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中外運航運有限公司
SINOTRANS SHIPPING LTD.

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of Sinotrans Shipping Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") as follows:

FINANCIAL HIGHLIGHTS

	2017	2016
	US$'000	*US$'000*
Results		
Revenues	**1,006,395**	841,461
Profit/(loss) attributable to owners of the Company	**32,271**	(229,579)
Basic and diluted earnings/(loss) per share	**US0.81cents**	US(5.75)cents
Dividend	**15,354**[(2)]	20,472
Financial Position		
Total assets	**2,188,946**	2,074,342
Total liabilities	**355,052**	278,099
Equity attributable to owners of the Company	**1,817,028**	1,788,437
Cash and bank balances	**726,491**	643,978
Interest bearing liabilities	**138,023**	70,888
Interest bearing debt ratio [(1)]	**6.3%**	3.4%

(1) Interest bearing liabilities divided by total assets.

(2) Representing the proposed final dividend of HK3 cents (equivalent to US0.38 cents). Details are set out in Note 10.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
Revenues	3	**1,006,395**	841,461
Cost of operations	4	**(940,108)**	(888,555)
Selling, administrative and general expenses	4	**(37,169)**	(34,376)
Vessels impairment	5	**–**	(162,793)
Other gains/(losses), net	6	**6,446**	(1,555)
Operating profit/(loss)		**35,564**	(245,818)
Finance income	7	**17,516**	10,830
Finance expenses	7	**(6,525)**	(6,257)
Share of (losses)/profits of joint ventures		**(834)**	455
Profit/(loss) before income tax		**45,721**	(240,790)
Income tax expense	8	**(5,719)**	(1,324)
Profit/(loss) for the year		**40,002**	(242,114)
Profit/(loss) attributable to:			
– Owners of the Company		**32,271**	(229,579)
– Non-controlling interests		**7,731**	(12,535)
		40,002	(242,114)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**18,538**	(18,495)
Available-for-sale financial assets			
– Fair value changes		**38**	(142)
– Transfer to profit or loss		**(440)**	–
Total comprehensive income/(loss) for the year		**58,138**	(260,751)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**49,078**	(246,943)
– Non-controlling interests		**9,060**	(13,808)
		58,138	(260,751)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	9	**US0.81 cents**	US(5.75) cents
Dividend	10	**15,354**	20,472

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,130,702**	1,105,373
Intangible asset		**3,145**	2,502
Investments in joint ventures		**89,581**	74,057
Loans to joint ventures		**2,667**	4,000
Loans to related companies	*11*	**13,959**	15,027
Available-for-sale financial assets		**20,085**	18,360
Deferred income tax assets		**–**	15
		1,260,139	1,219,334
Current assets			
Inventories		**19,303**	17,996
Loans to joint ventures		**1,333**	1,333
Trade and other receivables	*11*	**169,259**	157,194
Available-for-sale financial assets		**1,619**	34,507
Cash and bank balances			
– Cash and cash equivalents		**199,074**	283,243
– Short-term bank deposits		**527,302**	360,627
– Restricted cash		**115**	108
		918,005	855,008
Asset classified as held-for-sale		**10,802**	-
		928,807	855,008
Total assets		**2,188,946**	2,074,342

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,878,209**	1,878,209
Reserves		**(61,181)**	(89,772)
		1,817,028	1,788,437
Non-controlling interests		**16,866**	7,806
Total equity		**1,833,894**	1,796,243
LIABILITIES			
Non-current liabilities			
Provision for other liabilities		**2,439**	6,393
Borrowings		**54,936**	62,879
		57,375	69,272
Current liabilities			
Trade and other payables	*12*	**278,613**	178,460
Provision for other liabilities		**6,155**	20,554
Taxation payable		**4,691**	1,804
Borrowings		**8,218**	8,009
		297,677	208,827
Total liabilities		**355,052**	278,099
Total equity and liabilities		**2,188,946**	2,074,342

NOTES

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 China Merchants Group Limited, a state-owned enterprise established in the People’s Republic of China (the “PRC”).

In December 2015, the State-owned Assets Supervision and Administration Commission of the state Council (“SASAC”) approved the strategic reorganisation between SINOTRANS & CSC Holdings Co., Ltd. and China Merchants Group Limited. According to the approval, SINOTRANS & CSC Holdings Co., Ltd. will be administratively allocated (for no consideration) into, and become a wholly-owned subsidiary of, China Merchants Group Limited. In April 2017, the relevant legal procedures of the above strategic reorganisation have been completed. Thereafter, China Merchant Group Limited becomes the ultimate holding company of the Company.

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

The financial information relating to the financial years ended 31 December 2017 and 2016 included in this announcement of annual results does not constitute the Company’s statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course. The Company’s auditor has reported on those financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

These consolidated financial statements have been approved for issue by the Board of Directors on 8 March 2018.

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), 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”) and requirements of Hong Kong Companies Ordinance Cap.622. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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.

(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 2017:

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes
Annual Improvements Project	Annual Improvements 2014-2016 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 principal accounting policies.

(iii) The HKICPA has issued a number of new standards and interpretations and amendments to existing standards which are not effective for accounting period beginning on 1 January 2017. The Group has not early adopted these new standards and interpretations and amendments to existing standards.

3 REVENUES AND SEGMENT INFORMATION

(a) Revenues

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

	2017	2016
	US$'000	*US$'000*
Dry bulk shipping *(note)*	**487,433**	367,068
Container shipping	**517,930**	473,333
Others	**1,032**	1,060
	1,006,395	841,461

Note:

Revenue from dry bulk shipping under time charter hire agreements was US$197,756,000 for the year ended 31 December 2017 (2016: US$91,453,000).

(b) Segment information

Operating segments

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

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

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

– Container shipping – container vessel time chartering, container liner 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.

	Year ended 31 December 2017			
	Dry bulk shipping	**Container shipping**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Total revenues	**490,190**	**517,930**	**7,512**	**1,015,632**
Inter-segment revenues	**(1,088)**	**–**	**(6,480)**	**(7,568)**
Revenues from external customers	**489,102**	**517,930**	**1,032**	**1,008,064**
Segment results	**36,665**	**37,090**	**(2,923)**	**70,832**
Depreciation	**42,908**	**8,285**	**329**	**51,522**
Reversal of provision for impairment of trade and other receivables, net	**826**	**–**	**–**	**826**
Additions to property, plant and equipment	**24,330**	**73,266**	**15**	**97,611**
Reversal of provision for onerous contracts, net of utilisation	**10,383**	**–**	**–**	**10,383**

	Year ended 31 December 2016			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Total revenues	369,939	473,333	8,920	852,192
Inter-segment revenues	(1,248)	–	(7,860)	(9,108)
Revenues from external customers	368,691	473,333	1,060	843,084
Segment results	(238,118)	26,774	(280)	(211,624)
Depreciation	51,980	7,112	329	59,421
Provision for impairment of trade receivables, net	1,280	–	–	1,280
Additions to property, plant and equipment	73,829	20,701	38	94,568
Provision for onerous contracts, net of utilisation	14,916	–	–	14,916
Vessels impairment	162,793	–	–	162,793

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 profit or loss and other 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:

	2017	2016
	US$'000	*US$'000*
Revenues from external customers for reportable segments	**1,008,064**	843,084
Revenues from external customers derived by joint ventures measured at proportionate consolidated basis	**(1,669)**	(1,623)
Total revenues per the consolidated statement of profit or loss and other comprehensive income	**1,006,395**	841,461

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

A reconciliation of segment results to profit/(loss) before income tax is provided as follows:

	2017	2016
	US$'000	*US$'000*
Segment results for reportable segments	**70,832**	(211,624)
Corporate expenses	**(34,902)**	(32,782)
Depreciation and amortisation	**(1,200)**	(957)
Finance income	**17,516**	10,830
Finance expenses	**(6,525)**	(6,257)
Profit/(loss) before income tax	**45,721**	(240,790)

For the year ended 31 December 2017, the Group has one (2016: one) customer with revenue exceeding 10% of the Group's total revenue. Revenue from this customer amounting to US$121,132,000(2016: US$185,654,000) 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.

	Year ended 31 December 2017			
	Dry bulk shipping	**Container shipping**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment assets	**1,043,872**	**378,659**	**83,090**	**1,505,621**
Segment assets include:				
Interests in joint ventures	**21,199**	**–**	**68,382**	**89,581**
Loans to joint ventures	**4,000**	**–**	**–**	**4,000**
Segment liabilities	**115,247**	**152,380**	**5,558**	**273,185**

	Year ended 31 December 2016			
	Dry bulk shipping	Container shipping	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment assets	1,068,323	281,709	98,122	1,448,154
Segment assets include:				
Interests in joint ventures	20,809	–	53,248	74,057
Loans to joint ventures	5,333	–	–	5,333
Segment liabilities	124,800	144,077	4,918	273,795

Reportable segment assets are reconciled to total assets as follows:

	2017	2016
	US$'000	*US$'000*
Segment assets	**1,505,621**	1,448,154
Corporate assets	**683,325**	626,188
Total assets per the consolidated balance sheet	**2,188,946**	2,074,342

Reportable segment liabilities are reconciled to total liabilities as follows:

	2017	2016
	US$'000	*US$'000*
Segment liabilities	**273,185**	273,795
Corporate liabilities	**81,867**	4,304
Total liabilities per the consolidated balance sheet	**355,052**	278,099

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.

	2017	2016
	US$'000	*US$'000*
Container shipping		
– Asia	**466,560**	439,158
– Australia	**51,370**	34,175
	517,930	473,333
Dry bulk shipping	**489,102**	368,691
Others	**1,032**	1,060
	1,008,064	843,084

4 EXPENSES BY NATURE

	2017	2016
	US$'000	*US$'000*
Depreciation and amortisation	**52,722**	60,378
Hiring of crews and seafarers	**38,102**	38,287
Bunker consumed	**139,646**	108,759
Spare parts, lubricants and materials expenses	**13,364**	12,598
Operating lease expenses		
– vessels	**215,242**	158,691
– office premises	**3,931**	3,528
– containers	**26,167**	23,517
(Reversal of)/additional provision for onerous contracts, net of utilisation	**(10,383)**	14,916
Brokerage and commission	**22,527**	15,244
Port charges	**70,027**	80,527
Cargo handling charges and container charges	**193,198**	179,124
Ocean freight expense	**121,548**	123,031
Employee benefit expense	**32,381**	28,815
Remuneration to auditors		
– audit service	**969**	969
– non-audit service	**44**	120
Others	**57,792**	74,427
Total cost of operations and selling, administrative and general expenses	**977,277**	922,931

5 VESSELS IMPAIRMENT

In the fourth quarter of 2016, an impairment assessment was undertaken in respect of the Group's dry bulk vessels. Management has reviewed the latest market developments and the business plan and considers the recoverable amount of these vessels to be adversely impacted by the continuous uncertainty of the global economy, the supplies of vessels, and the challenging shipping market operation environment. Based on the value in use calculation, an impairment loss of US$162,793,000 was recognised for the year ended 31 December 2016. For the year ended 31 December 2017, no additional impairment loss was recognised.

6 OTHER GAINS/(LOSSES), NET

	2017	2016
	US$'000	*US$'000*
Reversal of/(additional) provision for impairment of trade and other receivables, net	**826**	(1,280)
Exchange (loss)/gain	**(3,563)**	861
Loss on disposals of property, plant and equipment	**(6,496)**	(49,583)
Impairment loss on asset classified as held-for-sale	**(1,804)**	–
Government subsidy *(note a)*	**8,139**	48,945
Gain on disposal of available-for-sale financial assets	**440**	–
Reversal of/(additional) provision for claims under pending litigations *(note b)*	**8,731**	(649)
Others	**173**	151
	6,446	(1,555)

Notes:

(a) The government subsidy included an approximate US$8,065,000 (2016: US$48,645,000) subsidy in relation to the demolition of vessels. During the year, the Group, through China Merchants Group Limited, submitted an application of government subsidy of RMB54,388,000 (approximately US$8,065,000) (2016: RMB318,612,000 (approximately US$48,645,000)) in respect of demolition of two (2016: five) vessels. The government subsidy is applied 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 profit or loss and other comprehensive income for the year ended 31 December 2017. After taken into account of the subsidy compensation, the net gain of demolition of the two vessels was approximately US$1,517,000 (2016: net loss of the five vessels was approximately US$919,000).

(b) The judgement of a legal proceeding has been concluded during the year. Accordingly, the provision for such legal proceeding amounted to US$8,731,000 was reversed to the profit or loss for the year ended 31 December 2017.

7 FINANCE INCOME AND EXPENSES

	2017	2016
	US$'000	*US$'000*
Interest expenses:		
– Bank borrowings	**871**	1,035
– Finance lease obligations	**5,033**	5,222
– Amount due to related companies	**621**	-
Finance expenses	**6,525**	6,257
Interest income		
– Cash and bank balances	**14,793**	7,604
– Amount due from a fellow subsidiary	**657**	465
– Loans to related companies	**823**	781
– Available-for-sale financial assets – debt securities	**1,243**	1,980
Finance income	**17,516**	10,830
Finance income, net	**10,991**	4,573

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 17% to 26% during the year (2016: 17% to 26%).

	2017	2016
	US$'000	US$'000
Current income tax		
– Hong Kong profits tax	**36**	12
– Overseas taxation	**5,670**	1,005
– Over provision in prior years	**(2)**	(5)
	5,704	1,012
Deferred income tax	**15**	312
Income tax expense	**5,719**	1,324

9 EARNINGS/(LOSS) PER SHARE

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

	2017	2016
Profit/(loss) attributable to owners of the Company (US$'000)	**32,271**	(229,579)
Weighted average number of shares in issue (thousands)	**3,992,100**	3,992,100
Basic earnings/(loss) per share (US cents per share)	**0.81**	(5.75)

As there were no dilutive potential ordinary shares outstanding during the year (2016: nil), the diluted earnings/(loss) per share for the year is equal to basic earnings/(loss) per share.

10 DIVIDEND

	2017	2016
	US$'000	US$'000
Final dividend proposed of US0.38 cents (2016: US0.51 cents) per share	**15,354**	20,472

On 8 March 2018 the Board proposed the payment of final dividend of HK3 cents (equivalent to US0.38 cents) per share for the year ended 31 December 2017 (2016: HK4 cents (equivalent to US0.51 cents)).

11 TRADE AND OTHER RECEIVABLES

	2017	2016
	US$'000	*US$'000*
Trade receivables, net of provision *(note a)*	**91,699**	87,067
Prepayments, deposits and other receivables, net of provision	**49,955**	59,911
Loans to related companies	**15,030**	16,071
Amounts due from related parties	**26,534**	9,172
	183,218	172,221
Less: non-current portion: loans to related companies	**(13,959)**	(15,027)
Current portion	**169,259**	157,194

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

	2017	2016
	US$'000	*US$'000*
Within 6 months	**89,382**	84,631
7-12 months	**1,863**	1,693
1-2 years	**616**	933
2-3 years	**175**	1,962
Over 3 years	**3,792**	2,227
Trade receivables	**95,828**	91,446
Less: impairment provision		
Within 6 months	**-**	-
7-12 months	**(104)**	(134)
1-2 years	**(222)**	(335)
2-3 years	**(11)**	(1,769)
Over 3 years	**(3,792)**	(2,141)
Provision for impairment of trade receivables	**(4,129)**	(4,379)
Trade receivables, net of provision	**91,699**	87,067

12 TRADE AND OTHER PAYABLES

	2017	2016
	US$'000	*US$'000*
Trade payables *(note a)*	**170,652**	152,651
Other payables and accruals	**31,862**	24,564
Amounts due to related parties	**76,099**	1,245
	278,613	178,460

Notes:

(a) At 31 December 2017, ageing analysis of trade payables (including amounts due to fellow subsidiaries of trading in nature) based on invoice date are as follows:

	2017	2016
	US$'000	US$'000
Within 6 months	**114,264**	126,917
7-12 months	**41,592**	5,826
1-2 years	**1,729**	8,704
2-3 years	**3,033**	1,300
Over 3 years	**10,034**	9,904
Trade payables	**170,652**	152,651

As at 31 December 2017 and 2016, the fair value of the Group's trade and other payables are approximately their carrying amounts.

13 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

On 12 February 2018, an agreement was entered into with a fellow subsidiary, Shanghai Changhang Shipping Co, Ltd, in relation to the disposal of a vessel, which was recorded as asset classified as held-for-sale as at 31 December 2017, at a consideration of RMB84,300,000 (inclusive of a value-added tax of 17%). The proceed of the disposal, net of value-added tax and other direct expenses, was approximately US$10,802,000.

REVIEW OF HISTORICAL OPERATING RESULTS

The world economy has entered a normal recovery track in 2017. The advanced economies such as Europe, the United States and Japan started to recover at the same time. The emerging economies headed by China and India had maintained steady growth. With the thriving international trade and increasing prices of major commodities, seaborne demand started to pick up. On the other hand, the growth rate of shipping supply was quite low, supply and demand balance continued to improve. The dry bulk and container shipping markets showed a good momentum of recovery, stepping out from the historical low in 2016. The overall market performance was on the uptrend along with volatility.

The Group adhered to its strategy of steady growth under the ever-changing market situation. The Group responded to the market changes by conducting market research and making correct decisions. Also, the Group provided services with innovative measures and enhanced customer services. Moreover, the Group enhanced its internal management, strengthened the use of information technology, continued to optimize the fleet structure, and actively promoted cost reduction and efficiency enhancement, and profitability was enhanced. Through the aforesaid efforts, the operating results of the Group improved significantly during the year, achieved profit turnaround and beat the expectation.

The Group recorded a revenue of US$1,006.40 million for the year 2017. The profit attributable to owners of the Company was US$32.27 million and earnings per share amounted to US0.81 cents.

Revenues

For the year ended 31 December 2017, revenues of our Group were US$1,006.40 million (2016: US$841.46 million).

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

	2017	2016	
	US$'000	*US$'000*	% Change
Revenues from:			
– Dry bulk shipping[(1)]	**489,102**	368,691	32.7%
– Container shipping	**517,930**	473,333	9.4%
– Others	**1,032**	1,060	(2.6%)
	1,008,064	843,084	19.6%
Revenues derived from joint ventures measured at proportionate consolidated basis[(1)]	**(1,669)**	(1,623)	2.8%
Revenues per the consolidated statement of profit or loss and other comprehensive income	**1,006,395**	841,461	19.6%

(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 profit or loss and other comprehensive income.

Dry bulk shipping

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

Along with the recovery of global economy, dry bulk seaborne demand gradually improved and in particular, China's major commodities import increased in faster pace. Confidence in the dry bulk shipping market has been boosted sharply, despite a higher net growth in shipping supply as compared with 2016. The average Baltic Dry Index (BDI), which reflects the condition of dry bulk shipping market, was 1,145 points in 2017, representing an increase of 70% as compared with the lowest average in 2016. The BDI fluctuated within the range of 685 points to 1,743 points during the period.

Facing a volatile market, the Group seized the golden chance of market recovery conducted market research in advance and adjusted its fleet structure in time. Also, we made use of our global business network, optimized mode of business, and allocated more effort in exploring strategic customers, to improve profitability. The Group achieved a profit turnaround eventually.

In 2017, revenue of the Group from dry bulk shipping was US$489.10 million (2016: US$368.69 million), among which ocean freight income recorded US$289.68 million (2016: US$275.61 million), and charter hire income recorded US$199.42 million (2016: US$93.08 million). The shipping volume was 41.70 million tons during the year (2016: 41.32 million tons). The average daily charter hire rate/time charter equivalent (TCE) rate of dry bulk vessels was US$10,458 (2016: US$6,521), representing a year-on-year increase of 60.4%.

Container shipping

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

In 2017, the container shipping market in Intra-Asia area was stable and on uptrend as the economic growth in Asia continued to outperform the global average. The competition landscape was relatively stable, supply and demand balance has been improving, and the freight rates steadily increased.

The Group persistently oriented itself as the liner services provider in Intra-Asia area. It is committed to developing boutique shipping routes and strived to optimize route arrangement. During the year, the Group developed 3 new routes. The shipping volume of imported cargoes increased significantly by the strengthened marketing capability, leading to a better overall vessel utilization. At the same time, the Group continued strengthening its cost control management, extended new services by innovative measures and improved service quality. The profit for the segment hit a record high.

For the year ended 31 December 2017, revenue of the Group from container shipping was US$517.93 million (2016: US$473.33 million), among which income from liner service recorded US$481.65 million (2016: US$422.75 million), income from freight forwarding recorded US$36.28 million (2016: US$50.58 million). The container shipping volume of the Group was approximately 1,006,000 TEU during the year (2016: 879,000 TEU). The average income per container was US$392 (2016: US$392).

Cost of operations

The cost of operations increased to US$940.11 million (2016: US$888.56 million) for the year ended 31 December 2017. The principal cost of operations included voyage costs, cargo transportation costs, operating lease rentals and vessel costs.

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

	2017	2016	
	US$'000	*US$'000*	% Change
Dry Bulk Shipping			
Voyage costs	**128,599**	131,353	(2.1%)
Cargo transportation costs	**51,837**	54,809	(5.4%)
Operating lease rentals	**173,933**	142,635	21.9%
Vessel costs	**94,795**	105,731	(10.3%)
Others	**9,082**	5,782	57.1%
	458,246	440,310	4.1%
Container Shipping			
Voyage costs	**81,035**	57,933	39.9%
Cargo transportation costs	**245,363**	243,656	0.7%
Operating lease rentals	**129,281**	124,456	3.9%
Vessel costs	**24,571**	21,753	13.0%
Others	**304**	316	(3.8%)
	480,554	448,114	7.2%
Segment – Others	**1,308**	131	898.5%
Total cost of operations	**940,108**	888,555	5.8%

The operating costs of dry bulk shipping amounted to US$458.25 million (2016: US$440.31 million). The slight increase in the operating costs in 2017 was caused by the increase in operating lease rentals by 21.9% due to the upturn in charter hire rate and larger scale of charter-in vessels.

The operating costs of container shipping amounted to US$480.55 million (2016: US$448.11 million). The increase in the operating costs in 2017 was as a result of the increase in voyage costs by 39.9% mainly due to the upturn in bunker prices and shipping volume.

Selling, administrative and general expenses

The selling, administrative and general expenses, mainly comprising staff costs and office cost, amounted to US$37.17 million (2016: US$ 34.38 million).

Impairment loss on asset classified as held-for-sale

As at 31 December 2017, the Group contemplated to sell a dry bulk vessel, “Da Cheng”, to a fellow subsidiary. Accordingly, such vessel was derecognised from property, plant and equipment and classified to asset classified as held-for-sales, and its carrying amount was written down to its fair value less costs to sell. Therefore, an impairment amounted to US$1.80 million was recognised within “Other gains/(losses), net”. The transfer agreement has been signed on 12 February 2018.

Finance income and expenses

The finance income and expenses were US$17.52 million (2016: US$10.83 million) and US$6.53 million (2016: US$6.26 million) respectively. The increase in finance income was mainly attributable to the increase in bank balances and interest rate.

Share of (losses)/profits of joint ventures

The share of losses of joint ventures, which was substantially the startup expenses incurred by LNG shipping business, was US$0.83 million (2016: profits of US$0.46 million).

Income tax expense

Income tax for the year ended 31 December 2017 was US$5.72 million (2016: US$1.32 million). The increase is due to the unutilized tax losses of a subsidiary fully utilized by the end of 2016 and the increase in taxable profits caused by the better business environment.

Liquidity and financial resources

Our cash is principally used for payments for construction of vessels, final dividend of 2016, investment in LNG shipping business and operation costs for the year ended 31 December 2017. 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.

	2017	2016
	US$'000	*US$'000*
Current assets	**928,807**	855,008
Current liabilities	**297,677**	208,827
Liquidity ratio *(Note)*	**3.12**	4.09

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 2017 was 3.12 (2016: 4.09).

Borrowings

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

	Bank borrowings		**Finance lease obligation**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Within 1 year	**6,346**	6,346	**1,872**	1,663	**8,218**	8,009
Between 1 and 2 years	**6,346**	6,346	**2,058**	1,819	**8,404**	8,165
Between 2 and 5 years	**10,807**	16,931	**7,975**	7,047	**18,782**	23,978
Over 5 years	**–**	–	**27,750**	30,736	**27,750**	30,736
	23,499	29,623	**39,655**	41,265	**63,154**	70,888
Less: current portion	**(6,346)**	(6,346)	**(1,872)**	(1,663)	**(8,218)**	(8,009)
Non-current portion	**17,153**	23,277	**37,783**	39,602	**54,936**	62,879

Gearing ratio

Gearing ratio is not presented as our Group had net cash (in excess of debt) as at 31 December 2017 and 2016.

Capital Commitments

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

	2017	2016
	US$'000	*US$'000*
Contracted but not provided for	**99,476**	191,605

(b) Capital commitments in respect of investment in joint ventures

	2017	2016
	US$'000	*US$'000*
Capital commitment in respect of the vessels under construction	–	12,146

Capital expenditures

For the year ended 31 December 2017, total capital expenditures were US$115.44 million (2016: US$109.46 million), which was mainly attributable to the capital expenditures for construction of vessels, investments in LNG shipping business, dry docking and intangible asset.

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.

EMPLOYEES

As at 31 December 2017, the Group had a total of 648 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 2016 annual report with no material change.

FLEET DEVELOPMENT

Amid the weak market environment in the past three years (2015 to 2017), the Group scrapped 25 aged vessels and took delivery of 14 new eco-vessels and 1 LNG carrier. In addition, 6 Handysize bulk carriers ordered by the Group are expected to be delivered in 2018. Through the large-scale fleet upgrade, the structure of vessel types and age of the fleet have been greatly improved. As at the end of 2017, the average age of our self-owned fleet was 6.2 years only. With a higher market acceptance and significantly reduced fleet costs, the fleet's overall competitiveness has been further enhanced.

Details of the fleet of the Group as at 31 December 2017 are as follows:

	Self-owned vessels (unit)	Chartered-in vessels (unit)	Controlled vessels (unit)	Orderbook (unit)
Capesize	9	1	10	–
Panamax	11	28	39	–
Handymax	12	13	25	–
Handysize(1)	4	3	7	6
Total for bulk vessels	36	45	81	6
Total for bulk vessels (kt)	3370kt	3269kt	6639kt	233kt
Container vessels	14	17	31	–
Container vessels (TEU)	16733TEU	25632TEU	42365TEU	–
Ice-Class LNG carriers(2)	1	–	1	4
Ice-Class LNG carriers (thousand cubic meters)	172	–	172	688
Total vessels	51	62	113	10

(1) 2 of the Handysize vessels are collectively owned by the Group and Mitsui O.S.K. Lines, Ltd. The Group owns 50% interests in each of the 2 vessels.

(2) 5 Ice-Class LNG carriers are collectively owned by the Group and its partners. The Group owns 25.5% interests in each of the 5 vessels.

(3) In addition, 1 Handysize bulk carrier and 1 Ice-Class LNG carrier have been delivered before the publication date of 2017 annual results announcement of the Group.

LNG SHIPPING

In cooperation with its partners, the Group successfully won the bidding of Russian Yamal ice-class LNG carrier project in 2015 to jointly invest in 5 new-built LNG carriers and engage in LNG shipping in the Arctic Circle. As at the date of this report, 2 of the 5 new carriers have been delivered and are expected to contribute stable and relatively high investment return in 2018, whereas the remaining 3 carriers are expected to be delivered in 2019. The Group will closely monitor the shipbuilding progress of the 3 carriers to ensure the shipbuilding quality and a smooth project development.

OUTLOOK

Looking forward into 2018, the world economic situation will remain complicated and constantly changing. The trend of steady recovery of domestic and world economies is expected to keep up while the growth in world trade is expected to accelerate, thus sustaining the steady economic growth in general. This will lay a solid foundation for the further recovery of the shipping market. However, the uncertain factors cannot be ignored and the Group takes cautiously optimistic attitude towards the market performance in 2018.

In the dry bulk segment, the favorable macroeconomic environment will drive the dry bulk seaborne demand upward. In addition, with the “Belt and Road Initiative” being gradually taken forward, huge infrastructure development along the twin corridors will provide enormous market opportunities and provide new momentum for dry bulk market. At the same time, newbuilding orders rebound may exert pressure on the market. In respect of the container shipping market, the economic growth rate of Intra-Asia region is expected to remain higher than that of the world, which stimulates higher shipping demand. Also, the competition landscape of the regional container shipping market is relatively stable. Hence, it is expected that the freight rate would maintain a stable and mild growth. However, uncertain factors such as geopolitical risks, the rise of protectionism and the fluctuation in bunker prices, may affect the Group’s operating performance.

2017 was the tenth anniversary of the listing of the Group. Despite the downturn that the shipping market experienced in the past decade, the Group has made steady progress with a more reasonable business structure thanks to the right leadership of the Board of Directors and the hard work of the staff, and accumulated extensive management experience. Ten years mark a milestone and also a new start. Standing from a new starting point in a new era, we will never forget why we started and will overcome the challenges ahead. We will adhere to our business orientation of seeking improvement through gradual progress by seizing market opportunities and pursuing both short-term and long term interests. The Group will also consolidate the resources and develop a smart fleet with the aims of raising operating efficiency and controlling costs in order to enhance the overall fleet competitiveness. Leveraging the healthy financial position, low-cost self-owned fleet, professional management team, global business network and effective risk management, the Group will spare no effort to capture market opportunities so as to further promote business growth and corporate value, with maximizing shareholders’ interests as its goal.

FINAL DIVIDEND

The Board has proposed a final dividend for the year ended 31 December 2017 of HK3 cents (equivalent to US0.38 cents) per share and, if such dividend is approved by the shareholders at the 2018 Annual General Meeting of the Company, it is expected to be paid in June 2018. The dates of closure of register of members of the Company for the purpose of determining the identity of shareholders entitled to attend the 2018 Annual General Meeting and to receive the proposed final dividend and the payment date of the said final dividend will be announced later.

REVIEW OF RESULT

The financial results for the year ended 31 December 2017 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE

Our Group has complied with all code provisions of the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017 except that due to other business commitment, the chairman of the Company did not attend and chair the annual general meeting held on 25 May 2017.

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

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

Our Board confirms that, having made specific enquiry of all Directors, all our Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's listed securities.

CHANGE OF AUDITORS

According to the relevant regulations issued by the governing authority of the People's Republic of China, there are restrictions in respect of the number of years of audit services that an accounting firm can continuously provide to a state-owned enterprise and its subsidiaries. The Company is a subsidiary of a state-owned enterprise and the number of years that the Company has continuously engaged its existing auditor, PricewaterhouseCoopers, has exceeded the prescribed time limit. Therefore, PricewaterhouseCoopers will retire as the auditor of the Company with effect from the conclusion of the forthcoming Annual General Meeting of the Company and will not offer themselves for re-appointment.

Sinotrans Shipping (Holdings) Limited, a controlling shareholder of the Company, has given a special notice, pursuant to sections 400(1)(a) and 578 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), of its intention to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company:-

> "**THAT** SHINEWING (HK) CPA LIMITED be and is hereby appointed auditor of the Company in place of the retiring auditor, PricewaterhouseCoopers, to hold office until the conclusion of the next annual general meeting at a remuneration to be fixed by the board of directors."

With the recommendation from the Audit Committee of the Company, the Board has resolved to propose at the forthcoming Annual General Meeting of the Company a resolution for the appointment of SHINEWING (HK) CPA LIMITED as the auditor of the Company for the year ending 31 December 2018 in place of the retiring auditor, PricewaterhouseCoopers.

The Board was not aware of any other matter regarding the proposed change of auditors that should be brought to the attention of holders of securities of the Company. Confirmation shall be obtained from PricewaterhouseCoopers if there are matters in relation to their retirement as the auditor of the Company which should be brought to the attention of holders of securities of the Company. Information provided in the auditor's confirmation will be set out in a circular to be delivered to shareholders of the Company.

The Board would like to express its appreciation for the services of PricewaterhouseCoopers provided to the Company in the past years.

DIRECTORS

As at the date of this announcement, our Executive Directors are Mr. Li Hua and Ms. Feng Guoying; our Non-Executive Directors are Mr. Li Zhen (chairman) and Mr. Tian Zhongshan; and our Independent Non-Executive Directors are Mr. Lee Peter Yip Wah, Mr. Zhou Qifang, Mr. Xu Zhengjun and Mr. Wu Tak Lung.

By Order of the Board
Sinotrans Shipping Limited
Li Hua
Executive Director

Hong Kong, 8 March 2018