We explored new businesses represented by LNG shipping. In the year, we successfully won the bidding of the ice-class liquefied natural gas carriers of Russian Yamal project jointly with our partners. The project marks our Group has successfully entered into the high-end shipping market, which will bring us long-term stable returns in the future.

Our Group has been dedicated to improving the corporate governance standard. In order to comply with ISM Code, we have been promoting the comprehensive management system in compliance with the quality management standard ISO 9001 and environmental management standard ISO 14001. The above measures helped ensure sound and prudent operation and sustainable development of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK8 cents per share).

OUTLOOK

In 2016, global economic recovery will remain weak, accompanied with many uncertainties. Growth of international trade volume will be limited, continuing to bring pressures and challenges for the shipping market. The dry bulk shipping market may remain sluggish with weak demand and excessive capacity. Due to the dismal market, disposal of aged vessels and reshuffle of industry will be expedited, therefore facilitating the market to step out of the historic lows. For the Intra-Asia container shipping market, with the implementation of government policies and various free trade agreements, the seaborne demand will show an upward trend, while competition landscape of routes tends to remain relatively stable.

In the first year of the 13th Five-Year Plan, the Group will proceed with prudent operation. Capitalising on our professional teams and sound financial conditions, we will seize the opportunities arising from China's "Belt and Road Initiative", properly adjust business layouts, strengthen internal control and prevent operational risks. In addition, while consolidating current business development, we will continue to seek new business opportunities and explore a diversified business structure, so as to further boost business growth. We will do our best to realize corporate value and maximize the interest of our shareholders.

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 there is no gain without pain. Sinotrans Shipping will forge ahead in times of market adversity, and write a new chapter of development.

Li Zhen
Chairman
14 March 2016

OUR GROUP OWNS, MANAGES AND OPERATES A MODERN DRY BULK FLEET AND A CONTAINER FLEET.

BUSINESS REVIEW & OUTLOOK

DRY BULK SHIPPING

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

Dry bulk shipping market was extremely sluggish in 2015 and the market performance was far below expectations. The overall seaborne demand was weak. As a dominant force in dry bulk demand, China is experiencing economic structural adjustments, which has significantly dwindled the growth of major commodities demand. The global dry bulk shipping volume experienced a negative growth. Although the delivery of newbuildings slightly decreased in 2015 as compared with last year, the market supply and demand became more imbalanced as a result of the decline in seaborne demand. In 2015, the average Baltic Dry Index (BDI), which reflects the dry bulk shipping market, recorded merely 718 points, representing a year-on-year decrease of 35%. The BDI continued to drop at the beginning of 2016 and even hit a historic low of 290 points in February.

In face of such severe market situation, our Group continuously optimised our resource allocation, leveraged economies of scale, expanded business opportunities, improved service quality and endeavored to balance ships with cargoes. We also explored various vessel chartering modes to reduce operating risks. We strived to improve our market share in face of adversity and our overall shipping volume increased by 13% as compared to the corresponding period of last year. In 2015, revenue of our Group from dry bulk shipping was US$503.33 million (2014: US$621.13 million), among which ocean freight income recorded US$400.16 million (2014: US$420.73 million), and charter hire income recorded US$103.17 million (2014: US$200.40 million). The shipping volume was 42.36 million tons during the year (2014: 37.50 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$8,129 (2014: US$10,074). The TCE of all ship types was significantly higher than the average charter rate level of BDI in the spot market.

CONTAINER SHIPPING

The container shipping business of the Group mainly generates revenue from the container liner service, freight forwarding and other businesses in Intra-Asia area.

The container market in 2015 was also grim. Due to the sluggish growth of shipping demand derived from trade, the aggregate increase in the global container capacity was much higher than the previous year, resulting in the steep drop of freight rates. For Intra-Asia market, the economic growth of China and other emerging countries slowed down. The price competition among shipping companies further intensified as a result of the increased container capacities in the area. The average China Containerized Freight Index (CCFI) for the year recorded the lowest level of 879 points, decreased by 19% over the same period of last year. However, due to the significant drop in bunker prices, the operating cost of container shipping decreased, which offset the negative impacts of market downturn on the operation of the Group to a certain extent.

Amid the sluggish market, our Group persistently held its position as the liner carrier in Intra-Asia area. Based on the principle of improving existing liner services, we continuously optimized our shipping routes layout, strengthened the competitive edges of our major routes, and strived to reduce operating cost. As such, our Group achieved profits under market pressure eventually. For the year ended 31 December 2015, revenue of our Group from container shipping was US$495.90 million (2014: US$585.21 million), among which income from liner service recorded US$450.45 million (2014: US$515.21 million), income from freight forwarding as well as other related business recorded US$45.45 million (2014: US$70.00 million). The container shipping volume was 856,999 TEU during the year (2014: 898,935 TEU). The average income per container was US$417 (2014: US$442).

LNG SHIPPING

In 2015, to disperse operational risks and obtain long-term stable returns, the Group engaged in LNG Arctic shipping business. In cooperation with Dynagas Holding Ltd and China LNG Shipping (Holdings) Limited, we successfully won the bidding of Russian Yamal ice-class LNG carriers project. Jointly with our partners, we invested in the five new building LNG carriers, and operated the LNG shipping business of Arctic route. In 2015, the three parties reached a series of cooperation agreements. According to the agreements, certain joint ventures were established and commenced operation. Each joint venture signed an approximately 30 years time-charter contract with YAMAL Trade Pte. Ltd. respectively, in respect of the five vessels. The project will facilitate the improvement of income structure and profitability of the Group, and create new breakthrough in business development.

VESSEL TECHNICAL MANAGEMENT AND OTHER SHIPPING RELATED BUSINESS

The vessel technical management services provided by our Group include technical management 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.

In 2015, our Group efficiently managed our vessels by focusing on the integration of internal resources and the launch of effective measures, strongly ensuring safe operation of our vessels. The total number of operating days of our dry bulk vessels and container vessels was 18,141, representing a decrease as compared with the corresponding period of last year, which was due to the disposal of aged vessels. Nevertheless, the fleet utilisation rate still remained relatively high at 97.4%.

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

	2015	2014
Number of vessels at the end of the period	**38**	50
Total number of operating days	**14,171**	17,417
Total number of off-hire days (other than because of repair and maintenance)	**37**	90
Total number of days that vessels are not utilised because of repair and maintenance	**403**	337
Fleet utilisation(1)	**97.0%**	97.6%

The following table sets out the information of the operating rates for our self-owned container vessels over the periods indicated.

	2015	2014
Number of vessels at the end of the period	**11**	11
Total number of operating days	**3,970**	3,963
Total number of off-hire days (other than because of repair and maintenance)	**0**	21
Total number of days that vessels are not utilised because of repair and maintenance	**45**	31
Fleet utilisation(1)	**98.9%**	98.7%

Note:

(1) The percentage of total number of operating days over total number of days.

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

The year of 2015 is a remarkable year for the restructuring and upgrading of our fleet. Benefitting from the national policy of aged vessels replacement, we seized the favorable opportunity arising from high price of scrap steel to centrally scrap 18 aged vessels, and received 6 new eco-vessels. At the same time, in order to meet the need of business development, the Group placed orders for the building of 10 new vessels. These vessels will be delivered from 2017. Through replacement and upgrading of vessels, the Group optimised the fleet structure, which brought significant decrease in fleet costs and notable growth in profitability. Our comprehensive competitiveness was further enhanced. As at 31 December 2015, the average age of our own vessels was 6.4 years old, a decrease by 3.5 years as compared with last year. In 2016, the Group will continue to enhance the fleet structure so as to lay a solid foundation for sustainable business development in the future.

Name of Vessel	DWT/TEU[1]	Year Built	Age
Multi-purpose Vessel			
Sky Glory	21,679	January 1992	Disposed
Sky Royal	21,763	June 1992	Disposed
Handysize Dry Bulk Vessel			
Great Resource	31,775	May 2010	5.6
Trans Friendship I [2]	31,809	August 2010	5.3
Trans Friendship II [2]	31,744	December 2010	5.0
Great Reward	31,785	January 2011	4.9
BC 388–01 [3]	38,800	June 2017 [4]	–
BC 388–02 [3]	38,800	August 2017 [4]	–
BC 388–03 [3]	38,800	October 2017 [4]	–
BC 388–04 [3]	38,800	December 2017 [4]	–
BC 388–05 [3]	38,800	March 2018 [4]	–
BC 388–06 [3]	38,800	May 2018 [4]	–
Great Immensity	32,485	December 1999	Disposed
Great Gain	27,140	November 1998	Disposed
Great Success	27,172	October 1998	Disposed
Great Blossom	32,509	September 1999	Disposed
Great Motion	27,338	September 1998	Disposed
Great Friendship	24,021	February 1999	Disposed

Name of Vessel	DWT/TEU[1]	Year Built	Age
Handymax Dry Bulk Vessel			
Great Scenery	47,760	August 2002	13.3
Great Praise	52,434	May 2006	9.6
Great Legend	52,385	August 2006	9.3
Great Amity	56,050	September 2004	11.2
Da Cheng [6]	57,066	September 2010	5.2
Great Progress	63,377	August 2015	0.3
Great Rainbow	63,464	September 2015	0.2
Great Pioneer	63,411	October 2015	0.2
Great Fortune	63,497	November 2015	0.1
Great Link [5]	63,464	January 2016	–
Great Fluency [5]	63,391	January 2016	–
Great Comfort [3]	64,000	April 2016 [4]	–
Great Vision [3]	64,000	April 2016 [4]	–
Great Happy	45,248	March 1997	Disposed
Great Calm	45,215	August 1996	Disposed
Great Eternity	46,194	February 1998	Disposed
Great Peace	45,259	March 1996	Disposed
Great Prestige	46,193	April 1998	Disposed
Panamax Dry Bulk Vessel			
Great Ambition	73,725	August 1999	16.3
Great Loyalty	73,659	September 1999	16.2
Great Prosperity	73,679	July 1999	16.4
Great Wisdom	74,293	March 2000	15.7
Great Intelligence	74,293	June 2000	15.5
Great Talent	76,773	January 2005	10.9
Great Mind	75,624	December 2011	4.0
Great Hope	75,630	February 2012	3.8
Great Wealth	75,569	September 2011	4.2
Great Rich	75,523	January 2012	3.9
Great Glen	93,251	October 2009	6.2
Great Cheer	93.297	April 2010	5.6
Great Animation	93,203	March 2011	4.7
Great Aspiration	93,412	January 2010	5.9
Great Triumph	77,835	June 2015	0.5
Great Victory	77,853	August 2015	0.3
Great Luck	71,399	February 1998	Disposed
Great Jade	73,192	October 1997	Disposed
Great Bright	73,242	December 1997	Disposed
Great Glory	73,274	November 1997	Disposed
Great Bless	73,251	August 1997	Disposed

Name of Vessel	DWT/TEU[1]	Year Built	Age
Capsize Dry Bulk Vessel			
Great Qin	176,105	March 2010	5.7
Great Jin	175,868	March 2010	5.7
Great Zhou	180,334	July 2010	5.4
Great Han	180,443	October 2010	5.2
Great Tang	180,246	January 2011	4.9
Great Song	180,387	March 2011	4.7
Cape Sun [6]	175,611	January 2010	5.9
Great Yuan	179,978	August 2010	5.3
Great Sui	179,978	May 2010	5.6
Container Vessel			
Sinotrans Beijing	847	February 2008	7.8
Sinotrans Shenzhen	847	April 2008	7.6
Sinotrans Ningbo	847	May 2008	7.6
Sinotrans Xiamen	847	July 2008	7.4
Sinotrans Hong Kong	1,049	May 2006	9.6
Sinotrans Dalian	1,106	August 2013	2.3
Sinotrans Qingdao	1,106	July 2013	2.4
Sinotrans Shanghai	1,040	July 2013	2.4
Sinotrans Tianjin	1,040	October 2013	2.2
Yi Yun [7]	404	May 1996	19.5
Yi Sheng [7]	404	August 1996	19.3
H5489 [3]	1,900	May 2017 [4]	–
H5490 [3]	1,900	June 2017 [4]	–
H5491 [3]	1,900	September 2017 [4]	–
H5492 [3]	1,900	November 2017 [4]	–

Notes:

(1) Applies only to container vessels.

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

(3) Construction has been commissioned.

(4) Expected date of delivery.

(5) The vessel was delivered to our Group in January 2016.

(6) The vessels are owned by China National Chartering Co., Ltd., a subsidiary of the Company.

(7) The vessels are owned by Sinotrans Container Lines Co., Ltd., a subsidiary of the Company.

EMPLOYEES

As at 31 December 2015, our Group had a total of 752 shore-based employees working in our offices in Hong Kong, Mainland China, Canada, Singapore and other regions. The remuneration policies and development of our employees were substantially the same as those disclosed in the 2014 annual report with no material change.

OUTLOOK

In 2016, the global economy encounters various uncertainties. The foundation of recovery is unsolidified. Growth of international trade volume and seaborne demand will be limited, continuing to bring pressures and challenges to the shipping market.

For the dry bulk shipping market, the main emerging economies, as the major support for the international dry bulk shipping market, continue to slow down in their economic growth, which will result in weak demand. The dry bulk shipping market may remain sluggish with the existence of excessive capacity and fragile demand. Nonetheless, it is expected that the room for further decline in the market will be minimal, and seaborne demand will be stimulated by the lower prices of major commodities. Due to the dismal market, disposal of aged vessels and reshuffle of industry will be expedited, therefore facilitating the market recovery. Simultaneously, it provides an opportunity for our Group to extend the customer base and increase the market share, so as to achieve further development.

For the Intra-Asia container shipping market, with the advance of China's "Belt and Road Initiative" and implementation of various free trade agreements, trading activities among countries in the region will be more active. The seaborne demand will be further elevated, while competition of container lines and freight rates in the region tends to remain relatively stable. The Group will continue to control costs strictly, improve its service quality and explore new shipping lines timely in order to sustain its growth and secure profits in 2016.

The Group will consolidate its position as a comprehensive shipping company and stick to the operating principle of moving forward with steady growth. Relying on its professional teams, the Group will take advantage of its brand value, optimize its customer network, diversify its operation modes and improve resource allocation, in order to lower fleet costs and improve profitability. In addition, while consolidating current business development, we will continue to seek for new opportunities. Based on the principle of profit orientation, the Group will develop new businesses such as LNG shipping, to obtain long-term stable returns. Through above measures, its business scale will be expanded and its risk control ability will be enhanced. The Group will seize opportunities for further development against the unfavorable market environment.

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS

	2015	2014	% Change
Return on equity[1]	**(3.17%)**	0.09%	(3,790.5%)
Current ratio[2]	**3.78**	4.08	(7.4%)
Debt asset ratio[3]	**0.13**	0.13	0%
Net asset per ordinary share (USD)[4]	**0.51**	0.54	(5.6%)

(1) (Loss)/profit attributable to owners divided by the average of the opening and closing equity attributable to owners.

(2) Current assets divided by current liabilities.

(3) Total liabilities divided by total assets.

(4) Net asset attributable to owners of the Company divided by number of ordinary shares.

REVIEW OF HISTORICAL OPERATING RESULTS

The overall international shipping market became more depressed in 2015. Global economic activities remained weak. Despite the moderate recovery of developed economies, the growth of emerging markets and developing economies has been slowing down for years, which adversely affected the global trade. With sluggish shipping demand, freight rate continued to drop due to continuous imbalance of supply and demand, resulting in an extremely challenging year for dry bulk shipping and container shipping industry.

To cope with the worsening market conditions, the Group adhered to its cargo-oriented and customer-centered approaches to develop its existing business. We took measures such as reinforcing cargo canvassing and strengthening advantages on our liner services to ensure stable revenue, and at the same time continuously upgrading our fleet, enhancing management and strictly controlling cost to improve comprehensive competitiveness. In addition, we participated jointly with our partners in bidding of the ice-class liquefied natural gas carriers of Russian Yamal project and successfully won the bidding in 2015. The operation of the project will help ensure long-term stable returns for the Group in the future.

Affected by the deteriorated shipping market, our Group recorded a revenue of US$999.77 million, loss attributable to owners of the Company of US$66.33 million and losses per share of US1.66 cents in 2015.

Revenues

For the year ended 31 December 2015, revenues of our Group were US$999.77 million (2014: US$1,206.81 million).

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

	2015 US$'000	2014 US$'000	% Change
Revenues from:			
– Dry bulk shipping[1]	**503,331**	621,134	(19.0%)
– Container shipping	**495,895**	585,205	(15.3%)
– Others	**2,228**	2,408	(7.5%)
	1,001,454	1,208,747	(17.1%)
Revenues derived from joint ventures measured at proportionate consolidated basis[1]	**(1,680)**	(1,936)	(13.2%)
Revenues per the consolidated statement of comprehensive income	**999,774**	1,206,811	(17.2%)

(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.

Dry bulk shipping market was extremely sluggish in 2015 and the market performance was far below expectations. The overall seaborne demand was weak. As a dominant force in dry bulk demand, China is experiencing a structural reform of economy, which has significantly dwindled the growth of major commodities demand. The growth of iron ore imports slowed sharply and the coal imports dropped dramatically as compared with the corresponding period of 2014. In 2015, the global dry bulk shipping volume experienced a negative growth. Although the delivery of newbuildings decreased in 2015 as compared with last year, the market supply and demand became more imbalanced as a result of the decline in seaborne demand. The average Baltic Dry Index (BDI), which reflects the situation of dry bulk shipping market, recorded merely 718 points in 2015, representing a year-on-year decrease of 35%. The BDI continued to drop and even hit a historic low of 290 points in February 2016.

In face of such severe market situation, our Group continuously optimised our resource allocation, leveraged economies of scale, expanded business opportunities, improved service quality and endeavored to balance ships with cargoes. We also explored various vessel chartering modes to reduce operating risks. We strived to improve our market share in face of adversity and our overall shipping volume increased by 13%. In 2015, revenue of our Group from dry bulk shipping was US$503.33 million (2014: US$621.13 million), among which ocean freight income recorded US$400.16 million (2014: US$420.73 million), and charter hire income recorded US$103.17 million (2014: US$200.40 million). The shipping volume was 42.36 million tons during the year (2014: 37.50 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$8,129 (2014: US$10,074). The TCE of all ship types was significantly higher than the average charter rate level in the spot market.

Container shipping

The container shipping business of the Group mainly generates revenue from the container liner service, freight forwarding and other businesses in Intra-Asia area.

The container market in 2015 was also grim. Due to the sluggish growth of shipping demand derived from trade, the aggregate increase in the global container capacity was much higher than the previous year, resulting in the steep drop of freight rates. For Intra-Asia market, the economic growth of China and other emerging countries slowed down. The price competition among shipping companies further intensified as a result of the increased container capacities in the area. The average China Containerized Freight Index (CCFI) for the year recorded the lowest level of 879 points, decreased by 19% over the same period of last year. However, due to the significant drop in bunker prices, the operating cost of container shipping decreased, which offset the negative impacts of market downturn on the operation of the Group to a certain extent.

Amid the sluggish market, our Group persistently held its position as the liner carrier in Intra-Asia area. Based on the principle of improving existing liner services, we continuously optimized our shipping routes layout, strengthened our advanced routes, and strived to reduce operating cost. As such, our group achieved profits under market pressure eventually. For the year ended 31 December 2015, revenue of our Group from container shipping was US$495.90 million (2014: US$585.21 million), among which income from liner service recorded US$450.45 million (2014: US$515.21 million), income from freight forwarding as well as other related business recorded US$45.45 million (2014: US$70.00 million). The container shipping volume was 856,999 TEU during the year (2014: 898,935 TEU). The average income per container was US$417 (2014: US$442).

Cost of operations

The cost of operations decreased to US$1,030.33 million (2014: US$1,210.35 million) for the year ended 31 December 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:

	2015 US$'000	2014 US$'000	% Change
Dry Bulk Shipping			
Voyage costs	**171,677**	166,837	2.9%
Cargo transportation costs	**120,717**	148,921	(18.9%)
Operating lease rentals	**127,622**	172,960	(26.2%)
Vessel costs	**129,662**	141,347	(8.3%)
Others	**8,316**	12,397	(32.9%)
	557,994	642,462	(13.1%)
Container Shipping			
Voyage costs	**73,249**	115,465	(36.6%)
Cargo transportation costs	**230,242**	260,609	(11.7%)
Operating lease rentals	**147,463**	169,458	(13.0%)
Vessel costs	**20,551**	21,073	(2.5%)
Others	**17**	132	(87.1%)
	471,522	566,737	(16.8%)
Segment – Others	**813**	1,154	(29.5%)
Total cost of operations	**1,030,329**	1,210,353	(14.9%)

The operating costs of dry bulk shipping amounted to US$557.99 million (2014: US$642.46 million). Due to the decrease in freight rate and lower cost of the chartered-in vessel, operating costs decreased. Of which, the cargo transportation costs, mainly consist of ocean freight expenses, dropped by US$28.20 million, or 18.94%, from US$148.92 million in 2014 to US$120.72 million in 2015, and the operating lease rentals dropped by US$45.34 million, or 26.21%, from US$172.96 million in 2014 to US$127.62 million in 2015.

The operating costs of container shipping amounted to US$471.52 million (2014: US$566.74 million), of which, the voyage costs, mainly comprised bunkers and port charges, decreased by 36.6% from US$115.47 million in 2014 to US$73.25 million in 2015. As a result of the decrease in bunker expenses and shipping volume, the voyage costs decreased. The cargo transportation costs dropped by US$30.37 million to US$230.24 million principally attributable to the drop of the freight forwarding volume and freight forwarding rate. The operating lease rentals for the container business also dropped by US$22.00 million to US$147.46 million.

Selling, administrative and general expenses

In 2015, the Group actively expanded to new business such as LNG shipping, and developed and improved the information system of shipping business. Therefore, relevant expenses such as legal fees and depreciation expenses increased as compared to 2014. The overall selling, administrative and general expenses increased by US$3.02 million to US$36.42 million (2014: US$33.40 million).

Other (losses)/gains, net

The net amount of the other losses amounted to US$19.11 million (2014: other gains of US$9.37 million). Of which, provision for claims under pending litigations amounted to US$11.22 million, exchange losses arose from Renminbi depreciation amounted to US$5.31 million, and net gain of demolition of 18 vessels after taken into account of the government subsidy amounted to US$1.80 million.

Finance income and expense

The finance income and expense were US$18.79 million (2014: US$21.94 million) and US$6.76 million (2014: US$6.12 million) respectively. The decrease in finance income was primarily attributable to the drop of bank balances and bank deposit interest rate.

Share of profits of joint ventures

The share of profits of joint ventures, which were substantially contributed by dry bulk shipping, was US$0.15 million (2014: US$0.93 million).

Income tax expense

Income tax expense for the year ended 31 December 2015 was US$7.63 million (2014: US$1.91 million). The income tax expense in year 2015 mainly represented the reversal of the deferred income tax assets arising from tax losses amounted to US$7.42 million.

Liquidity and financial resources

Our principal uses of cash have been, for payment for acquisition of vessels, operation costs and working capital for the year ended 31 December 2015. 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.

	2015 US$'000	2014 US$'000
Current assets	**851,813**	1,040,653
Current liabilities	**225,398**	255,016
Liquidity ratio (Note)	**3.78**	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 ratio as at 31 December 2015 was 3.78 (2014: 4.08).

Borrowing

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

	Bank borrowings		Finance lease obligation		Total	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
Within 1 year	**6,346**	6,346	**1,438**	1,312	**7,784**	7,658
Between 1 and 2 years	**6,346**	6,346	**1,607**	1,438	**7,953**	7,784
Between 2 and 5 years	**19,039**	19,039	**6,227**	5,484	**25,266**	24,523
Over 5 years	**4,182**	10,518	**33,432**	35,725	**37,614**	46,243
	35,913	42,249	**42,704**	43,959	**78,617**	86,208
Less: current portion	**(6,346)**	(6,346)	**(1,438)**	(1,312)	**(7,784)**	(7,658)
Non-current portion	**29,567**	35,903	**41,266**	42,647	**70,833**	78,550

Gearing ratio

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

Capital commitments

	2015 US$'000	2014 US$'000
Contracted but not provided for		
– Property, plant and equipment	**277,900**	193,971
– Joint ventures	**58,965**	–

Commitments in respect of investment in joint ventures

The Group's share of capital commitments of the joint ventures not included above are as follows:

	2015 US$'000	2014 US$'000
Vessels under construction	**364,368**	–

Capital expenditures

For the year ended 31 December 2015, total capital expenditures were US$176.52 million (2014: US$226.95 million), which was mainly attributable to the capital expenditures for acquisition of vessels.

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 28 to the Consolidated financial statements.

CORPORATE GOVERNANCE REPORT

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 2015.

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 2015.

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.

As at 31 December 2015, 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. As at 31 December 2015, composition of the members of the Executive Committee included:

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 2015, four 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 meetings in 2015:

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

Our Directors are aware that they shall devote sufficient time and efforts to the business of our Company and that they shall abstain from voting on any Board resolution in which they or 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

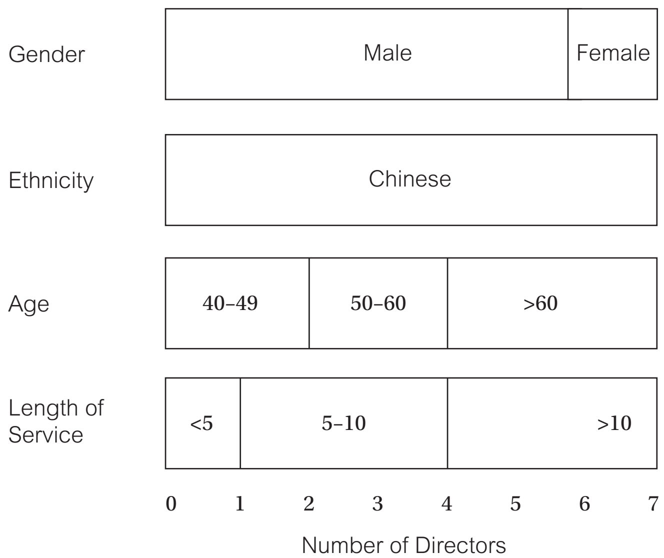
The Company recognises board diversity as the key element for the achievement of its strategic goals and sustainable development. In designing the composition of members of the Board, the Company takes into account a number of factors from various aspects, including but not limited to gender, age, cultural 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 18 May 2015, under the arrangement of the Company, all Directors had attended a training for directors provided by Sidley Austin LLP. The training covers all latest revisions to the rules of the Stock Exchange on connected translations. 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 2015. Nevertheless, each Director of our Company shall be subject to retirement and re-election in accordance with the Articles of Association.

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 1 January 2016) are available on our Company's website.

On 31 December 2015, the Audit Committee was 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 2015. Details of the meetings are mainly as follows:

1. The first meeting was convened on 16 March 2015. 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 2015, as well as the submission of the financial statements for the year of 2014 to the Board for approval.

2. The second meeting was convened on 13 August 2015. 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 2015 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 31 December 2015, the Remuneration Committee was chaired by Mr. Zhou Qifang. Its members include Mr. Li Zhen and Mr. Tsang Hing Lun.

The Remuneration Committee held a meeting on 13 August 2015 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 2015 and ending on 22 November 2016 and submit the same to the Board for approval.

For the year ended 31 December 2015, 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	3
1,000,001 to 2,000,000	3
Over 2,000,000	–

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 2015, the Nomination Committee is chaired by Mr. Li Zhen and its members include Mr. Lee Peter Yip Wah and Mr. Zhou Qifang.

The Nomination Committee held a meeting on 13 August 2015. 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 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 2015 to 22 November 2016 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 2015, 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 2015.

The fees for services provided by PricewaterhouseCoopers to us for the year ended 31 December 2015 were as follows:

	US$'000
– Audit and review services	862
– Non-audit services (transaction related services, tax advisory and compliance services)	52

There has been no change in 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 and ensures appropriate and effective risk management and internal control systems through monitoring 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 comprehensive risk management office designated to review major risks of the Company every year, implement risk prevention and control measures, provide suggestions to the Board and management, coordinate and monitor the implementation of risk control measures, and report to the Audit Committee, with an aim to further improve the comprehensive risk management and eliminate operational and management risks of the Company for its secured and stable development, thus soundly supporting the long term competitiveness and sustainable growth of the Company.

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.

For the companies acquired in 2014, the Company has actively adjusted and optimized their internal control systems in order to improve the overall risk management and internal control system of the Group as a whole.

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 & CSC 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 2015. In respect of the Chartering Opportunity, the Company completed the acquisition of 49% equity interest in China National Chartering Co., Ltd. in July 2014 and had effective control of such company which became a subsidiary of the Company. As a result, the independent non-executive Directors 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 2015.

As such, our independent non-executive Directors considered that the Deed of Non-Competition had been complied with throughout the year of 2015.

DIRECTORS RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

The reporting responsibilities of our Company's external auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" on page 52 of this annual report.

COMPANY SECRETARY

Mr. Huen Po Wah, born in December 1948, was appointed as company secretary in October 2007. He is an associate of the Hong Kong Institute of Chartered Secretaries and also an associate of the Institute of Chartered Secretaries and Administrators. Mr. Huen is also a director of Fair Wind Secretarial Services Limited and he has over 30 years of experience in company management and secretarial fields. For many years, he has provided professional services to various listed companies. Although Mr. Huen is not a 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 2015.

SHAREHOLDERS MEETINGS

The extraordinary general meeting was convened on 10 February 2015 to approve the connected transaction in relation to the oil tanker, namely M/T "Yangtze Friendship". The annual general meeting was convened on 19 May 2015 to review and approve the audited financial statements, the report of Directors and the independent auditor's report for the year ended 31 December 2014, 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.

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

In accordance with Section 566 of the 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 general 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 (b) must be authenticated by the person or persons making it. In accordance with Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the 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

Section 615 of the 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 Companies Ordinance provides that the Company that is required under Section 615 of the 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 general meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the general 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 2015, 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:

Wang Dan (王丹)
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) 28285566
Fax No.: (852) 37535981

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Hua (李樺), born in April 1966, was appointed as the general manager of the Company in July 2013. Mr. Li is responsible for the overall strategic planning and daily operation management of our Company. Mr. Li joined SINOTRANS & CSC Group after he graduated from the University of International Business and Economics in 1989. He received a master degree at Murdoch University in Australia in January 2002. Mr. Li has over 26 years' experience in the shipping industry. Mr. Li joined China Business Marine Co., Ltd. (formerly known as "CBMC") in July 1989. Mr. Li served as the assistant to the general manager and deputy general manager for Worlder Shipping Limited, and the director and deputy general manager of the Company. 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. She joined SINOTRANS & CSC Group after she graduated from Renmin University of China in 1986. She received a master's degree at Guanghua School of Management in Peking University in 2007. Ms. Feng has over 25 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 a non-executive Director and the chairman 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 25 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 SINOTRANS & CSC Group and served as the general manager of Laya Transportation Co., Ltd (Brazil) and the general manager of China National Chartering Co., Ltd. (formerly known as China National Chartering Co.). In March 2005, Mr. Li was appointed as the assistant to the general manager of China National Foreign Trade Transportation (Group) Corporation. He serves as the assistant to the general manager and party committee member of SINOTRANS & CSC Holdings Co. Ltd. Mr. Li was appointed as the Safety Director of SINOTRANS & CSC Group in April 2014, the general manager of China Business Marine Co., Ltd. in August 2015 and the managing vice chairman of Nanjing Tanker Corporation in May 2015. He is also an executive director of the China Shipowners Association and the vice president of China Institute of Navigation

Mr. Tian Zhongshan (田忠山), born in October 1968, has been the Director of our Company since January 2003. Mr. Tian joined SINOTRANS & CSC Group after he 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 has over 24 years of experience in the shipping industry. Mr. Tian worked at China National Chartering Co., Ltd. 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. 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. He possesses approximately 39 years of experience in management and company secretarial works. 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. He is currently an independent non-executive directors of China Merchants Holdings (International) Company Limited and 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.

SENIOR MANAGEMENT

Mr. Xu Qiumin (徐秋敏), 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 business engineer and senior economist. He has over 29 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. Mr. Geng has been qualified as an international business engineer and has over 23 years of experience in shipping industry. Mr. Geng joined the First Shipping Department of SINOTRANS & CSC Group Company in July 1993 which was merged with 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 16 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, was appointed as the assistant general manager of our Company and the general manager of Sinotrans Shipping Management Limited in July 2004. Mr. Lo graduated from the Pre-Sea Deck Cadet Training School of Island Navigation Corp., H.K. in 1971. Mr. Lo has over 44 years of experience in the shipping industry. In 1996, Mr. Lo served as the manager of the operation department of Wah Tung Shipping Agency. From October 2000 to June 2004, he was the manager of the operation department of Worlder Shipping Limited. In July 2004, Mr. Lo was appointed as the assistant general manager of our Company and was responsible for overseeing all ship management matters. Mr. Lo retired in December 2015.

Mr. Li Kin Ming (李健明), born in November 1952, was appointed as the port captain of our Company and the general manager of Sinotrans Shipping Management Limited in December 2015, responsible for managing the operation department and technical department and overseeing all shipping technical matters. Mr. Li graduated from the Pre-Sea Deck Cadet Training School of Island Navigation Corp., H.K. in 1972. Mr. Li has over 44 years of experience in the shipping industry. In 1991, Mr. Li served as the port captain of the operation department of Wah Tung Shipping Agency. From September 2000 to June 2004, he was the port captain of the operation department of Worlder Shipping Limited. From July 2004 to October 2014, Mr. Li served as the manager and general manager of the operation department of Sinotrans Shipping Management Limited. In November 2014, Mr. Li served as the assistant general manager of Sinotrans Shipping Management Limited.

Mr. Li Shudong (李樹棟), born in July 1969, was appointed the assistant to the general manager of the Company and the deputy general manager of Sinotrans Shipping Management Limited in April 2011 and is responsible for safety and technical management. Mr. Li graduated from Dalian Maritime University in 1993 and has over 22 years of experience in the shipping industry. He joined CBMC in 1995 and worked in 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 senior manager of business department. Mr. Li served as the general manager of Sinotrans Shipping (Shenzhen) Limited from 2005 to 2010 and was responsible for car carrier business.

REPORT OF THE DIRECTORS

The Board hereby presents its report and the audited financial statements of our Group for the year ended 31 December 2015.

BUSINESS OPERATIONS OF THE GROUP

The Group is mainly engaged in dry bulk vessels and container vessel shipping business. We own, operate and manage a scaled modern fleet. 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 2015 by business segments is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Business review for the year and outlook of the Group are set out in Chairman's Statement on page 2 to page 5 and Business Review and Outlook on page 7 to page 12 of this annual report. The risks and uncertainties may by encountered by the Group are also set out in Chairman's Statement on page 2 to page 5 and Business Review and Outlook on page 7 to page 12 of this annual report.

Discussion on risk management are set out in Corporate Governance Report on page 18 to page 27. The objectives and policies of financial risks management are set out in Notes to the financial statements on page 74 to page 78.

The environment protection policies of the Group are set out in Chairman's Statement on page 4, Business Review and Outlook on page 8 and Corporate Governance Report on page 23 to page 24 of this annual report.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Particulars of the principal subsidiaries and joint ventures of our Company are set out in Note 32 to the consolidated financial statements.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2015 are set out in the financial statements of this annual report on page 53.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK8 cents per share).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 16 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of our Group as at 31 December 2015 are set out in Note 25 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2015, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for 24.1% and 14.1% of the Group's turnover and purchases, respectively.

The revenue generated from our largest customer accounted for 11.9% of our total revenue, while the purchases from our largest supplier accounted for 6.6% of our total purchases. During the year ended 31 December 2015, 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 SINOTRANS & CSC Group which is our largest customer) or our five largest suppliers.

CONNECTED TRANSACTIONS

Completion of Disposal of Vessel – "Yangtze Friendship"

On 31 December 2014, Grand Sea Shipping Limited ("Grand Sea"), a wholly-owned subsidiary of the Company, entered into the memorandum of agreement (the "Vessel Disposal Agreement") with New Enterprise Shipping Company Limited ("New Enterprise"), pursuant to which, Grand Sea has agreed to sell and New Enterprise has agreed to purchase a 2008 built oil tanker, namely M/T "Yangtze Friendship" (formerly known as M/T "GRAND SEA") at a total consideration of US$61,805,000 (the "Yangtze Friendship Disposal"). Completion of the Yangtze Friendship Disposal took place in February 2015.

As New Enterprise was owned as to 49% by SINOTRANS & CSC Group Company which was a substantial shareholder of the Company, New Enterprise was therefore a connected person of the Company under the Listing Rules. Accordingly, the disposal of vessel constituted a connected transaction of the Company which was subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Vessel Disposal Agreement were set out in the announcement of the Company dated 31 December 2014.

Update on the provision of financial assistance

On 31 March 2015, the Company entered into a supplemental loan agreement (the "Supplemental Loan Agreement") with China Changjiang National Shipping (Group) Corporation (中國長江航運(集團)總公司) ("CSC") pursuant to which CSC agreed to increase the interest rate to 2% per annum and undertake to repay all the outstanding principal amount and interest of the unsecured loan in an amount of US$10,000,000 made by the Company to CSC under the loan agreement entered into between the Company and CSC dated 3 November 2014 (the "Loan Agreement"). On 24 December 2015, CSC repaid all the principal amount and interest to the Company in accordance with the Loan Agreement and Supplemental Loan Agreement.

Given CSC was a wholly-owned subsidiary of SINOTRANS & CSC Group Company, which was the ultimate controlling shareholder of the Company, CSC was a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Loan Agreement constituted connected transactions under the Listing Rules which was subject to reporting and announcement requirements but exempt from the shareholder's approval requirements under Chapter 14A of the Listing Rules.

Details of the Supplemental Loan Agreement and the Loan Agreement were set out in the announcements of the Company dated 31 March 2015 and 3 November 2014, respectively.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2015.

CONTINUING CONNECTED TRANSACTIONS

Details of the Group's material related party transactions for the year ended 31 December 2015 are set out in Note 30 to the consolidated financial statements. Some of those transactions constituted connected transactions requiring disclosures under Chapter 14A of the Listing Rules, details of which are as follows:

A. Continuing connected transactions exempted from compliance with independent shareholders' approval, reporting and announcement requirements under Rule 14A.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 68.15% 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. Connected transactions and 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 and property management 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.

	Transaction amount (US$'000)	Annual cap (US$'000)
Leasing of properties by SINOTRANS & CSC Group to our Group	2,413	4,027

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 "Acquired Group in 2014") 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 Acquired Group in 2014 throughout the respective rental periods in some of the new properties. On 11 August 2015, the Company entered into a supplemental agreement, pursuant to which certain terms and the annual caps of the continuing connected transactions contemplated under the Supplemental Renewed Master Tenancy and Property Management Agreement were revised. Details of the supplemental agreement were set out in an announcement dated 11 August 2015.

For the year ended 31 December 2015, 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 Acquired Group in 2014 (collectively as the "Enlarged Group")

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	21st Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong	1,168	1,365
(b)	Rm818, Sinotrans Plaza A, A43 Xizhimen Beidajie, Beijing, the PRC	249	262
(c)	12/F – 13/F, Fujian Waiyun Building, No.79 East Lake Road, Fuzhou	44	47
(d)	24/F, Building A, No.1032-1034 Shahe Road, Si Ming District, Xiamen	82	87
(e)	1A/F, 20/F, 21/F, 23/F – 25/F, No.188 Fujian Middle Road, Shanghai	617	679
(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	1,149

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Rm818, Sinotrans Plaza A, A43 Xizhimen Beidajie, Beijing, the PRC	72	77
(b)	12/F – 13/F, Fujian Waiyun Building, No.79 East Lake Road, Fuzhou	16	21
(c)	1A/F, 20/F, 21/F, 23/F – 25/F, No.188 Fujian Middle Road, Shanghai	165	244
(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	96

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% 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 2015, the transaction amount and the annual caps of the above continuing connected transaction were as follows:

	Transaction amount (RMB'000)	Annual cap (RMB'000)
Maximum daily outstanding balance of deposits placed by the subsidiaries and joint ventures of the Company (including accrued interests)	347,128	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) maintenance and repairing services;

(e) supervisory services regarding construction of vessels;

(f) crew management services;

(g) insurance broker services;

(h) refuelling services; and

(i) vessels inspection services.

Our Group will provide certain services to SINOTRANS & CSC Group and receive the same type of services from SINOTRANS & CSC Group at the same time because our Group and SINOTRANS & CSC Group intend 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 (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 the parent group and the Enlarged Group and better utilize their internal resources to increase competitiveness, which is mutually beneficial to each other.

According to the Supplemental Parent Master Services Agreement, members of the Group provide and receive general services to/from SINOTRANS & CSC Group to facilitate the operation of our Group or SINOTRANS & CSC Group.

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 the parent 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 2015, the transaction amounts and annual caps of the above continuing connected transactions were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
General services provided to SINOTRANS & CSC Group	225	7,520
General services received from SINOTRANS & CSC Group	426,913	787,766

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	ship management services	–	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	3	226
(g)	freight forwarding services	221	4,384

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel management services	–	240
(b)	commercial management services	–	1,646
(c)	consultancy services	–	100
(d)	shipping broker services	614	1,831
(e)	shipping agency services	356,784	578,509
(f)	maintenance and repairing services	–	10,000
(g)	supervisory services regarding construction of vessels	1,540	3,200
(h)	crew agency services (including crew management services)	12,318	93,306
(i)	insurance broker services	–	3,486
(j)	refuelling services	–	32,000
(k)	vessels inspection services	–	26
(l)	freight forwarding services	43,045	48,462
(m)	containers chartering	12,382	14,680
(n)	container depot	230	280

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% 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 transactions constitute continuing connected transactions for the Company under the Listing Rules.

2. Provision and receipt of general services by the Group and the Acquired Group in 2014 (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 2015, 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 Sinochart

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	vessel management services	216	720
(b)	commercial management services	–	250
(c)	consultancy services	–	100
(d)	shipping broker services	–	250
(e)	shipping agency services	63	453

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	commercial management services	–	250
(b)	consultancy services	–	100
(c)	shipping broker services	–	250

As Marine Peace Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove 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 2015, 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 (US$'000)	Annual cap (US$'000)
(a)	vessel management services	–	480
(b)	commercial management services	–	250
(c)	consultancy services	–	100
(d)	shipping broker services	–	250
(e)	shipping agency services	–	225

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	commercial management services	–	250
(b)	consultancy services	–	100
(c)	shipping broker services	–	250

As Marine Harvest Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove 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 three 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 2015, the transaction amounts and the annual caps of the above continuing connected transactions were as follows:

	Transaction amount (US$'000)	Annual cap (US$'000)
Chartering of vessels by our Group to SINOTRANS & CSC Group	12,300	22,679
Address Commission for chartering of vessels by our Group to SINOTRANS & CSC Group	–	850
Chartering of vessels from SINOTRANS & CSC Group to our Group	10,669	16,000
Address Commission for chartering of vessels from SINOTRANS & CSC Group to our Group	–	600

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	12,300	22,679
(b)	Address Commission	–	850

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

		Transaction amount (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	10,669	16,000
(b)	Address Commission	–	600

SINOTRANS & CSC Group Company is the ultimate controlling shareholder interested in approximately 68.15% 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 (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	11,243	25,842
(b)	Address Commission	412	969

As Marine Peace Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove 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 (US$'000)	Annual cap (US$'000)
(a)	Charter Hire and C/V/E Fee	18,606	40,489
(b)	Address Commission	–	1,518

As Marine Harvest Shipping Limited (an indirect wholly-owned subsidiary of the Company) is entitled to appoint and remove 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.

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 under Rule 14A.76(1) of the Listing Rules) as identified by the management for the year ended 31 December 2015 (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 the consolidated statement of changes in equity and Note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of our Company as at 31 December 2015 amounted to approximately US$54.26 million.

ISSUED SHARES

Details of movements in the issued shares of the Company are set out in Note 22 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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	2,720,520,000	68.15%
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 2015, 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 2015, 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 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2015	2014	2013	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS		(Restated)			
Revenues	**999,774**	1,206,811	1,313,032	222,178	281,435
Cost of operations	**(1,030,329)**	(1,210,353)	(1,308,842)	(209,712)	(198,678)
Gross (loss)/profit	**(30,555)**	(3,542)	4,190	12,466	82,757
Selling, administrative and general expenses	**(36,424)**	(33,397)	(33,846)	(19,095)	(17,808)
Other (losses)/gains, net	**(19,110)**	9,371	3,073	(883)	6,655
Operating (loss)/profit	**(86,089)**	(27,568)	(26,583)	(7,512)	71,604
Finance income, net	**12,024**	15,816	24,716	27,745	18,627
Share of profits of joint ventures	**153**	926	510	900	2,147
(Loss)/profit before income tax	**(73,912)**	(10,826)	(1,357)	21,133	92,378
Income tax expenses	**(7,625)**	(1,912)	(2,603)	(1,012)	(654)
(Loss)/ profit for the year	**(81,537)**	(12,738)	(3,960)	20,121	91,724
(Loss)/profit attributable to:					
– Owners of the Company	**(66,334)**	1,862	(638)	20,121	91,724
– Non-controlling interests	**(15,203)**	(14,600)	(3,322)	–	–
	(81,537)	(12,738)	(3,960)	20,121	91,724
(Loss)/earnings per share					
– Basic and diluted	**US(1.66 cents)**	US0.05 cents	US(0.02 cents)	US0.50 cents	US2.30 cents
Dividends	**–**	40,945	–	5,118	30,717

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2015	2014	2013	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000
			(Restated)		
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**2,353,225**	2,524,144	2,624,066	2,213,736	2,216,030
TOTAL LIABILITIES	**(296,231)**	(333,871)	(439,113)	(37,862)	(39,823)
NON-CONTROLLING INTERESTS	**(21,614)**	(38,726)	825	–	–
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**2,035,380**	2,151,547	2,185,778	2,175,874	2,176,207

Notes:

(a) The financial figures for the year ended 2015 were extracted from the consolidated financial statements.

(b) The financial figures for the year 2011 to 2014 were extracted from the 2014 annual report. No retrospective adjustment for the common control combinations in 2014 was made on the financial figures for the year 2011 to 2012.

DIRECTORS

As at 31 December 2015, 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

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.

DIRECTORS OF THE SUBSIDIARIES

For the year ended 31 December 2015 to the date of this report, the names of the persons who served as directors of the Company's subsidiaries were Mr. Li Zhen, Mr. Li Hua, Ms. Feng Guoying, Mr. Xia Zheng Guo (夏正國), Mr. Tian Xue Hao (田學浩), Mr. Xie Shaohua, Mr. Li Shudong, Mr. Liu Chun Ting (劉春庭), Mr. Ye Jie (葉捷), Mr. Sun Sheng Jun (孫勝軍), Mr. Liu Bing Shuang (劉炳雙), Mr. Lin Rong Hua (林榮華), Mr. Zhu Wei (朱煒), Mr.Li Xu (李旭), Mr. Zhou Hui (周暉), Mr. Xu Ting Hui (徐挺惠), Mr. Li Jun (李駿), Mr. Li Jing (李京), Mr. Gu Xing (谷興), Mr. Wang Gui Fu (王桂付) and Mr. Zhang Guo Qing (張國慶).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 28 to 30 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 2015. For the twelve months ending November 2016, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000. For the twelve months ending November 2016, each of the independent non-executive Directors is entitled to an annual fee of HK$135,000.

No Director proposed for re-election at the 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 2015, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at 31 December 2015 and at any time during the year, none of our Directors had any material interest, directly or indirectly, in any transactions, arrangements or contract of significance to which our Company, the parent company, subsidiaries or any of our fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2015, 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 2015, 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 2015.

EQUITY-LINKED AGREEMENTS

Save as disclosed above, the Company did not enter into any equity-linked agreements at the end of the year or at any time during the year.

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 and master chartering agreement, details of which are set out in the section headed “Connected Transactions”.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. And every Directors are not required to take responsibility against all losses or liabilities which the Company may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Articles are valid only if there are no conflict with the Companies Ordinance.

The Company has taken out and maintained insurance for Directors of the Company against the liabilities and costs of the Directors brought by any litigations.

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 Corporate Governance Report 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 2015.

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 2015, 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 2015, including the accounting principles and policies adopted by our Group.

MATERIAL LITIGATION

As at 31 December 2015, 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, 14 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS 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 set out on pages 53 to 120, which comprise the consolidated balance sheet as at 31 December 2015, 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 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Revenues	6	**999,774**	1,206,811
Cost of operations	7	**(1,030,329)**	(1,210,353)
Gross loss		**(30,555)**	(3,542)
Selling, administrative and general expenses	7	**(36,424)**	(33,397)
Other (losses)/gains, net	8	**(19,110)**	9,371
Operating loss		**(86,089)**	(27,568)
Finance income	11	**18,788**	21,935
Finance expense	11	**(6,764)**	(6,119)
Share of profits of joint ventures		**153**	926
Loss before income tax		**(73,912)**	(10,826)
Income tax expense	12	**(7,625)**	(1,912)
Loss for the year		**(81,537)**	(12,738)
(Loss)/profit attributable to:			
– Owners of the Company		**(66,334)**	1,862
– Non-controlling interests		**(15,203)**	(14,600)
		(81,537)	(12,738)
Other comprehensive loss for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(10,632)**	(122)
Fair value changes of available-for-sale financial assets		**(6)**	–
Total comprehensive loss for the year		**(92,175)**	(12,860)
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(75,063)**	1,650
– Non-controlling interests		**(17,112)**	(14,510)
		(92,175)	(12,860)
(Loss)/earnings per share attributable to owners of the Company (expressed in US$ per share)			
– Basic and diluted	13	**(1.66 cents)**	0.05 cents

The notes on pages 59 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 US$'000	2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,291,976**	1,340,431
Intangible asset	17	**1,349**	658
Investments in joint ventures	18	**60,769**	22,886
Loans to joint ventures	18	**5,333**	6,667
Loans to related companies	19	**16,069**	30,256
Bank deposit	20	**121,714**	70,473
Available-for-sale financial assets	21	**3,863**	4,108
Deferred income tax assets	26	**339**	8,012
		1,501,412	1,483,491
Current assets			
Inventories		**16,240**	30,953
Loans to joint ventures	18	**1,333**	1,333
Trade and other receivables	19	**300,778**	271,514
Available-for-sale financial assets	21	**25,074**	–
Cash and bank balances	20		
– Cash and cash equivalents		**154,978**	201,618
– Short-term bank deposits		**353,302**	433,316
– Restricted cash		**108**	40,114
		851,813	978,848
Asset classified as held-for-sale		**–**	61,805
		851,813	1,040,653
Total assets		**2,353,225**	2,524,144

The notes on pages 59 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

	Note	2015 US$'000	2014 US$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**1,878,209**	1,878,209
Other reserves		**157,171**	273,338
		2,035,380	2,151,547
Non-controlling interests		**21,614**	38,726
Total equity		**2,056,994**	2,190,273
LIABILITIES			
Non-current liabilities			
Provision for other liabilities	24	**–**	305
Borrowings	25	**70,833**	78,550
		70,833	78,855
Current liabilities			
Trade and other payables	23	**213,748**	237,164
Provision for other liabilities	24	**3,176**	9,179
Taxation payable		**690**	1,015
Borrowings	25	**7,784**	7,658
		225,398	255,016
Total liabilities		**296,231**	333,871
Total equity and liabilities		**2,353,225**	2,524,144

The financial statements on pages 53 to 120 were approved by the Board of Directors on 14 March 2016 and were signed on its behalf

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Li Zhen
Director

Li Hua
Director

The notes on pages 59 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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$'000	Other reserve US$'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	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 year	–	–	–	–	–	–	–	1,862	1,862	(14,600)	(12,738)
Other comprehensive (loss)/income											
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	1,826,970	(1,826,869)	–	–	(101)	–	–	–	–	–	–
Debt waived by the Group	–	–	–	–	–	51,941	–	–	51,941	54,061	106,002
Distribution	–	–	(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

Note:

In March 2014, the Group entered into agreements with SINOTRANS group for the SINOTRANS Acquisition, 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$106,002,000) 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).

The notes on pages 59 to 120 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company									
	Share capital US$'000	Merger reserve US$'000	Statutory reserve US$'000	Other reserve US$'000	Available-for-sale 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 year	–	–	–	–	–	–	(66,334)	(66,334)	(15,203)	(81,537)
Other comprehensive loss										
Currency translation differences	–	–	–	–	–	(8,726)	–	(8,726)	(1,906)	(10,632)
Fair value changes of available-for-sale financial assets	–	–	–	–	(3)	–	–	(3)	(3)	(6)
Total comprehensive loss	–	–	–	–	(3)	(8,726)	(66,334)	(75,063)	(17,112)	(92,175)
Transactions with owners										
Dividends related to 2014	–	–	–	–	–	–	(41,104)	(41,104)	–	(41,104)
Total transactions with owners	–	–	–	–	–	–	(41,104)	(41,104)	–	(41,104)
At 31 December 2015	1,878,209	(448,132)	2,995	51,941	(3)	2,683	547,687	2,035,380	21,614	2,056,994

The notes on pages 59 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Cash flows from operating activities			
Cash generated from operations	27	**4,929**	33,106
Interest received		**14,891**	23,576
Income tax (paid)/refund		**(524)**	226
Net cash generated from operating activities		**19,296**	56,908
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(176,401)**	(182,143)
Proceeds from disposals of property, plant and equipment		**30,394**	4,250
Proceeds from disposals of asset held-for-sale		**61,805**	–
Loans granted to a fellow subsidiary		**–**	(10,000)
Loans granted to related companies		**–**	(32,237)
Loan repayments received from a fellow subsidiary		**10,000**	–
Investment in joint ventures		**(40,485)**	–
Repayment of loans to joint ventures		**1,334**	2,500
Repayment of finance lease receivable		**–**	3,984
Repayment of loans to related companies		**17,481**	–
Proceeds from disposals of available-for-sales financial assets		**74,956**	79,238
Receipt of compensation income from related party		**35,838**	–
Interest income from an available-for-sales financial asset		**1,037**	2,367
Receipt of government subsidy		**8,246**	–
Interest income from loans to related companies		**299**	–
Interest income from held-to-maturity investment		**–**	796
Interest income from loan to a fellow subsidiary		**143**	–
Purchase of available-for-sales financial assets		**(100,293)**	–
Decrease in bank deposits		**28,773**	186,396
Decrease/(Increase) in restricted cash		**40,006**	(39,998)
Cash paid for the SINOTRANS Acquisition (note)		**–**	(135,615)
Net cash used in investing activities		**(6,867)**	(120,462)
Cash flows from financing activities			
Dividend paid		**(41,104)**	–
Interest expenses on bank borrowings		**(1,375)**	(5,604)
Interest expense on financial lease obligation		**(5,389)**	–
Repayment of amount due from a fellow subsidiary		**–**	13,205
Repayment of bank borrowings		**(6,346)**	(6,346)
Repayment of finance lease obligation		**(1,255)**	(820)
Net cash (used in)/generated from financing activities		**(55,469)**	435
Net decrease in cash and cash equivalents		**(43,040)**	(63,119)
Cash and cash equivalents at beginning of year		**201,618**	264,989
Effect of foreign exchange rate changes		**(3,600)**	(252)
Cash and cash equivalents at end of year		**154,978**	201,618

Note:

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").

The notes on pages 59 to 120 are an integral part of these 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 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").

These consolidated financial statements are presented in US dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2016.

2 BASIS OF PREPARATION

(i) The consolidated financial statements have been prepared in accordance with all applicable 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 carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(ii) Amended standards adopted by the Group

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 or after 1 January 2015:

HKFRS Amendments	Annual Improvements 2010–2012 Reporting Cycle
HKFRS Amendments	Annual Improvements 2011–2013 Reporting Cycle

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

2 BASIS OF PREPARATION (Continued)

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

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[(3)]	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)[(2)]	Financial Instruments

(1) Effective for annual periods beginning 1 January 2016
(2) Effective for annual periods beginning 1 January 2018
(3) Effective date to be determined

The Group has already commenced an assessment of the related impact of these new standards and amendments to existing 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 consolidated financial statements will be resulted.

(iv) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

(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" and "finance expenses". All other foreign exchange gains and losses are presented in the profit or loss within "other (losses)/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, 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. 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. The carrying amount of the replaced part is derecognised. 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	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 within "selling, administrative and general expenses" in the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

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

(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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loans to joint ventures", "loans to relates companies", "bank deposit", "trade and other receivables" and "cash and bank balances" in the balance sheet.

(3) Available-for-sale financial assets

Available-for-sale financial asset are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as 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 gain. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

(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)).

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment

(i) Impairment of investments in subsidiaries, joint ventures and non-financial assets

Vessels under construction are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or the joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Impairment of financial assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment (Continued)

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 income statement, 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.

(a) Current income tax

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's subsidiaries and associates 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the 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 substantively 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Current and deferred income tax (Continued)

(c) Offsetting

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 tax 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 pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Monthly contribution made by the Group is calculated based on certain percentages of the applicable payroll costs. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions are recognised as employee benefit expense when they are due.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants 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.

(x) 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.

(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 2015 and 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, loans to related companies 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 2015, 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$1,689,000 (2014: US$2,304,000).

(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 2015, 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$10,998,000 (2014: 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 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 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 2015, the Group has current portion of cash and bank balances of US$508,388,000 (2014: US$675,048,000), 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 2015					
Group					
Borrowings (exclude finance lease obligations)	**7,402**	**27,615**	**4,472**	**39,489**	**35,913**
Finance lease obligations	**6,661**	**26,590**	**53,986**	**87,237**	**42,704**
Trade and other payables	**213,748**	**–**	**–**	**213,748**	**213,748**
	227,811	**54,205**	**58,458**	**340,474**	**292,365**
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

(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 2015 and 2014.

4 FINANCIAL RISK MANAGEMENT (Continued)

(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).

	2015 US$'000	2014 US$'000
Available-for-sale financial assets		
Level 1:		
– Equity securities	**173**	–
Level 2:		
– Debt securities	**24,901**	–
Level 3:		
– Equity securities	**3,863**	4,108
	28,937	4,108

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are listed equity investments included in level 1 and is classified as available-for-sale financial assets.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments.

	Equity securities	
	2015	2014
	US$'000	US$'000
Opening balance at 1 January	**4,108**	4,126
Other comprehensive loss		
– Currency translation differences	**(239)**	(18)
– Fair value changes of available-for-sale financial assets	**(6)**	–
Closing balance at 31 December	**3,863**	4,108
Total losses for the year recognised in statement of comprehensive income and presented in fair value changes of available-for-sale investment	**(245)**	18
Total losses for the period recognised in profit or loss related to assets held at the end of the year and presented in other (losses)/gains, net	**–**	–

There were no changes in valuation techniques during the year.

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

Specific valuation techniques used to value financial instruments include:

- discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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$5,992,000 (2014: US$6,473,000) or increase by US$4,946,000 (2014: US$5,457,000) as at 31 December 2015.

(c) Residual values of vessels

Management determines the residual values for the vessels based on the current scrap values of steels in an active market at each measurement date, since management decides to dispose of the fully depreciated vessels as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual value to differ by 10% from management estimates with all other variables held constant, it is estimated that the carrying value of vessels would increase or decrease by US$1,594,000 (2014: US$2,065,000) as at 31 December 2015.

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 2015, were the actual expenses of voyages differ by 5% from management estimates with all other variables held constant, it is estimated that the voyage expenses would increase/decrease by US$5,154,000 in the future periods (2014: US$7,062,000).

(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 chartered-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 historical group is obligated to make under the non-cancellable chartered-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$3,176,000 at 31 December 2015 (2014: US$9,484,000) (note 24).

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 2015, 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$609,000 (2014: US$1,729,000) or increased by US$726,000 (2014: US$8,578,000).

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 container shipping, dry bulk shipping and others which include shipping agency and ship management are as follows:

	2015 US$'000	2014 US$'000
Dry bulk shipping (note)	**501,651**	619,198
Container shipping (note)	**495,895**	585,205
Others	**2,228**	2,408
	999,774	1,206,811

Note:

Revenue from dry bulk shipping and container shipping under time charterhire agreements were US$101,492,000 and US$4,661,000 respectively for the year ended 31 December 2015 (2014: US$198,472,000 and US$14,154,000 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 liquefied natural gas ("LNG") shipping business

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 2015			
	Dry bulk shipping US$'000	Container shipping US$'000	Others US$'000	Total US$'000
Total revenues	**504,556**	**495,895**	**10,854**	**1,011,305**
Inter-segment revenues	**(1,225)**	**–**	**(8,626)**	**(9,851)**
Revenues from external customers	**503,331**	**495,895**	**2,228**	**1,001,454**
Segment results	**(72,124)**	**24,860**	**(967)**	**(48,231)**
Depreciation and amortisation	**54,269**	**6,597**	**1,208**	**62,074**
Provision for impairment of trade and other receivables, net	**1,269**	**–**	**–**	**1,269**
Additions to property, plant and equipment and intangible asset	**158,135**	**10,180**	**8,203**	**176,518**

	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 impairment of trade and other receivables, net	(221)	–	–	(221)
Additions to property, plant and equipment and intangible asset	224,201	–	2,752	226,953

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:

	2015 US$'000	2014 US$'000
Revenues from external customers for reportable segments	**1,001,454**	1,208,747
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(1,680)**	(1,936)
Total revenues per the consolidated statement of comprehensive income	**999,774**	1,206,811

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:

	2015 US$'000	2014 US$'000
Segment results for reportable segments	**(48,231)**	5,046
Corporate expenses	**(37,705)**	(31,688)
Finance income	**18,788**	21,935
Finance expense	**(6,764)**	(6,119)
Loss before income tax	**(73,912)**	(10,826)

For the year ended 31 December 2015, the Group has one (2014: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$118,946,000 (2014: US$149,907,000) is attributable to the container 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 consolidated balance sheet.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

	As at 31 December 2015			
	Dry bulk shipping US$'000	Container Shipping US$'000	Others US$'000	Total US$'000
Segment assets	**1,323,430**	**275,876**	**106,733**	**1,706,039**
Segment assets include:				
Interests in joint ventures	**20,123**	**–**	**40,646**	**60,769**
Loans to joint ventures	**6,666**	**–**	**–**	**6,666**
Segment liabilities	**122,852**	**159,864**	**8,895**	**291,611**

	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

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2015 US$'000	2014 US$'000
Segment assets	**1,706,039**	1,957,713
Corporate assets	**647,186**	566,431
Total assets per the consolidated balance sheet	**2,353,225**	2,524,144

Reportable segment liabilities are reconciled to total liabilities as follows:

	2015 US$'000	2014 US$'000
Segment liabilities	**291,611**	321,746
Corporate liabilities	**4,620**	12,125
Total liabilities per the consolidated balance sheet	**296,231**	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 income were unallocated revenue and included in others.

	2015 US$'000	2014 US$'000
Container shipping		
– Asia	**452,188**	536,714
– Australia	**43,707**	48,491
	495,895	585,205
Dry bulk shipping	**503,331**	621,134
Others	**2,228**	2,408
	1,001,454	1,208,747

7 EXPENSES BY NATURE

	2015 US$'000	2014 US$'000
Depreciation and amortisation (note 16, 17)	**62,074**	66,735
Hiring of crews and seafarers	**42,523**	49,798
Bunker consumed	**164,476**	224,193
Spare parts, lubricants and materials expenses	**25,285**	21,524
Operating lease expenses		
– vessels	**173,814**	217,640
– office premises	**3,373**	3,380
– containers	**26,804**	29,118
(Reversal of)/additional provision for onerous contracts, net (note 24)	**(6,308)**	5,960
Brokerage and commission	**17,571**	22,450
Port charges	**80,933**	58,698
Cargo handling charges	**162,688**	178,591
Ocean freight expense	**196,627**	235,093
Employee benefit expense (note 9)	**29,903**	28,783
Auditor's remuneration	**988**	869
Others	**86,002**	100,918
Total cost of operations and selling, administrative and general expenses	**1,066,753**	1,243,750

8 OTHER (LOSSES)/GAINS, NET

	2015 US$'000	2014 US$'000
Finance lease income from a fellow subsidiary	–	4,412
Compensation from termination of finance lease	–	7,773
(Additional)/reversal of provision for impairment of trade and other receivables, net	(1,269)	221
Exchange losses	(5,310)	(1,369)
Loss on disposals of property, plant and equipment (note 16(e))	(125,814)	(11,461)
Government subsidy (note)	129,163	9,903
Provision for claims under pending litigations	(11,216)	(108)
Impairment losses of vessels	(4,717)	–
Others	53	–
	(19,110)	9,371

Note:

Included in government subsidy is an approximate US$127,590,000 (2014: US$8,558,000) subsidy in relation to the demolition of vessels. During the year, the Group, through its parent company, submitted an application of government subsidy of RMB802,441,000, approximately US$127,590,000 (2014: RMB52,744,000, approximately US$8,558,000) in respect of demolition of 18 vessels in 2015 (2014: 2 vessels) 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 ("Vessel Demolition Subsidy"). Management is of the view that the Group has fulfilled all the requirements as stipulated in the above laws and notices and is qualified for the subsidy. Management considers the receipt of the subsidy is probable and accordingly such subsidy is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2015. After taken into account of the subsidy compensation, the net gain of demolition of the 18 vessels (2014: 2 vessels) was approximately US$1,802,000 (2014: net loss of 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:

	2015 US$'000	2014 US$'000
Wages and salaries	27,434	26,312
Pension costs – defined contribution plans	2,469	2,471
	29,903	28,783

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 the 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 2015				
Executive directors				
Li Hua	–	311	7	318
Feng Guoying	–	237	7	244
	–	548	14	562
Non-executive directors				
Li Zhen	–	–	–	–
Tian Zhongshan	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Tsang Hing Lun	17	–	–	17
Lee Peter Yip Wah	17	–	–	17
Zhou Qifang	17	–	–	17
	51	–	–	51
	51	548	14	613

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No appointment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group.

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 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 on 5 August 2014)	17	–	–	17
Tsang Hing Lun	17	–	–	17
Lee Peter Yip Wah	17	–	–	17
Zhou Qifang	17	–	–	17
	68	–	–	68
	68	540	12	620

No director waived or agreed to waive any emoluments during the year (2014: 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 (2014: Nil). There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2014: 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 (2014: 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:

	2015 US$'000	2014 US$'000
Salaries, allowances and benefits-in-kind	**625**	630
Contributions to pension plans	**21**	19
Bonus	**–**	–
	646	649

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
US$128,000 (HK$1,000,001) – US$192,000 (HK$1,500,000)	**3**	2
US$192,000 (HK$1,500,001) – US$256,000 (HK$2,000,000)	**–**	1

11 FINANCE INCOME AND EXPENSES

	2015 US$'000	2014 US$'000
Interest expenses:		
– Bank borrowings	**1,375**	1,385
– Finance lease obligations (note 25)	**5,389**	4,663
– Amount due to the ultimate holding company	**–**	71
Finance expenses	**6,764**	6,119
Interest income		
– Cash and bank balances	**14,416**	18,167
– Amounts due from joint ventures	**97**	121
– Amounts due from fellow subsidiaries	**491**	850
– Loan to related companies	**2,632**	–
– Held-to-maturity investment	**–**	453
– Available-for-sale financial assets – debt securities	**1,152**	2,344
Finance income	**18,788**	21,935
Finance income, net	**12,024**	15,816

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 (2014: 16.5% to 26%).

	2015 **US$'000**	2014 US$'000
Current income tax		
– Hong Kong profits tax	**13**	741
– Overseas taxation	**193**	186
– Over provision in prior years	**(8)**	(14)
Deferred income tax (note 26)	**7,427**	999
Income tax expense	**7,625**	1,912

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:

	2015 **US$'000**	2014 US$'000
Loss before income tax	**(73,912)**	(10,826)
Less: share of profits of joint ventures	**(153)**	(926)
	(74,065)	(11,752)
Tax calculated at 16.5% (2014: 16.5%)	**(12,221)**	(1,939)
Income not subject to tax	**(34,042)**	(56,077)
Expenses not deductible for tax purposes	**48,844**	58,236
Effect of different tax rates of other countries	**3,540**	1,706
Over-provisions in prior years	**(8)**	(14)
Tax losses not recognised as deferred tax assets	**1,512**	–
	7,625	1,912

13 (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 year.

	2015	2014
(Loss)/profit attributable to owners of the Company (US$'000)	**(66,334)**	1,862
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic (loss)/earnings per share (US cents per share)	**(1.66)**	0.05

As there were no dilutive potential ordinary shares outstanding during the year (2014: Nil), the diluted loss (2014: earnings) per share for the year is equal to basic loss (2014: earnings) per share.

14 DIVIDENDS

	2015 US$'000	2014 US$'000
Final dividend, Nil (2014: HK8 cents per share)	**–**	40,945

15 SUBSIDIARIES

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**	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Current				
Assets	**91,081**	122,018	**124,795**	127,499
Liabilities	**(66,225)**	(66,121)	**(130,228)**	(140,069)
Total net current assets/(liabilities)	**24,856**	55,897	**(5,433)**	(12,570)
Non-current				
Assets	**61,072**	72,147	**3,151**	3,412
Liabilities	**(41,266)**	(42,952)	**–**	–
Total net non-current assets	**19,806**	29,195	**3,151**	3,412
Net assets/(liabilities)	**44,662**	85,092	**(2,282)**	(9,158)

15 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	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Revenue	**324,788**	413,572	**491,234**	571,051
(Loss)/profit for the year	**(36,346)**	(30,233)	**6,536**	1,606
(Loss)/profit allocated to non-controlling interests	**(18,536)**	(15,419)	**3,333**	819
Dividends paid to non-controlling interests	**–**	–	**–**	–

Summarised cash flows

	Sinochart group For the year ended 31 December		Sinotrans Container Lines group For the year ended 31 December	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Net decrease in cash and cash equivalents	**9,773**	8,156	**13,412**	6,795

16 PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Vessels under construction US$'000	Land and buildings US$'000	Others US$'000	Total US$'000
Cost					
At 1 January 2014	1,643,382	–	604	8,148	1,652,134
Currency translation differences	(196)	–	(52)	(74)	(322)
Additions	151,872	72,329	–	2,083	226,284
Disposals and write-off	(41,704)	–	–	(212)	(41,916)
At 31 December 2014	1,753,354	72,329	552	9,945	1,836,180
Currency translation differences	(1,428)	–	(88)	(432)	(1,948)
Additions	219	168,096	6,501	779	175,595
Disposals	(419,501)	–	–	(1,075)	(420,576)
Transfer	175,075	(175,075)	–	–	–
At 31 December 2015	1,507,719	65,350	6,965	9,217	1,589,251
Accumulated depreciation and impairment					
At 1 January 2014	449,815	–	226	5,651	455,692
Currency translation differences	(25)	–	(20)	(65)	(110)
Depreciation charge for the year	65,803	–	11	910	66,724
Disposals and write-off	(26,356)	–	–	(201)	(26,557)
At 31 December 2014	489,237	–	217	6,295	495,749
Currency translation differences	(415)	–	(40)	(327)	(782)
Depreciation charge for the year	60,657	–	135	1,050	61,842
Disposals	(263,213)	–	–	(1,038)	(264,251)
Impairment	4,717	–	–	–	4,717
At 31 December 2015	290,983	–	312	5,980	297,275
Net book value					
At 31 December 2015	1,216,736	65,350	6,653	3,237	1,291,976
At 31 December 2014	1,264,117	72,329	335	3,650	1,340,431

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The land and buildings are located outside Hong Kong.

(b) At 31 December 2015, the Group's vessels with an aggregate net book value of US$69,657,000 (2014: US$72,356,000) were pledged as security for the bank borrowings (note 25(b)).

(c) The aggregate cost, accumulated depreciation and accumulated impairment losses of the leased assets as at 31 December 2015 (where the Group is the lessor) comprised the vessels under time charter arrangements, amounted to US$943,242,000 (2014: US$1,140,387,000), US$211,069,000 (2014: US$354,106,000) and nil (2014: nil) respectively.

(d) The net book value of a vessel held under finance lease as at 31 December 2015 amounted to US$42,026,000 (2014: US$43,758,000) (note 25).

(e) The loss on disposal of property, plant and equipment mainly represented the loss resulting from the demolition of 18 vessels in 2015 (2014: 2 vessels) amounting to US$125,788,000 (2014: US$11,461,000). A government subsidy of US$127,590,000 in relation to the demolition of these vessels was applied in 2015 (2014: US$8,558,000) (note 8).

(f) During the year, no interest expenses (2014: Nil) were capitalised to the vessels during the construction period (note 11).

(g) Depreciation of US$60,844,000 (2014: US$66,010,000) is included in the "cost of operations" and depreciation of US$998,000 (2014: US$722,000) is included in the "selling, administrative and general expenses" in the consolidated statement of comprehensive income.

17 INTANGIBLE ASSET

	Computer Software	
	2015	2014
	US$'000	US$'000
At 1 January		
Cost	**669**	–
Accumulated amortisation	**(11)**	–
Net book amount	**658**	–
Year ended		
Opening net book amount	**658**	–
Additions	**923**	669
Amortisation charge (note 7)	**(232)**	(11)
Closing net book amount	**1,349**	658
At 31 December		
Cost	**1,592**	669
Accumulated amortisation	**(243)**	(11)
Net book amount	**1,349**	658

Amortisation of US$232,000 (2014: US$11,000) is included in the 'selling, administrative and general expenses' in the consolidated statement of comprehensive income.

18 INTERESTS IN JOINT VENTURES

	2015 US$'000	2014 US$'000
Investment in joint ventures (note a)	**60,769**	22,886
Loans to joint ventures (note b)	**6,666**	8,000
Current portion of loans to joint ventures	**(1,333)**	(1,333)
	5,333	6,667
Unlisted investments, at cost	**129**	128

Notes:

(a) Investment in joint ventures

	2015 US$'000	2014 US$'000
At 1 January	**22,886**	21,960
Share of profit	**153**	926
Acquisition during the year (note)	**40,485**	–
Dividend declared	**(2,755)**	–
At 31 December	**60,769**	22,886

18 INTERESTS IN JOINT VENTURES (Continued)

The joint ventures listed below have share capital consisting solely of ordinary shares, which is held indirectly by the group.

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 ("MS Tanker")	Hong Kong	HK$2,000,000	50%	Inactive
Faship Maritime Carriers Inc. ("Faship")	Panama	1,200 shares of US$1 each	50%	Investment holding
Friendship One Shipping Limited ("Friendship 1")	Hong Kong	HK$2	50%	Owning and chartering of vessel
Friendship Two Shipping Limited ("Friendship 2")	Hong Kong	HK$2	50%	Owning and chartering of vessel
Arctic LNG 1 Limited ("ALNG 1") (note)	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 2 Limited ("ALNG 2") (note)	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 3 Limited ("ALNG 3") (note)	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 4 Limited ("ALNG 4") (note)	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 5 Limited ("ALNG 5") (note)	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel

Note: On 21 December 2015, the Group acquired 25.5% equity interest in ALNG 1, ALNG 2, ALNG 3, ALNG 4 and ALNG 5 from Dynagas Holding Ltd, which comprised of share capital amounted to US$1,000 and capital contribution related to the shareholder loan amounted to US$40,484,000. Each of these five joint ventures has entered into a shipbuilding contract for the construction of an ice breaking LNG vessel with expected delivery on 31 December 2017 and a time charter agreement to lease the vessel for a term commencing from the delivery of the vessel until 31 December 2045.

(b) Loans to joint ventures are secured by the vessels of the joint ventures and bear interest at 1% (2014: 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 2015 was 1.61% (2014: 1.26%). The carrying value of the loan to joint ventures approximates the fair value.

18 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information for joint ventures

Set out below are the summarised financial information for significant joint ventures which is accounted for using the equity method.

Summarised balance sheet

	2015 US$'000	2014 US$'000
Assets		
Non-current assets	**65,097**	25,373
Current assets	**9,793**	9,817
Total assets	**74,890**	35,190
Liabilities		
Non-current liabilities	**(5,333)**	(6,667)
Current liabilities	**(8,788)**	(5,637)
Total liabilities	**(14,121)**	(12,304)
Net assets	**60,769**	22,886

	2015 US$'000	2014 US$'000
Income	**3,493**	3,932
Expenses	**(3,340)**	(3,006)

18 INTERESTS IN JOINT VENTURES (Continued)

Commitments in respect of investment in joint ventures

The Group has the following commitments relating to its investment in joint ventures.

	2015 US$'000	2014 US$'000
Capital commitment in respect of the vessels under construction	**364,368**	–

In accordance with the joint venture agreements signed between the Group, China LNG Shipping (Holdings) Limited and Dynagas Holding Limited, the Group acquired 25.5% equity interest of each of ALNG 1, ALNG 2, ALNG 3, ALNG 4 and ALNG 5 (collectively "ALNG companies"). The Group's maximum aggregate shareholder's commitment is US$99,450,000 and is not obliged to contribute further funding unless otherwise agreed and to the extent the ALNG companies request further funding, such request funding shall be contributed pro rata to the shareholders' shareholding in the ALNG companies.

Each of the ALNG companies has entered into a shipbuilding contract for the construction of an ice breaking LNG vessel at a contract price of approximately US$317,532,000. The vessels are scheduled to be delivered in the period between the fourth quarter 2017 and the first quarter 2019.

The first instalment of the shipbuilding contract amounted to approximately US$31,753,000 has been settled by each of the ALNG companies with a remaining capital commitment amounted to US$285,779,000. Given the 25.5% equity interest held by the Group, the capital commitment of the Group in respect of each joint venture amounted to US$72,874,000, which totalled US$364,368,000 for the 5 vessels.

In addition, the Group provides guarantees to the ALNG Companies' due and full performance of their obligations under the shipbuilding contracts amounted to US$408,000,000.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

19 TRADE AND OTHER RECEIVABLES

	2015 US$'000	2014 US$'000
Trade receivables, net of provision (note a)		
– fellow subsidiaries	**7,261**	19,635
– third parties	**103,270**	119,662
	110,531	139,297
Prepayments, deposits and other receivables, net of provision (note b)	**176,435**	73,668
Loans to related companies (note c)	**17,088**	32,236
Loan to a fellow subsidiary (note d)	**–**	10,000
Amounts due from related parties (note e)		
– fellow subsidiaries	**1,987**	38,549
– joint ventures	**3,439**	202
– ultimate holding company	**7,367**	7,818
	12,793	46,569
	316,847	301,770
Less: non-current portion – loans to related companies	**(16,069)**	(30,256)
Current portion	**300,778**	271,514

19 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:

	2015 US$'000	2014 US$'000
Within 6 months	**107,590**	133,780
7-12 months	**1,629**	6,174
1-2 years	**2,301**	826
2-3 years	**1,754**	936
Over 3 years	**473**	494
Trade receivables	**113,747**	142,210
Less: impairment		
Within 6 months	**–**	–
7-12 months	**(165)**	(944)
1-2 years	**(1,029)**	(539)
2-3 years	**(1,549)**	(936)
Over 3 years	**(473)**	(494)
Provision for impairment of trade receivables	**(3,216)**	(2,913)
Trade receivables, net of provision	**110,531**	139,297

As at 31 December 2015, management has impaired trade receivables of US$3,216,000 (2014: US$2,913,000). 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 2015 and 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 2015, other receivables of US$1,946,000 (2014: US$1,623,000) were considered as impaired by management and were provided for. The amount of provision was US$1,792,000 as at 31 December 2015 (2014: US$1,444,000).

(c) Loans to related companies are denominated in US$ and bear floating interest rates. The effective interest rate as at 31 December 2015 was 3.74% to 3.93% (2014: 3.39% to 3.86%). The interest rates are based on 3-month LIBOR plus a margin of 0.7% (2014: 0.7%) per annum. 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.

(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 19(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:

	2015 US$'000	2014 US$'000
At 1 January	**2,913**	3,476
Additional/(reversal of)	**514**	(64)
Written off during the year	**(161)**	(499)
Exchange	**(50)**	–
At 31 December	**3,216**	2,913

As at 31 December 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.

20 CASH AND BANK BALANCES

	2015 US$'000	2014 US$'000
Non-current		
Bank deposit (note a)	**121,714**	70,473
Current		
Cash and cash equivalents	**154,978**	201,618
Short-term bank deposits (note b)	**353,302**	433,316
Restricted cash	**108**	40,114
	508,388	675,048
Cash and bank balances	**630,102**	745,521

Notes:

(a) The deposit of US$121,714,000 (2014: US$70,473,000) is placed with a bank with original maturity over 12 months and bears interest at 2% (2014: 2%) per annum. The balance is denominated in US$.

(b) The short-term deposits include deposits of US$37,258,000 (2014: US$56,720,000) 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 are denominated in the following currencies:

	2015 US$'000	2014 US$'000
US dollar	**500,554**	601,552
Renminbi	**126,384**	141,068
Hong Kong dollar	**1,300**	1,098
Japanese Yen	**256**	907
Others	**1,608**	896
Cash and bank balances	**630,102**	745,521

As at 31 December 2015 and as at 31 December 2014, the fair value of the Group's cash and bank balance are approximately their carrying amounts.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 US$'000	2014 US$'000
Unlisted investments		
– Equity security (note a)	3,863	4,108
– Debt security (note b)	12,581	–
	16,444	4,108
Listed investments		
– Equity security	173	–
– Debt security (note b)	12,320	–
	12,493	–
	28,937	4,108
At 1 January	4,108	37,148
Addition/(disposal)	25,074	(33,022)
Currency translation differences	(239)	(18)
Fair value change	(6)	–
At 31 December	28,937	4,108
Less: Non-current portion	(3,863)	(4,108)
Current portion	25,074	–

Notes:

(a) At 31 December 2015 and 31 December 2014, the unlisted equity security of RMB25,000,000 and RMB25,000,000 respectively (approximate US$3,863,000 and US$4,108,000 respectively) represent the Group's investment in 5% equity interest in Sinotrans & CSC Finance Co., Ltd., fellow subsidiary which is included in the non-current portion.

(b) Debt securities with fixed interest ranging from 3.5% to 4.05% per annum and maturity dates between 7 January 2016 and 22 March 2016.

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

(d) None of these financial assets is either past due or impaired at 31 December 2014 and 2015.

22 SHARE CAPITAL

	2015 Number of shares	2015 US$'000	2014 Number of shares	2014 US$'000
Issued and fully paid:				
Ordinary shares	**3,992,100,000**	**1,878,209**	3,992,100,000	1,878,209

Note:

(a) 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 2015 and 2014.

23 TRADE AND OTHER PAYABLES

	2015 US$'000	2014 US$'000
Trade payables (note a)		
– fellow subsidiaries	**13,277**	25,444
– third parties	**156,975**	173,996
	170,252	199,440
Other payables and accruals	**38,428**	36,017
Amounts due to related parties (note b)		
– fellow subsidiaries	**4,939**	1,647
– joint ventures	**129**	60
	5,068	1,707
	213,748	237,164

23 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Ageing analysis of trade payables (including amounts due to related parties of trading in nature) at the respective balance sheet dates are as follows:

	2015 US$'000	2014 US$'000
Within 6 months	**148,534**	168,798
7–12 months	**3,999**	1,896
1–2 years	**6,215**	5,411
2–3 years	**2,000**	16,863
Over 3 years	**9,504**	6,472
Trade payables	**170,252**	199,440

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

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

24 PROVISION FOR OTHER LIABILITIES

	2015 US$'000	2014 US$'000
Provision for onerous contracts		
– current portion	**3,176**	9,179
– non-current portion	**–**	305
	3,176	9,484

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

	2015 US$'000	2014 US$'000
At 1 January	**9,484**	3,524
Provision during the year	**2,889**	9,459
Utilised during the year	**(9,197)**	(3,499)
At 31 December	**3,176**	9,484

The Group made a provision of US$2,889,000 (2014: US$9,459,000) 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)).

25 BORROWINGS

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

	Bank borrowings		Finance lease obligation		Total	
	2015	2014	**2015**	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within 1 year	**6,346**	6,346	**1,438**	1,312	**7,784**	7,658
Between 1 and 2 years	**6,346**	6,346	**1,607**	1,438	**7,953**	7,784
Between 2 and 5 years	**19,039**	19,039	**6,227**	5,484	**25,266**	24,523
Over 5 years	**4,182**	10,518	**33,432**	35,725	**37,614**	46,243
	35,913	42,249	**42,704**	43,959	**78,617**	86,208
Less: current portion	**(6,346)**	(6,346)	**(1,438)**	(1,312)	**(7,784)**	(7,658)
Non-current portion	**29,567**	35,903	**41,266**	42,647	**70,833**	78,550

Notes:

(a) At 31 December 2015, bank borrowings of US$26,122,000 and US$9,791,000 (2014: US$11,431,000 and US$30,818,000) bear floating interest rate at LIBOR plus a margin of 1.4% (2014: 1.4%) per annum and at fixed rate of 3.5% (2014: 3.5%) per annum respectively. The effective interest rate of bank borrowing is 3% as at 31 December 2015 (2014: 3%).

(b) As at 31 December 2015, the Group's bank borrowings of US$35,913,000 (2014: US$42,249,000), were secured by its vessels with aggregate carrying amount of US$69,657,000 (2014: US$72,356,000) (note 16(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:

	2015	2014
	US$'000	US$'000
6 months or less	**9,791**	11,431

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3% (2014: 3%) and are within level 2 of the fair value hierarchy.

The group's borrowings are denominated in US$.

25 BORROWINGS (Continued)

Notes: (Continued)

(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 2015, the Group's finance lease payable is repayable as follows:

	2015 US$'000	2014 US$'000
Finance lease payable – minimum lease payments:		
– within one year	**6,661**	6,643
– in the second year	**6,643**	6,661
– in the third to fifth year	**19,947**	19,929
– after the fifth year	**50,656**	57,317
	83,907	90,550
Future finance charges on finance lease	**(41,203)**	(46,591)
Present value of finance lease payable	**42,704**	43,959

26 DEFERRED INCOME TAX

The analysis of deferred income tax assets are as follows:

	2015 US$'000	2014 US$'000
Deferred income tax assets:		
– To be recovered within 12 months	**–**	–
– To be recovered after more than 12 months	**339**	8,012
	339	8,012

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 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
At 1 January 2015	**7,434**	**–**	**221**	**357**	**8,012**
(Charged)/credited to profit or loss	**(7,188)**	**–**	**118**	**(357)**	**(7,427)**
Currency translation difference	**(231)**	**–**	**(15)**	**–**	**(246)**
At 31 December 2015	**15**	**–**	**324**	**–**	**339**

26 DEFERRED INCOME TAX (Continued)

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$20,020,000 (2014: US$34,350,000) in respect of losses amounting to US$15,935,000 (2014: US$120,980,000) that can be carried forward against future taxable income. No losses will expire in 2016.

27 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before income tax to cash generated from operations

	2015 US$'000	2014 US$'000
Loss before income tax	**(73,912)**	(10,826)
Adjustments for:		
Impairment of property, plant and equipment	**4,717**	–
Depreciation and amortisation	**62,074**	66,735
Finance lease income from a fellow subsidiary	**–**	(4,412)
Additional/(reversal of) provision for impairment of trade and other receivables, net	**1,269**	(221)
Loss on disposals of property, plant and equipment	**125,814**	11,461
Share of profits of joint ventures	**(153)**	(926)
Interest income, net	**(12,024)**	(15,816)
(Reversal of)/additional provision for onerous contracts, net	**(6,308)**	5,960
Government subsidy recognised	**(129,163)**	(9,903)
Compensation income from termination of finance lease	**–**	(7,773)
Exchange loss	**5,310**	1,369
Changes in working capital:		
Inventories	**14,713**	(5,234)
Trade and other receivables (excluding amounts due from related parties)	**36,769**	(977)
Amounts due to/(from) related parties, net	**2,600**	(3,090)
Trade and other payables (excluding amounts due to related parties)	**(26,777)**	6,759
Cash generated from operations	**4,929**	33,106

28 CONTINGENT LIABILITIES

(a) Sinochart as both defendant and plaintiff

In 2007, a chartered-in vessel of Sinochart grounded off and sank when unloading 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 Supreme Court in the UK by the shipowner.

Based on latest status of the legal proceedings and by reference to the advice from legal counsel, directors of the Company expected to settle this potential claim at approximately US$198,700,000. Accordingly, a provision for the case amounted to US$8,700,000 has been made as at 31 December 2015 (2014: Nil).

In addition to the above, as at 31 December 2015, Sinochart was also involved in other 6 (31 December 2014: 4)pending lawsuits amounted to approximately US$2,024,000 (31 December 2014: US$1,219,000). Taking into account the latest status of legal proceedings and the progress of settlement negotiations, the provisions for those cases is in the sum of US$610,000 as at 31 December 2015 (31 December 2014: US$340,000).

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 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.

29 COMMITMENTS

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

	2015 **US$'000**	2014 US$'000
Contracted but not provided for	**277,900**	193,971

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

At 31 December 2015, the Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2015 **US$'000**	2014 US$'000
Office premises		
– no later than one year	**2,631**	1,586
– later than one year and no later than five years	**409**	667
	3,040	2,253
Vessels		
– no later than one year	**106,896**	105,209
– later than one year and no later than five years	**148,096**	135,000
– over five years	**629**	51,876
	255,621	292,085
	258,661	294,338

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

At 31 December 2015, 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 23 months (2014: 1 to 25 months):

	2015 **US$'000**	2014 US$'000
Vessels		
– no later than one year	**42,274**	43,717
– later than one year and no later than five years	**21,073**	4,351
	63,347	48,068

30 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:

	2015 US$'000	2014 US$'000
Charterhire income from fellow subsidiaries	**243,197**	308,317
Charterhire expenses paid to a joint venture	**3,628**	4,008
Charterhire expenses paid to fellow subsidiaries	**1,822**	–
Commission expenses to fellow subsidiaries	**234**	62
Commercial management fee to a fellow subsidiary	**380**	621
Expenses for hiring of crews and seafarers to a fellow subsidiary	**9,705**	11,170
Finance lease income from a fellow subsidiary	**–**	4,412
Compensation income from fellow subsidiary	**–**	7,773
Interest income on held-to-maturity investment	**–**	453
Interest income from joint ventures (note 18(a))	**97**	121
Interest income from a fellow subsidiary	**110**	795
Rental expenses to fellow subsidiaries	**2,417**	1,483
Service fee paid to fellow subsidiaries	**142,479**	153,846
Service fee income from fellow subsidiaries	**263**	457
Agency income from fellow subsidiaries	**27,886**	30,434
Vessel and container leasing cost paid	**23,814**	29,541
Commercial management fee from joint ventures	**300**	156

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

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Year end balances arising from sales, purchases and other transactions with related parties were disclosed in notes 19 and 23.

(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.

(d) Key management compensation

	2015 US$'000	2014 US$'000
Salaries, allowances, and benefits-in-kind	**548**	540
Contributions to pension plans	**14**	12
	562	552

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance Sheet of the Company

	As at 31 December 2015 US$'000	 2014 US$'000
ASSETS		
Non-current assets		
Subsidiaries (note a)	**221,249**	16,537
Amounts due from subsidiaries	**1,185,409**	1,278,632
Property, plant and equipment	**1,583**	1,820
Intangible asset	**1,349**	658
Loans to related companies	**16,069**	30,256
Bank deposits	**121,714**	70,473
Deferred income tax assets	**15**	–
	1,547,388	1,398,376
Current assets		
Trade and other receivables	**7,215**	92,265
Loans to related companies	**1,018**	–
Cash and bank balances		
– Cash and cash equivalents	**68,427**	103,739
– Short-term bank deposits	**312,820**	357,957
– Restricted cash	**–**	40,000
	389,480	593,961
Total assets	**1,936,868**	1,992,337

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance Sheet of the Company (Continued)

	As at 31 December	
	2015	2014
	US$'000	US$'000
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**1,878,209**	1,878,209
Other reserves (note b)	**54,259**	90,290
Total equity	**1,932,468**	1,968,499
LIABILITIES		
Current liabilities		
Trade and other payables	**4,386**	23,828
Taxation payable	**14**	10
	4,400	23,838
Total equity and liabilities	**1,936,868**	1,992,337

The balance sheet of the Company was approved by the Board of Directors on 14 March 2016 and was signed on its behalf

Li Zhen
Director

Li Hua
Director

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Notes:

(a) Subsidiaries

Pursuant to an agreement entered into between the Company and a wholly-owned subsidiary, Sinotrans Ship Trading Limited ("SSTL") dated 2 November 2015, the Company made an equity loan of approximately US$204,713,000 to SSTL through capitalising the amount due from subsidiary. The Company has no right to require SSTL to return the equity loan. Accordingly, the equity loans is accounted for as investment in subsidiaries.

(b) Reserve movement of the Company

	Retained earnings US$'000
At 1 January 2014	76,532
Profit for the year	13,758
Other comprehensive income	
Currency translation differences	–
Total comprehensive income	13,758
At 31 December 2014	90,290
At 1 January 2015	**90,290**
Profit for the year	**5,073**
Other comprehensive income	
Currency translation differences	**–**
Total comprehensive income	**5,073**
Transactions with owners	
Dividend	**(41,104)**
Total transactions with owners	**(41,104)**
At 31 December 2015	**54,259**

32 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2015, 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
Federal Delight Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Flying Speed Limited	Hong Kong	HK$2	100%	Owning and chartering of vessel
Fortress Shipping Limited	Hong Kong	HK$1	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
Great Ambition Shipping Inc.	Panama	2 shares of US$1 each	100%	Owning and chartering of vessel
Great Han Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel

32 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 Hope Shipping Limited	Hong Kong	HK$1	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 Jin Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Kent 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 Majesty Shipping S.A.	Panama	10,000 shares of US$1 each	100%	Owning and chartering of vessel
Great Mind Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Great Praise Shipping S.A.	Hong Kong	HK$1	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

32 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 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
#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 Shipowning Limited	Hong Kong	HK$2	100%	Investment holding
Marine Peace Shipping Limited	British Virgin Islands	1 share of US$1	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 US$1 each	100%	Provision for agency services for shipping forwarding and aircargo

32 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 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 Limited ("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
#Sinotrans Ship Trading Limited	British Virgin Islands	1 share of US$1	100%	Provision of investing services
#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 vessel
Top Central Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel
Trade Elegancy Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Sinotrans Shipping LNG Limited (formerly "High Praise Limited")	Hong Kong	HK$1	100%	Investment holding
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
Top Kent Limited	Hong Kong	HK$1	100%	Owning and Chartering of vessel

32 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
Trade Sincerity Shipping Limited	Hong Kong	HK$1	100%	Owning and chartering of vessel
Trade Worlder Shipowining 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

Directly held by the Company

* Despite the fact that 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 through its right of appointment of the representatives on their board of directors

32 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

(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
Arctic LNG 1 Limited	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 2 Limited	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 3 Limited	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 4 Limited	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel
Arctic LNG 5 Limited	Marshall Islands	US$1,000	25.5%	Owning and chartering of vessel

33 EVENT OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group has demolished three dry bulk vessels and the related Vessel Demolition Subsidy will be applied in 2016.

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".

"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
"Board"	the board of Directors of our Company
"Chartering Opportunity"	a business opportunity to charter out dry bulk vessels to a potential customer
"China Containerized Freight Index" or "CCFI"	an important and influential indicator of the shipping market of China prepared in accordance with 11 sample shipping routes and freight rates of 16 renowned shipping companies announced by Shanghai Shipping Exchange every Friday
"China LNG Shipping (Holdings) Limited"	China LNG Shipping (Holdings) Limited, a company incorporated in Hong Kong with limited liability
"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
"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
"Dynagas Holding Ltd"	Dynagas Holding Ltd, a company incorporated in the Republic of the Marshall Islands with limited liability
"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
"Ice-glass LNG Carrier"	a LNG carrier designed for navigation in Arctic Circle under particular icing conditions
"Prospectus"	the Company's prospectus dated 12 November 2007
"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 China National Foreign Trade Transportation (Group) Corporation, a PRC state-owned enterprise formed in 1950, being the ultimate controlling shareholder of our Company
"we," "us" or "our"	our Company or our Group (as the case may require)
"YAMAL Trade Pte Ltd"	YAMAL Trade Pte Ltd, a company incorporated in Republic of Singapore with limited liability, originally was a party of an ship-building contract and a charterer under a time charter

In this annual report, terms such as "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.

"ABS"	the American Bureau of Shipping, a classification society established in 1862, being one of the largest classification societies in the world with a classed fleet of over 10,000 commercial vessels and offshore facilities. ABS is a member of International Association of Classification Societies (IACS) and is recognised by the Hong Kong government
"Capesize"	a dry bulk vessel with a capacity of over 100,000 DWT
"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
"FFA"	Forward Freight Agreement, a kind of forward freight rate agreement concluded between the buyer and seller, specifying the routes, prices, quantities, etc. The two parties agree to take or pay the difference between BDI and the transaction price in a certain point of time
"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
"IHC pool"	a commercial pool of Handysize tonnage managed by International Handybulk Carriers Limited
"ISM Code"	the International Management Code for the Safe Operation of Ships and for Pollution Prevention
"LNG"	liquefied natural gas

"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)
"P&I Association"	a mutual association providing P&I insurance coverage
"P&I insurance"	protection and indemnity insurance, obtained through a mutual association formed by shipowners to provide liability indemnification protection from various liabilities to which they are exposed in the course of their business, and which spreads the liability costs of each member by requiring contribution by all members in the event of a loss
"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"	a 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"	a 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"	a 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

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Mr. Huen Po Wah, *ACIS ACS*

AUTHORISED REPRESENTATIVES

Mr. Li Hua
Ms. Feng Guoying

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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

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SINOTRANS&CSC

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SINOTRANS SHIPPING LTD.